FIRST RESOURCES LIMITED

Annual Report 2012

FIRST RESOURCES

CORPORATE PROFILE

Established in 1992 and listed on the Singapore Exchange since 2007, First Resources is one of the fastest-growing palm oil producers in Asia-Pacific, managing more than 146,000 hectares of oil palm plantations and operating 11 palm oil mills in Indonesia.

Our core business activities include cultivating oil palms, harvesting the fresh fruit bunches and milling them into crude palm oil ("CPO") and palm kernel for sale locally as well as internationally. Our integrated processing facilities enable the Group to refine part of our CPO production into higher value products such as olein and biodiesel.

First Resources enjoys a strong growth profile with more than 50 per cent of the trees in our plantations still in immature or young ages. This is expected to drive strong production growth over the next five years as the trees come into maturity and reach their prime production ages.

To achieve a sustainable growth trajectory, the Group adopts a disciplined approach towards new plantings to rejuvenate our plantation age profile. We have a sizeable reserve of land bank to support further expansion of our plantation footprint and we aim to grow our annual CPO production to one million tonnes within the next five years.

First Resources' expertise in plantation cultivation and management is clearly reflected in our high yields, high extraction rates and low cost of production. The Group's strong fundamentals have resulted in a competitive cost structure that has enabled us to capture superior margins and remain resilient to CPO price cycles.

CONTENTS

OUR PRESENCE

OIL PALM PLANTATIONS

Total Planted Area
146,403 hectares

Nucleus Area
125,805 hectares

Plasma Area
20,598 hectares

PALM OIL MILLS

Number of Mills
11

Capacity
630
tonnes/hour

3.78 million
tonnes/annum

REFINERY

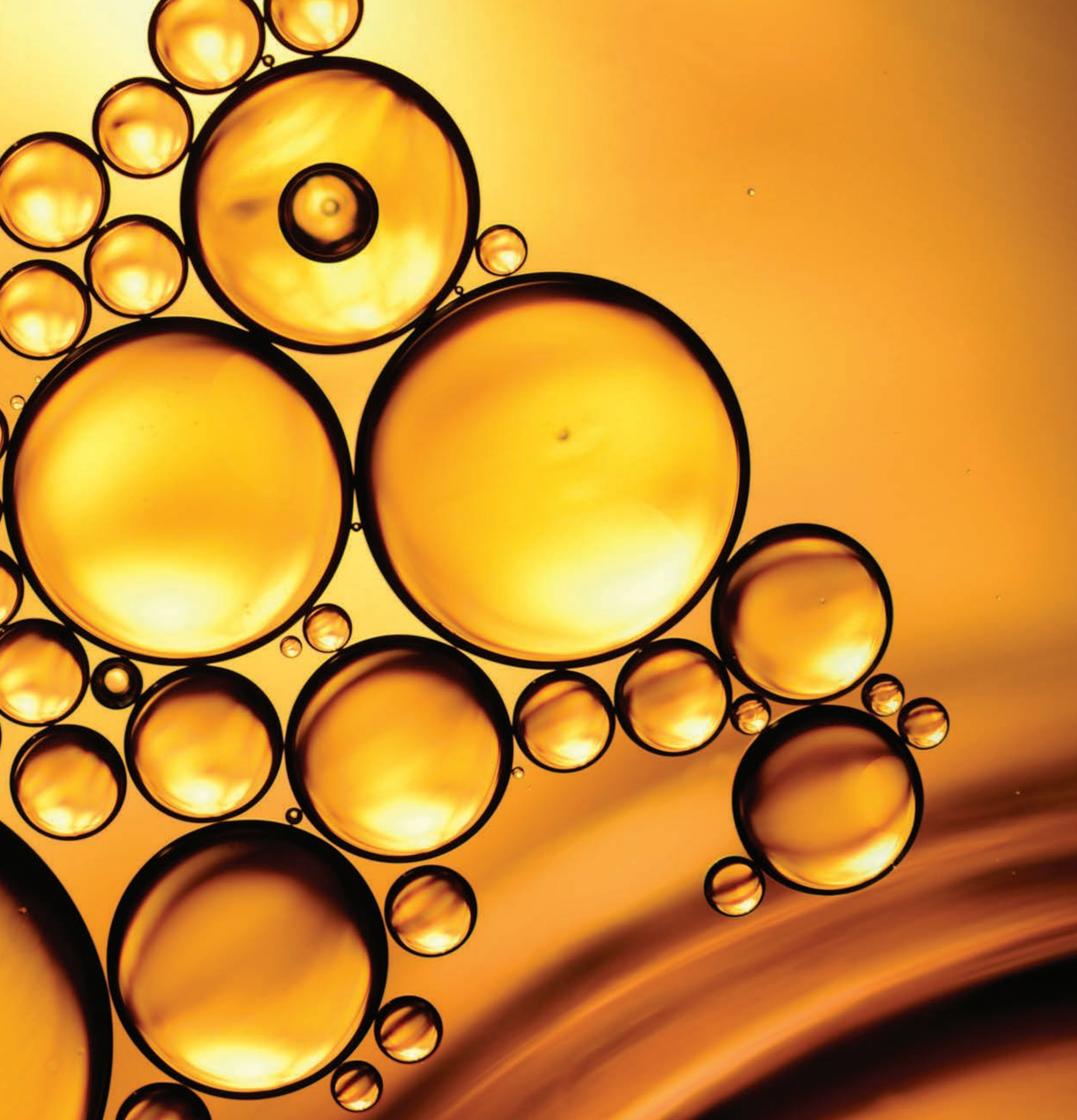
Capacity
250,000
tonnes/annum

CULTIVATING RESOURCES

Resource efficiency is our strategy towards sustainable palm oil production. To enhance yield potential and achieve optimal results from our plantation assets, First Resources places great emphasis on the selection of land and uses only top quality planting materials. Careful attention to implementing the best practices in plantation management ensures that our resources are efficiently utilised - maximum output for the society with minimum footprint on the environment.

PERFORMING RESPONSIBLY

Education, infrastructure, as well as livelihood preservation and improvement are the three pillars of our community development activities. Village communities located within or adjacent to First Resources' estates, and those directly impacted by our operations, receive support in these areas through structured programmes tailored specially for them.



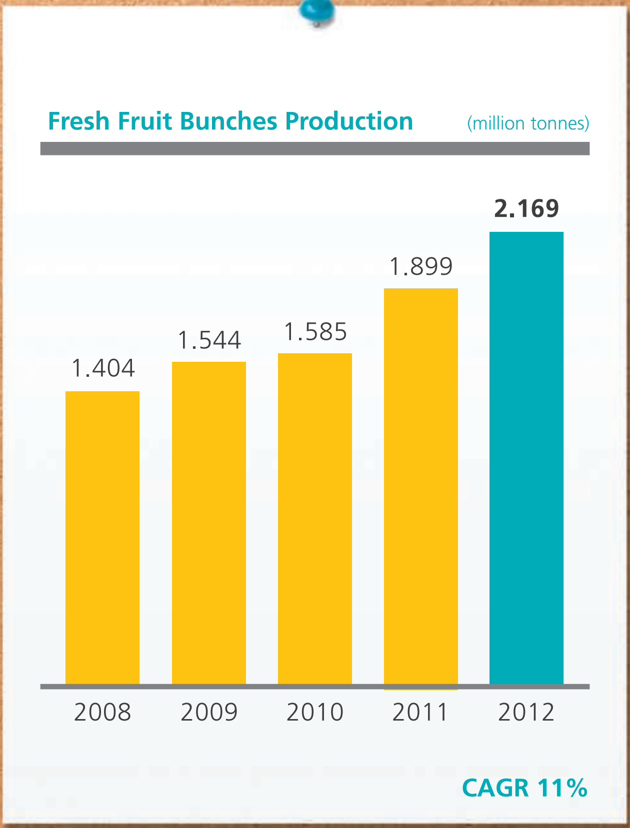
LEVERAGING on RESEARCH

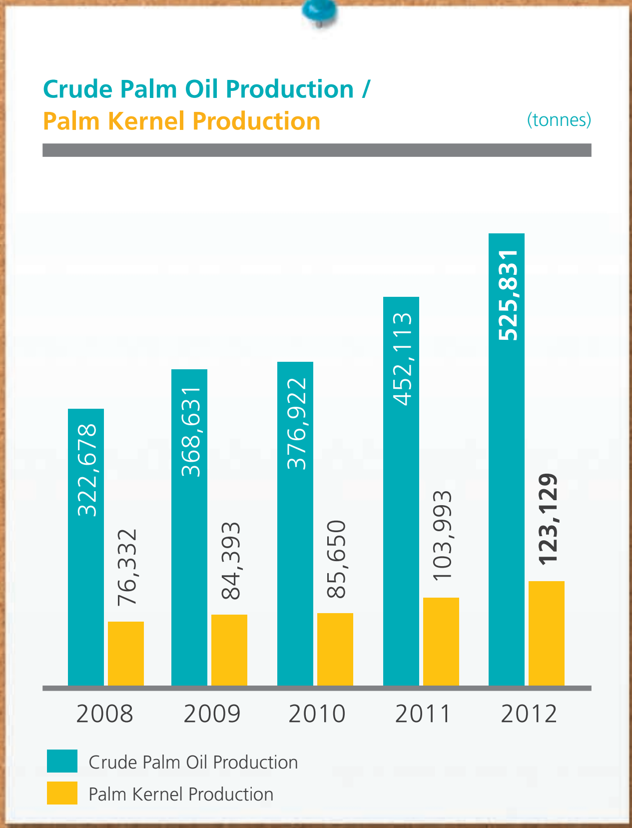
Located in Riau, the First Resources Research Centre supports the Group's operations by focusing on providing sustainable solutions to optimise resources and minimise environmental impact. The research team undertake projects in areas such as plant breeding, plant nutrition, crop protection, biological control and agronomy, as part of our overarching sustainability strategy.

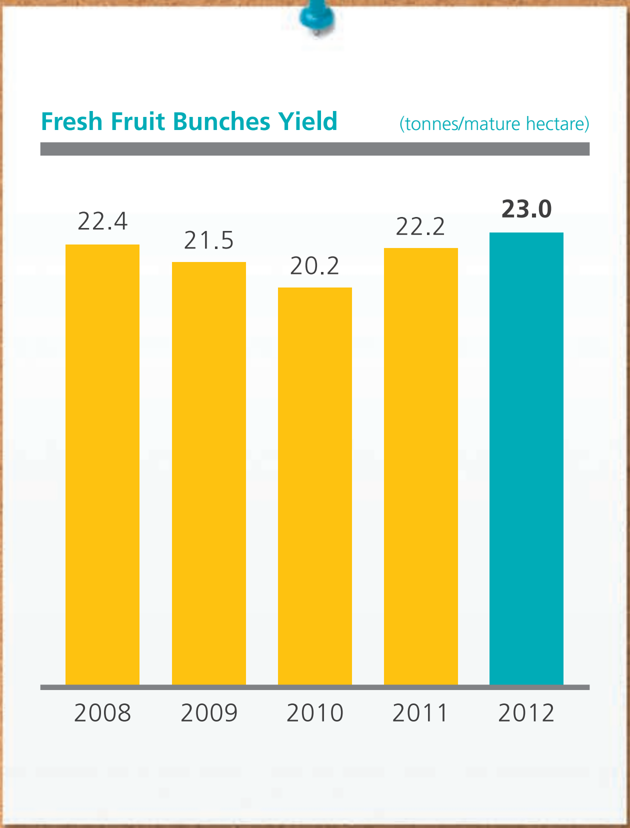
OPERATIONAL HIGHLIGHTS

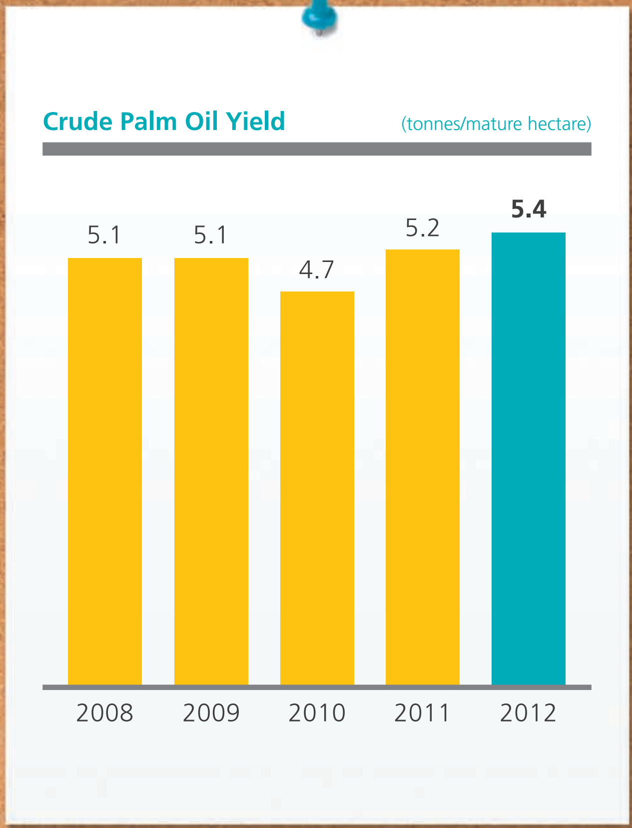
FINANCIAL YEAR	2008	2009	2010	2011	2012
OIL PALM PLANTATION AREA (Hectares) (1)					
Total Planted Area	**95,241**	**108,917**	**120,830**	**132,251**	**146,403**
Mature	62,616	71,927	78,627	85,699	98,181
Immature	32,625	36,990	42,203	46,552	48,222
Nucleus Planted Area	**84,076**	**96,858**	**107,664**	**113,143**	**125,805**
Mature	54,915	63,684	69,404	74,704	85,888
Immature	29,161	33,174	38,260	38,439	39,917
Plasma Planted Area	**11,165**	**12,059**	**13,166**	**19,108**	**20,598**
Mature	7,701	8,243	9,223	10,995	12,293
Immature	3,464	3,816	3,943	8,113	8,305
Planted Area by Location					
Riau	94,668	98,966	101,181	103,128	108,168
West Kalimantan	573	9,951	19,649	29,123	34,492
East Kalimantan	-	-	-	-	3,743
PRODUCTION VOLUME (Tonnes) (2)					
Fresh Fruit Bunches ("FFB")	**1,403,794**	**1,544,332**	**1,584,910**	**1,898,565**	**2,168,983**
Nucleus	1,243,747	1,393,384	1,447,595	1,725,374	1,924,743
Plasma	160,047	150,948	137,315	173,191	244,240
Crude Palm Oil ("CPO")	**322,678**	**368,631**	**376,922**	**452,113**	**525,831**
Palm Kernel ("PK")	**76,332**	**84,393**	**85,650**	**103,993**	**123,129**
PRODUCTIVITY (2)					
FFB Yield per Mature Hectare (tonnes)	**22.4**	**21.5**	**20.2**	**22.2**	**23.0**
CPO Yield per Mature Hectare (tonnes)	**5.1**	**5.1**	**4.7**	**5.2**	**5.4**
CPO Extraction Rate (%)	**22.8**	**23.7**	**23.6**	**23.6**	**23.3**
PK Extraction Rate (%)	**5.4**	**5.4**	**5.4**	**5.4**	**5.5**

Notes:
(1) Planted area as at end of 2012 included PT Gerbang Sawit Indah (PT GSI) which was acquired in October 2012.
(2) Production and productivity data for the financial year 2012 excluded PT GSI.









Note:
CAGR: Compounded Annual Growth Rate

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR	2008	2009	2010	2011	2012
INCOME STATEMENT (US$'000)					
Sales	287,508	218,945	329,877	494,619	**603,429**
Gross profit	192,209	130,500	212,239	345,874	**382,240**
Gains arising from changes in fair value of biological assets	39,016	44,286	49,531	39,217	**35,795**
Profit from operations	201,531	156,416	236,988	310,398	**333,528**
EBITDA (1)	169,979	121,877	203,720	294,717	**322,750**
Profit before tax	167,573	163,707	212,508	281,687	**326,327**
Net profit attributable to owners of the Company	112,791	112,505	143,084	196,416	**237,060**
Underlying net profit (2)	86,010	74,560	108,895	168,371	**211,301**
BALANCE SHEET (US$'000)					
Total assets	714,729	1,012,618	1,235,088	1,500,074	**1,930,900**
Total liabilities	318,322	419,827	490,171	571,721	**773,328**
Total equity	396,407	592,791	744,917	928,353	**1,157,572**
Equity attributable to owners of the Company	373,567	563,678	710,453	884,693	**1,106,392**
FINANCIAL STATISTICS					
Gross profit margin (%)	66.9	59.6	64.3	69.9	**63.3**
EBITDA margin (%)	59.1	55.7	61.8	59.6	**53.5**
Underlying net profit margin (%) (3)	29.9	34.1	33.0	34.0	**35.0**
Basic earnings per share (US Cents) (4)	7.71	7.74	9.84	13.38	**15.29**
Net debt to equity (times) (5)	0.21	0.18	0.13	0.15	**0.12**
EBITDA to interest coverage (times) (6)	7.0	5.3	6.9	9.9	**12.5**
Net asset value per share (US$) (7)	0.26	0.39	0.49	0.60	**0.70**

Notes:

(1) EBITDA = Profit from operations before depreciation, amortisation and gains arising from changes in fair value of biological assets

(2) Underlying net profit = Net profit attributable to owners of the Company adjusted to exclude net gains arising from changes in fair value of biological assets

(3) Underlying net profit margin = Underlying net profit / Sales

(4) Basic earnings per share = Net profit attributable to owners of the Company / Weighted average number of ordinary shares (excluding treasury shares) in issue during the financial year

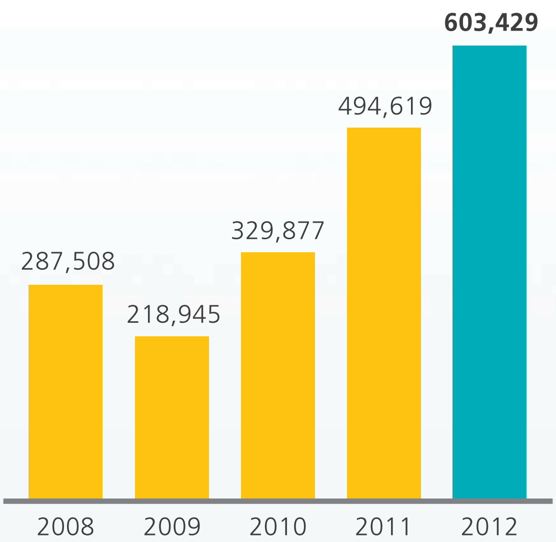
(5) Net debt to equity = Borrowings and debt securities less cash and bank balances / Total equity

(6) EBITDA to interest coverage = EBITDA / Total interest and profit distribution paid or payable on borrowings and debt securities

(7) Net asset value per share = Equity attributable to owners of the Company / Number of ordinary shares (excluding treasury shares) in issue at end of the financial year

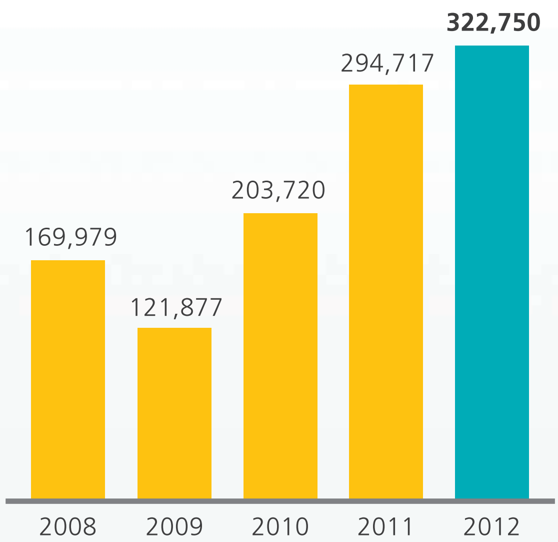
Sales

(US$'000)



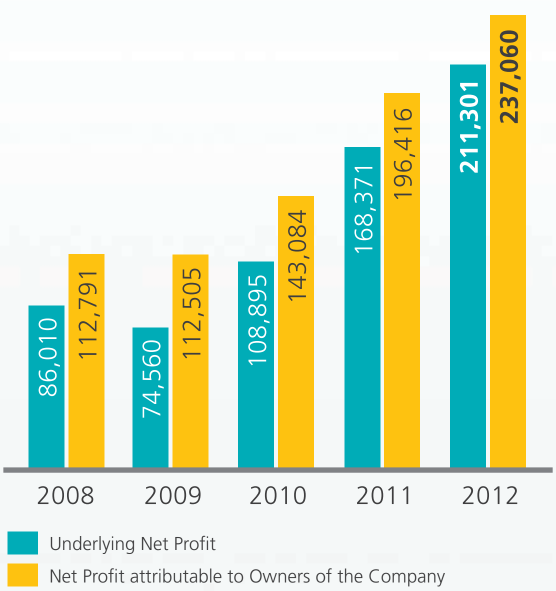
EBITDA

(US$'000)



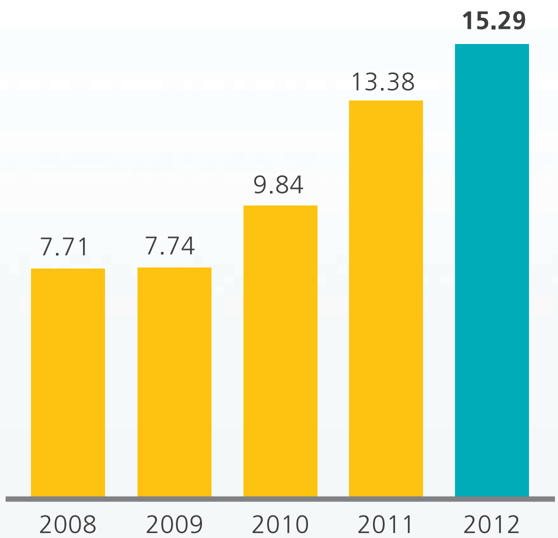
Underlying Net Profit / Net Profit attributable to Owners of the Company

(US$'000)



Basic Earnings per Share

(US Cents)



MESSAGE TO SHAREHOLDERS

"2012 was another record-breaking year for the Group, in spite of a more challenging business environment faced by the industry at large."

525,831 tonnes

of record CPO production

US$211.3 million

of underlying net profit

Dear Shareholders,

2012 proved to be a challenging year for our industry, marked by volatile palm oil prices. Palm oil prices ascended in the earlier part of the year, to a peak of US$1,188 per tonne in April 2012 before declining to a three-year low of US$668 per tonne in December 2012. Strong production from Indonesia and Malaysia, which collectively account for more than 80% of the world's palm oil supply, was met with weaker than expected demand from consumption giant, China, causing a gradual build-up in inventory. Good soybean harvests in America, coupled with weaker crude oil prices, further contributed to the weak backdrop. This inventory overhang continued to cast a shadow on palm oil prices as the year drew to a close.

Performance Review

In view of the weaker market conditions, we are very pleased that the Group overcame the odds to deliver an excellent set of results in FY2012 with several notable achievements. The increase in our production volumes and realisation of some forward sales during the year helped us mitigate the effects of lower market prices. This resulted in another record-breaking year for the Group, with higher earnings in spite of the more challenging business environment faced by the industry at large.

At the operational level, we again achieved record-high production volumes of fresh fruit bunches ("FFB") and crude palm oil ("CPO"). These rose to 2.2 million tonnes and 526,000 tonnes respectively, an increase of 14% and 16% from FY2011. The growth is largely attributed to past planting efforts, which have resulted in a young tree maturity profile across the Group's plantation assets and enabled us to achieve consistent production growth over the years.

On the productivity front, FFB yield increased to a record-high of 23.0 tonnes per hectare. With a CPO extraction rate of 23.3%, our CPO yield reached 5.4 tonnes per hectare, another record in the Group's history. This is a testament of our continuous efforts in improving yields and increasing operational synergies between our plantations and palm oil mills.

Thanks to our strong operational performance in FY2012, we rewrote our Group's records for sales, profits and EBITDA. Net profit attributable to shareholders came in at US$237 million, a 21% increase over FY2011. After excluding the gains arising from biological assets revaluation, the Group's underlying net profit was US$211 million, a jump of 26% from FY2011. EBITDA rose 10% from a year earlier to reach US$323 million. EBITDA margin remained healthy at 54%, a reflection of the high-margin upstream segment we operate in.

EBITDA per hectare of mature nucleus plantation, which represents the cash earnings generated by each productive nucleus hectare that we worked on, is a metric we use to track our performance. On this measure, our Plantations and Palm Oil Mills segment contributed US$3,570 of EBITDA per hectare, as compared to US$3,586 achieved in FY2011. Compared against prevailing replacement costs and an expected 20 to 25-year economic lifespan of oil palms, the high unit EBITDA is a reflection of our operational efficiencies and demonstrates the attractiveness of a well-managed oil palm plantation business.

On a negative note, our cash cost of production per tonne of nucleus CPO, on an ex-mill basis, rose from US$221 in FY2011 to US$238 in FY2012 primarily because of wage inflation and increase in fertiliser prices. With yearly increases in Indonesia's minimum wage levels, it is a challenge to maintain our unit cost of production. Nonetheless, we will continue to focus on improving our yields and controlling our costs so as to keep our cost structure competitive.

Islamic Medium Term Note Programme

In June 2012, the Group was granted approval by the Securities Commission of Malaysia to establish a ten-year Ringgit-denominated Islamic medium term note programme of up to MYR 2 billion. The programme allows us to raise funds from Malaysian investors and will help diversify our sources of funding and lower our cost of borrowings.

The Group has since tapped the programme twice, in July and December 2012, to raise a total of MYR 1 billion. Both issues were very well-received, a reflection of investors' confidence in the Company as well as the industry. This fund raising was awarded "Most Innovative Islamic Finance Deal of the Year in Southeast Asia" by Alpha Southeast Asia.

Acquisitions of Plantation Assets

In 2012, we saw more acquisition opportunities for oil palm plantations assets. We have successfully completed two acquisitions, namely PT Gerbang Sawit Indah, which was acquired in October 2012, and Lynhurst Investment Pte. Ltd., which was acquired in February 2013. These acquisitions were aimed at accelerating the Group's growth plans for its upstream plantation assets.

Located within close proximity to our existing plantations, the new acquisitions will have operational synergies that we can leverage on to reap better economies of scale for the Group. We expect initial production yields from the newly acquired assets to be lower than the Group's average yields but we are confident of improving the productivity of these assets after two to three years of optimal fertilisation, maintenance and upkeep.

MESSAGE TO SHAREHOLDERS

Investment Updates in 2012 and Beyond

We remain focused on expanding our oil palm plantation footprint through new plantings of 15,000 to 20,000 hectares every year. This is in line with our target to manage 200,000 hectares of oil palms within the next five years.

In 2013, our organic capital expenditure plans will aggregate approximately US$200 million in value. This will be used to fund the development of new plantations, the maintenance of existing immature plantations, the construction of new CPO mills and the completion of our integrated processing complex in Riau.

We look forward to having the integrated processing complex fully operational this year as we continue to open and add to the facility in phases. In 2012, the private jetty and bulking facilities were commissioned, which has given the Group better control over our order books and logistics. With more than half a million tonnes of our palm products exiting from Riau into the international markets, we believe that this distribution advantage will add tremendous strategic value to our operations. The commissioning of the kernel crushing plant and new refinery located within the complex faced operational delays and are now scheduled to be operational by the first half and second half of 2013 respectively. The kernel crushing plant will enable the Group to expand our product offerings to include palm kernel oil and palm kernel expeller. The new refinery will lift our total combined refining capacity to 850,000 tonnes per annum, which will comfortably accommodate the expected growth in our CPO production over the next few years.

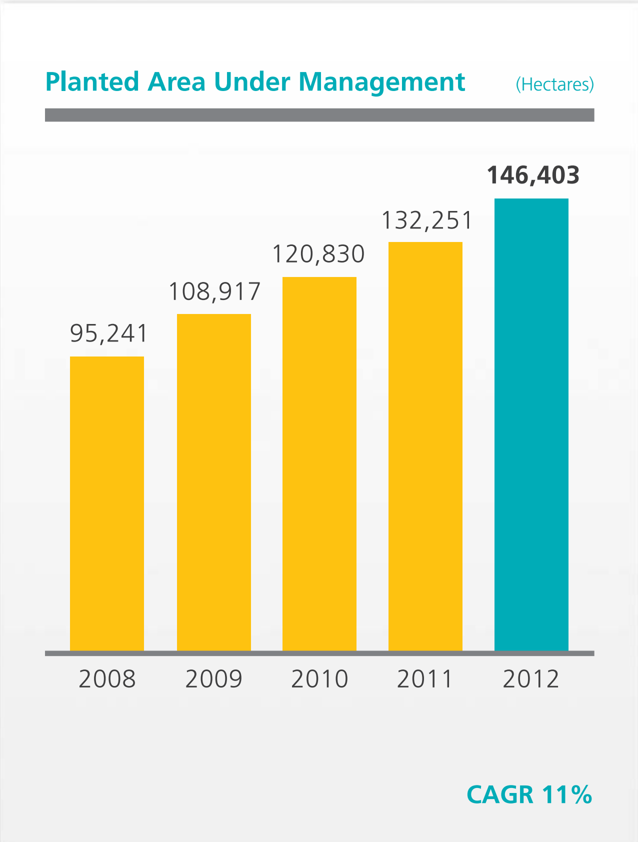
Growth Strategy

The Group is committed to its five-year growth strategy, which builds on our three core competencies – expansion of plantation assets to ensure sustainable production growth at our plantations; stringent cost control throughout our operations; and the broadening of our processing capabilities to build an integrated set of operations.

The Group aims to produce a million tonnes of CPO within the next five years, a sizeable base upon which the Group can consider adding other downstream capabilities for maximum value extraction.

Outlook

We anticipate palm oil market prices to remain volatile this year. However, the softer CPO price is expected to encourage increased usage of palm oil for both food and non-food uses such as biofuels. Palm oil's key advantage lies in being



the cheapest vegetable oil globally and as such, we remain optimistic of the long-term fundamentals for this commodity.

We believe First Resources is well positioned to capitalise on these positive macro trends. Our diligence in growing our asset base will help us deliver production growth over the next five years to capture the additional demand. In addition, the scheduled completion of our integrated processing complex in 2013 will enable us to produce and sell more refined palm-based products in future, thus cushioning us against the impact of volatile CPO prices.

Appreciation

In line with the Group's performance and also to thank our shareholders for your continued confidence and support, the Group is pleased to propose a final dividend of 2.75 Singapore cents per share, which combined with the interim dividend of 1.25 Singapore cents per share paid in September 2012, brings the total FY2012 dividend to 4.00 Singapore cents per share.

On behalf of the Board, we would like to express our deepest appreciation to Mr Ray Nugraha Yoshuara, who has decided not to stand for re-election at the coming Annual General Meeting. His contribution, guidance and support have greatly benefited the Group.

We would also like to take this opportunity to convey our thanks to our Board of Directors for their guidance and invaluable contribution during the year.

We also want to thank the management and the employees of First Resources for their tireless dedication, commitment and hard work. Special thanks to our business partners and customers, who have supported and grown with us over the years. We look forward to your ongoing support as we seek to take the company to a new level of growth this year.

Together with the Board and the management, we will continue to work hard to strive for stronger growth and better returns.

Lim Ming Seong
Chairman and Independent Director

Ciliandra Fangiono
Executive Director and Chief Executive Officer

OPERATIONAL REVIEW

"Achieved a record CPO yield of 5.4 tonnes per mature hectare, a credible accomplishment considering that approximately 36% of our mature trees are still young and have yet to reach their prime yielding ages."

Plantations and Palm Oil Mills

With our continuous efforts in planting, upkeep and maintenance of our plantations, the Group has been able to deliver higher production volumes year after year.

First Resources' mature plantations produced a record 2,168,983 tonnes of FFB in FY2012, a 14.2% year-on-year increase. Of this, the nucleus estates produced 1,924,743 tonnes of FFB, an increase of 11.6% over FY2011, while the plasma estates produced 244,240 tonnes, a significant increase of 41.0%. These translated to a total blended yield of 23.0 tonnes per mature hectare in FY2012 compared to 22.2 tonnes in FY2011. Analysed individually, both our nucleus and plasma estates achieved higher yields in FY2012 compared to the preceding year. Our nucleus plantations yielded 23.5 tonnes of FFB per hectare (FY2011: 23.1 tonnes), while the plasma plantations yielded 19.9 tonnes per hectare (FY2011: 15.8 tonnes).

The growth in production volumes was largely attributed to better maturity profiles at our young plantations, an increase in mature hectarage as well as overall yield improvements of our plantations.

In FY2012, 96% of the FFB processed by the Group's palm oil mills came from our nucleus and plasma plantations. Third party purchases of FFB increased from 1% in FY2011 to 4% in FY2012. In tandem with the growth in FFB production volume and the increase in third party purchases, CPO production volume grew 16.3% to 525,831 tonnes. However, the increase in third party purchases in FY2012 resulted in a marginal decline in the Group's oil extraction rate to 23.3% compared to 23.6% in FY2011. The Group recorded a CPO yield of 5.4 tonnes per mature hectare compared to a yield of 5.2 tonnes in the preceding year. This level of productivity remained relatively high considering that approximately 36% of our mature trees are still young and have yet to reach their prime yielding ages.

The higher productivity in FY2012 helped to partially mitigate inflationary pressures the Group faced from higher wages and fertiliser prices. The unit cash cost of production for our nucleus CPO increased 7.7% to US$238 per tonne on an ex-mill basis (FY2011: US$221 per tonne).

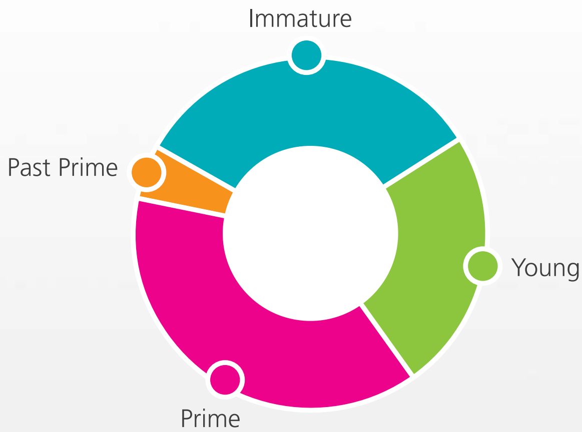
The Group also achieved positive growth of 18.4% in our palm kernel production volume to 123,129 tonnes, with a palm kernel extraction rate of 5.5%.

Refinery and Processing

In FY2012, the Group secured more orders from both domestic and international markets for our processed products which included olein, stearin and biodiesel. A total of 223,809 tonnes of refined palm oil products were sold, a surge of 58.0% over FY2011. The Group expects to increase our production volumes of refined palm oil products as

Plantation Age Profile

Age	Area (hectares)	% of Total
0 - 3 years (Immature)	48,223	33%
4 - 7 years (Young)	35,068	24%
8 - 17 years (Prime)	55,081	38%
18 years and above (Past Prime)	8,031	5%
Total	**146,403**	**100%**



we ramp up processing activities in our existing refinery as well as the new refinery, the latter expected to be operational by second half of this year.

New Investments

Over the years, First Resources has been consistent and disciplined in expanding our plantation assets to ensure sustainable production growth. Our recent investments in processing facilities are aimed at maximising the value of our plantation assets by capturing additional margins further down the palm oil value chain.

In FY2012, the Group added 14,152 hectares of planted oil palms in Indonesia, growing our total planted area to 146,403 hectares. Of this, 10,125 hectares was organic growth from new plantings and the remaining 4,027 hectares was a result of the 100% acquisition of PT Gerbang Sawit Indah. In addition, the Group started executing its rubber planting plans in FY2012 and planted 844 hectares of rubber by the end of the year. The majority of the new plantings were carried out in the East and West Kalimantan provinces of Indonesia.

Through the Group's consistent planting efforts, we managed to keep our plantation profile young, with a weighted average age of eight years. Approximately 57% of our trees are either immature or young. Hence, our production volumes are expected to continue to grow steadily as our immature and young palms mature and develop into their prime yielding ages. As our old palms are still delivering good yields, the Group does not expect to carry out any replanting programmes in the near future.

The Group also commissioned two new palm oil mills during the year, increasing the total number of CPO mills to 11. This increased the Group's total milling capacity to 630 tonnes of FFB per hour or approximately 3.78 million tonnes per annum. The additional milling capacity will support the expected growth in our FFB production volumes.

The development of our integrated processing complex located in Dumai, Riau, has been underway progressively since 2010. In 2012, the Group completed the construction of our private jetty that can accommodate vessels of up to 80,000 tonnes and storage capacity of more than 100,000 tonnes. These facilities will give the Group better control over the logistics of our export sales and help lower our distribution costs. Buyers will also have the added convenience to berth at our jetty to purchase and load various products. This integrated complex is expected to be fully completed in 2013, after the commissioning of the new refinery and the Group's first kernel crushing plant that are located within.

FINANCIAL REVIEW

Segmental Results

EBITDA	% of Total
Plantations and Palm Oil Mills	91%
Refinery and Processing	9%
Total	**100%**

First Resources achieved another year of good results with 20.7% increase in net profit to US$237.1 million for the 12 months ended 31 December 2012 ("FY2012"). Excluding the net gains arising from changes in fair value of the Group's biological assets, underlying net profit increased 25.5% to US$211.3 million.

Sales, Cost of Sales and Gross Profit

The Group's sales grew 22.0% during FY2012, driven by increased sales volumes from its two business segments. Sales volume from the Refinery and Processing Segment surged by 58.0% to 223,809 tonnes during the year while sales volumes of CPO and palm kernel from the Plantations and Palm Oil Mills segment grew by 22.1% and 28.7% respectively.

Average selling prices of the Group's palm based products declined year-on-year, in line with the generally lower market prices for these products. Based on weighted average domestic and export sales made in FY2012, the Group achieved average selling prices of US$882 per tonne for CPO and US$399 per tonne for palm kernel, compared to US$919 and US$546 respectively in FY2011. Out of the Group's total volume of crude and refined palm oil products sold in FY2012, 73.8% (FY2011: 72.1%) was exported.

Cost of sales comprising mainly harvesting costs, plantation maintenance costs, purchases of FFB from plasma farmers or other third parties, plantation general expenses and processing costs, increased 48.7% to US$221.2 million in FY2012. This was mainly attributed to higher sales volumes, higher fertiliser costs, higher wages due to larger scale of operations and wage inflation, as well as an increase in the value of purchases of FFB and other palm oil products.

In line with sales growth, the Group's gross profit grew by 10.5% to US$382.2 million in FY2012. However, profit margin declined from 69.9% in FY2011 to 63.3% in FY2012, primarily due to increased purchases of FFB and other palm oil products from third parties.

Operating Expenses

The Group's operating expenses increased by 13.1% to US$84.5 million in FY2012, mainly contributed by higher general and administrative expenses as the Group continued to scale up its operations during the year.

Net Financial Expenses

During the year, the Group has managed to reduce its net financial expenses by 31.0% from US$27.8 million in FY2011 to US$19.2 million in FY2012. This was due to the Group's lower effective cost of borrowings following the issuance of the Islamic medium term notes, coupled with the conversion and redemption of convertible bonds, and the redemption of Rupiah bonds payable during FY2012.

Changes in Fair Value of Biological Assets

In accordance with the Singapore Financial Reporting Standards ("FRS") 41 *Agriculture*, our biological assets, which comprise primarily oil palm plantations, have to be stated at fair value less estimated costs to sell. The fair value of plantations is determined by an independent professional

"Rewrote the Group's records for EBITDA and Underlying Net Profit. EBITDA and Underlying Net Profit came in at US$322.8 million and US$211.3 million respectively, an increase of 9.5% and 25.5% over FY2011."

valuer, based on the present value of the plantations' expected future net cash inflows. The expected future cash flows are determined using forecast market prices of the products. Any resultant gains or losses arising from changes in fair value are recognised in the income statement.

The Group recognised gains arising from changes in fair value of biological assets amounting to US$35.8 million in FY2012 compared to US$39.2 million in the preceding year. The gains arose mainly from the increase in the Group's plantation hectarage as compared to the year before.

EBITDA

EBITDA grew by 9.5% to US$322.8 million in FY2012 on the back of stronger sales volumes. The Plantations and Palm Oil Mills segment remains the main earnings driver, accounting for 90.7% of the Group's EBITDA. EBITDA margin declined from 59.6% in FY2011 to 53.5% in FY2012, mainly due to increased third party purchases, which typically give rise to lower EBITDA margins.

Balance Sheet

A healthy financial performance this year has helped boost total equity attributable to owners of the Company to US$1,106.4 million as at 31 December 2012, an increase of 25.1% from US$884.7 million as at the end of the preceding financial year.

Total assets of the Group increased from US$1,500.1 million as at 31 December 2011 to US$1,930.9 million as at 31 December 2012. Non-current assets increased by US$187.2 million to US$1,370.2 million mainly due to the fair value gains and additions to biological assets from the Group's planting programme, capital expenditure in relation to construction of palm oil mills, processing facilities and other plant and equipment, as well as the additions to biological assets and goodwill from the acquisition of PT Gerbang Sawit Indah in the fourth quarter of 2012. The Group's current assets increased by US$243.6 million to US$560.7 million as a result of the higher cash and bank balances from the issuance of Islamic medium term notes during the year.

Total liabilities of the Group increased from US$571.7 million as at 31 December 2011 to US$773.3 million as at 31 December 2012. This was mainly due to the issuance of the Islamic medium term notes, partially offset by the conversion and redemption of convertible bonds, and the redemption of Rupiah bonds payable during the year.

As a result, gross borrowings rose from US$349.6 million as at 31 December 2011 to US$538.2 million as at 31 December 2012. Taking into consideration the increase in cash and bank balances during the year, net borrowings decreased from US$139.2 million as at 31 December 2011 to US$133.4 million as at 31 December 2012. The Group's net debt to total equity ratio was consequently reduced to 0.12x as compared to 0.15x as at 31 December 2011.

Cash Flows

Through a combination of higher sales volumes as well as the Group's constant vigilance in maintaining a low-cost structure via operational efficiencies and stringent cost management, the Group generated a healthy net cash of US$196.5 million from its operating activities in FY2012 as compared to US$176.3 million in FY2011.

Net cash used in investing activities, which included the Group's capital expenditure on developing oil palm plantations and property, plant and equipment, as well as the cash outflows on acquisition of subsidiaries, increased 16.0% to US$230.2 million.

On the financing front, the Group generated net cash of US$230.6 million from its financing activities in FY2012 as compared to US$11.9 million in FY2011. These included US$316.5 million of net proceeds received from the issuance of Islamic medium term notes during the second half of 2012.

In view of the above cash flow movements, the Group registered a healthy increase in cash and cash equivalents of US$197.0 million in FY2012, bringing the Group's cash and bank balances to US$404.7 million as at 31 December 2012.

BOARD OF DIRECTORS

Lim Ming Seong Chairman and Independent Director

Mr Lim Ming Seong was appointed to the Board in October 2007 and was last re-elected as a Director in April 2012. Mr Lim is also the Chairman of CSE Global Ltd and he sits on the boards of several other companies. Mr Lim was with the Singapore Technologies group from 1986 through 2002, where he held various senior management positions and was Group Director when he left. Prior to joining Singapore Technologies, Mr Lim was with the Singapore Ministry of Defence.

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

Ciliandra Fangiono Executive Director and Chief Executive Officer

Mr Ciliandra Fangiono was appointed to the Board in April 2007 and was last re-elected as a Director in April 2012. He has been the Group's Chief Executive Officer for more than a decade, playing a key role in charting the Group's strategic directions. Under his leadership, the Group has expanded its plantation assets rapidly and has grown into an integrated player with its own processing capabilities. Prior to joining the Group, Mr Fangiono was at the Investment Banking Division of Merrill Lynch, Singapore, where he worked on mergers, acquisitions and fund-raising exercises by corporates in the region.

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

Ng Shin Ein Independent Director

Ms Ng Shin Ein was appointed to the Board in October 2007 and was last re-elected as a Director in April 2012. She is the Regional Managing Director of Blue Ocean Associates Pte Ltd, a private investment and investment advisory firm. Prior to this, Ms Ng was with the Singapore Exchange, where she was responsible for developing Singapore's capital market by bringing foreign companies to list in Singapore. Additionally, she was part of the Singapore Exchange's IPO Approval Committee. Ms Ng practiced as a corporate lawyer in Messrs Lee & Lee for a number of years. While in legal practice, she advised on joint ventures, mergers and acquisitions and fund-raising exercises. Ms Ng also sits on the board of NTUC Fairprice Cooperative, Eu Yan Sang International Limited and Yanlord Land Limited.

Ms Ng holds a degree in LLB (Honours) from Queen Mary and Westfield College, University of London, and was admitted as an advocate and solicitor of the Singapore Supreme Court.

BOARD OF DIRECTORS

Ray Nugraha Yoshuara Independent Director

Mr Ray Nugraha Yoshuara was appointed to the Board in October 2007 and was last re-elected as a Director in April 2011. He is currently the Finance Director of PT. Ikapharmindo Putramas, an Indonesia based pharmaceutical and consumer company. From 2010 to 2011, Mr Yoshuara was a director of PT. Argo Pantes TBK., a company listed on the Indonesian Stock Exchange. His other previous appointments include serving as Vice President of Finance and Corporate Planning at Uniseraya Group, Reporting Accountant at Atlantic Richfield Bali North Inc., Financial Planning & Control Manager with the Gelael Group, and Lecturer at Tarumanagara University.

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

Teng Cheong Kwee Independent Director

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

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

Hee Theng Fong Independent Director

Mr Hee Theng Fong was appointed to the Board in October 2007 and was last re-elected as Director in April 2011. He is a senior partner in a law firm, with more than 20 years of experience in legal practice. His arbitration appointments include being a Fellow of the Chartered Institute of Arbitrators (UK) and the Singapore Institute of Arbitrators (SIArb). He is also on the panel of arbitrators of the Singapore International Arbitration Centre (SIAC), Beijing Arbitration Commission (BAC), Huizhou Arbitration Commission, China International Economic and Trade Arbitration Commission (CIETAC) and the Asia-Pacific Regional Group (APRAG). Mr Hee is an independent director of several public listed companies.

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

Ong Beng Kee Independent Director

Mr Ong Beng Kee was appointed to the Board in May 2010 and was last re-elected as a Director in April 2011. He is a retired career-planter with over 40 years of hands-on experience in large-scale plantation development, specifically oil palm, rubber, cocoa and the related processing facilities. Mr Ong served a large part of his career at Kuala Lumpur Kepong Bhd (KLK), a company listed on Bursa Malaysia. As Executive Director and Managing Director (Plantations), he spearheaded KLK's expansion drive into Sabah and Indonesia, overseeing large-scale oil palm cultivation. Upon his retirement, he has taken on an advisory role in KLK as Portfolio Investment Adviser.

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

SUSTAINABILITY REVIEW

"Financial sustainability is the goal of any business, but operational sustainability, with thought for future resource availability and the health of the planet, is a more enlightened goal."

Our Commitment to Sustainability

Our business operations are deeply intertwined with the environment and communities that we operate in. At First Resources, we are cognizant that our actions affect them directly and we are committed towards pursuing our business goals in a sustainable and responsible manner.

Sustainability Report

In 2012, we published our inaugural sustainability report for the financial year 2011. In the report, we presented our strategies, targets, and progress towards environmental, social and economic sustainability. The report marked a major step towards greater accountability and transparency of our business conduct. We believe that the report also gave our stakeholders insights to better understand and appreciate the sustainability initiatives in our operations.

For a more in-depth understanding of our sustainability initiatives, please refer to First Resources' Sustainability Report 2011 which is available at www.first-resources.com. We will work towards enlarging the scope of reporting in future sustainability reports.

Sustainability Benchmarks

We are committed to ensuring that our practices are in line with sustainability standards upheld by international and local bodies and we will continue to ensure that our benchmarks are up-to-date. 2012 saw numerous developments in this area.

Our processing plants, our bulking facilities in Dumai, as well as four of our estates and palm oil mills were granted the International Sustainability and Carbon Certification ("ISCC"). ISCC is developed for the certification of biomass and bioenergy with specific sustainability components across the entire biofuel supply chain. Focus areas include reduction of greenhouse gas emission and non-development of land with high biodiversity value or high carbon stock. Our ISCC certifications signify our compliance with the strict sustainability criteria set by the European Union's Renewable Energy Directive.

In addition to monitoring the practices at our nucleus estates, we are also committed to raising the sustainability standards of our plasma farmers, as smallholders account for more than 40% of Indonesia's palm oil production. We are very pleased that in 2013, one of our plasma plantations successfully passed the ISCC main assessment, together with another of our own estate, demonstrating that corporates can play an active role in helping smallholders in their sustainability efforts.

Over the year, the Group conducted High Conservation Value ("HCV") and Social and Environmental Impact assessments for our new development areas. This is in compliance with the guidelines of the Roundtable on Sustainable Palm Oil. In addition, one of our estates successfully passed the assessment for the Indonesian Sustainable Palm Oil ("ISPO") certification, a mandatory scheme managed by the Ministry of Agriculture of Indonesia, and we are awaiting the issuance of its certificate. We are planning to have several more estates undergo ISPO assessment in 2013.

In 2012, four of our subsidiaries also underwent the PROPER assessment, an environmental management performance rating programme by Indonesia's Ministry of Environment. All four subsidiaries were awarded the Blue ratings at the national level, demonstrating their compliance with all local environment management and monitoring requirements.

Conservation Initiatives

In 2012, we continued our efforts to promote conservation policies that we have developed, in particular, our orang-utan policy that prohibits the clearing and conversion of any potential orang-utan habitat and mandates the protection of any orang-utan found within our estates. Such conservation values are cultivated among employees through internal communications as well as through training/refresher courses that are conducted regularly by our sustainability teams. Our policies are also communicated to the local communities during community events and gatherings.

During the year, we entered into memorandums of understanding with the Nature Conservation Agency of the Forest Ministry in East and West Kalimantan. The aim is to work closely with these local agencies in biodiversity management of HCV areas identified within our concessions. Some of the joint initiatives include managing conservation land and raising local understanding of protected flora and fauna, in particular the orang-utans.

To support our orang-utan policy, posters and pamphlets highlighting the importance of conserving orang-utan habitats and the role they play in our environment have been produced and disseminated. Employees and contractors are also reminded that they are prohibited from capturing, harming, keeping, transporting and trading orang-utans or other protected wildlife species.

Posters and pamphlets highlighting protected flora and fauna species were also developed and circulated, as part of the Group's campaign to create greater awareness amongst employees.

"Education, infrastructure, as well as livelihood preservation and improvement are the three pillars of our community development activities."

Community Engagement

First Resources continues to play an active role in the communities where we operate. Over the years, First Resources has worked with and supported local communities, addressing livelihood, health, and education issues. A special focus has been our support for the health and education of children living in our areas of operations.

Below are some examples of our community engagements in 2012.

Smallholder Ownership

As at the end of 2012, we have 20,598 hectares of planted plantations under the smallholder ownership schemes, also known as the "plasma schemes''. Under such schemes, the Group assists in the development of oil palm plantations for the benefit of smallholders. When the plantations are productive, the Group is committed to purchase fresh fruit bunches from these smallholders at government regulated prices. We work with over 10,000 smallholders on these plasma schemes, providing sustainable incomes and resulting in better standards of living for them and their families.

The Group conducted mosquito control fogging exercises in our areas to reduce mosquito breeding habitats and help control the spread of dengue, a mosquito-borne infection.

The "Be Healthy with FR" health programme was launched. One of the many health programmes introduced was to promote good oral hygiene among young children. Children in our schools were taught day-to-day oral and dental care to prevent tooth decay and gum diseases.

The Group introduced the rice cultivation support programme where we provide technical assistance to community members who have requested for assistance in developing alternatives to oil palm cultivation.

2012 Highlights

380	3	20,598ha	5,354
scholarships awarded	new schools built	plasma plantations supported	people reached under the "Be Healthy with FR" programme

Challenges

Despite our best efforts in pursuing business excellence in a sustainable and responsible manner, the Group does encounter challenges from time to time, arising from operating in a complex business environment with evolving standards. The issues are wide ranging and we are committed to address and overcome them by continually improving our practices and initiatives.

As part of our community service efforts, we organised a blood donation campaign held at our Pekanbaru office. The aim is to contribute to our community by encouraging our employees to save lives through blood donation.

First Resources worked with the local government to support and provide vocational training to young adults. The programme gives them exposure to auto mechanics and helps them acquire additional skill sets for wider career options.

First Resources donated more than 2,800 festive packs to less privileged families in 2012. Each of the festive packs contains mainly rice, cooking oil and sugar.

CORPORATE INFORMATION

Board Of Directors

Lim Ming Seong
- Chairman and Independent Director

Ciliandra Fangiono
- Executive Director and Chief Executive Officer

Teng Cheong Kwee
- Independent Director

Ong Beng Kee
- Independent Director

Hee Theng Fong
- Independent Director

Ng Shin Ein
- Independent Director

Ray Nugraha Yoshuara
- Independent Director

Audit Committee

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

Remuneration Committee

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

Nominating Committee

Lim Ming Seong (Chairman)
Ciliandra Fangiono
Ng Shin Ein

Company Secretary

Tan San-Ju, FCIS

Registered Office

8 Temasek Boulevard
#36-02, Suntec Tower Three
Singapore 038988
Tel: +65 6602 0200
Fax: +65 6333 6711

Place & Date Of Incorporation

Singapore, 9 December 2004

Company Registration Number

200415931M

Share Registrar

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

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-In-Charge: **Low Bek Teng**
(Appointed since financial year ended 31 December 2012)

Stock Exchange Listing

Singapore Exchange Securities Trading Limited

CORPORATE GOVERNANCE

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

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

The Board also noted the recommended guidelines under the revised Code of Corporate Governance 2012 (the "2012 Code") issued on 2 May 2012 which would be effective for the financial year commencing 1 January 2013. The Board would implement these recommendations as and when appropriate for the financial year ending 31 December 2013.

THE BOARD'S CONDUCT OF AFFAIRS

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

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

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

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

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee
Lim Ming Seong	Chairman and Independent Director	–	Chairman	–
Ciliandra Fangiono	Executive Director	–	Member	–
Teng Cheong Kwee	Independent Director	Chairman	–	Member
Ong Beng Kee	Independent Director	Member	–	–
Hee Theng Fong	Independent Director	Member	–	Member
Ng Shin Ein	Independent Director	–	Member	Chairman
Ray Nugraha Yoshuara	Independent Director	Member	–	–

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

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. If necessary, Board meetings may be conducted by way of telephone or video conferencing as permitted under the Company's Articles of Association. The Directors' attendance at Board and committee meetings during the financial year ended 31 December 2012 is set out as follows:

Name	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Number of Meetings							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lim Ming Seong	5	5	–	–	1	1	–	–
Ciliandra Fangiono	5	5	–	–	1	1	–	–
Teng Cheong Kwee	5	4	4	4	–	–	2	2
Ong Beng Kee	5	5	4	4	–	–	–	–
Hee Theng Fong	5	5	4	4	–	–	2	2
Ng Shin Ein	5	4	–	–	1	1	2	2
Ray Nugraha Yoshuara	5	5	4	4	–	–	–	–

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

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

Newly appointed Directors who do not have prior experience as a director of a Singapore listed company were either briefed by the Company's legal advisors on their duties and obligations or underwent relevant courses conducted by external parties. In addition, the Management regularly updates and familiarises Directors on the business activities of the Company during Board meetings. During the year, the Board was briefed and/or updated on the following: (1) revisions under the 2012 Code; and (2) changes to the disclosure regime under the Securities and Futures Act.

BOARD COMPOSITION AND GUIDANCE

The Board currently comprises seven Directors of which six are independent Directors. The composition of the Board is shown in the table above.

The independence of each Director is reviewed annually by the Nominating Committee based on definitions set out in the 2005 Code. All the Independent Directors are considered to be independent by the Nominating Committee as they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with their exercise of independent business judgement.

The Directors appointed are qualified professionals who, as a group, possess a diverse range of expertise to provide core competencies such as accounting and finance, business management, strategic planning and industry knowledge. Key information of individual Directors in respect of academic and professional qualifications is set out on pages 20 to 23 of this annual report.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD MEMBERSHIP

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

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

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

In assessing the independence of the Directors, the Nominating Committee has examined the relationships identified by the 2005 Code that might impair the Directors' independence and objectivity. The Nominating Committee is satisfied that the six Directors, namely Mr Lim Ming Seong, Mr Teng Cheong Kwee, Mr Ong Beng Kee, Mr Hee Theng Fong, Ms Ng Shin Ein and Mr Ray Nugraha Yoshuara have no existing relationships with the Group and are able to act with independent judgement.

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

All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years. The names of the Directors who are retiring pursuant to the Articles of Association of the Company and have submitted themselves for re-election at the next AGM are Mr Teng Cheong Kwee and Mr Hee Theng Fong. The Nominating Committee had recommended their re-election at the forthcoming AGM. Mr Ray Nugraha Yoshuara, who is due to retire by rotation pursuant to Article 93 of the Articles of Association of the Company, will not be offering himself for re-election at the forthcoming AGM.

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

Name	Date of initial appointment	Date of last re-election
Lim Ming Seong	1 October 2007	27 April 2012
Ciliandra Fangiono	18 April 2007	27 April 2012
Teng Cheong Kwee	1 October 2007	28 April 2010
Ong Beng Kee	1 May 2010	28 April 2011
Hee Theng Fong	1 October 2007	28 April 2011
Ng Shin Ein	1 October 2007	27 April 2012
Ray Nugraha Yoshuara	1 October 2007	28 April 2011

BOARD PERFORMANCE

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

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

During the financial year ending 31 December 2013, the Nominating Committee will be looking into the evaluation of board committees as recommended by the 2012 Code.

ACCESS TO INFORMATION

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

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

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

The following table shows a breakdown (in percentage) of our Directors' remuneration paid in the year ended 31 December 2012:

Name	Directors' Fee	Fixed Salary	Variable Bonus	Remuneration Band
Lim Ming Seong	100%	–	–	Below S$250,000
Ciliandra Fangiono	–	46%	54%	S$1,750,000 – S$2,000,000
Teng Cheong Kwee	100%	–	–	Below S$250,000
Ong Beng Kee	100%	–	–	Below S$250,000
Hee Theng Fong	100%	–	–	Below S$250,000
Ng Shin Ein	100%	–	–	Below S$250,000
Ray Nugraha Yoshuara	100%	–	–	Below S$250,000

Non-Executive Directors are paid a basic fee and additional fees for serving on any of the committees. In determining the quantum of such fees, factors such as frequency of meetings, effort and time spent, responsibilities of directors and the need to pay competitive fees to retain, attract and motivate the directors, are taken into account. Directors' fees recommended by the Board are subject to the approval of the shareholders at the forthcoming AGM. The CEO, an Executive Director, does not receive Director's fees and is on a service contract which is subject to annual review by the Remuneration Committee. The contract does not contain any onerous removal clauses.

The remuneration policy for key executives takes into consideration the Company's performance and the responsibilities and performance of individual executives. The following table shows the remuneration of our top five key executives (who are not Directors of the Company) paid in the year ended 31 December 2012.

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

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

The Company has in place a share option scheme and a share performance plan known as First Resources Share Option Scheme and First Resources Performance Share Plan respectively, details of which are disclosed in the Directors' Report. The two schemes are administered by members of the Remuneration and Nominating Committees. During the year, no share options or performance shares were granted to Directors and employees of the Company.

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

ACCOUNTABILITY

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

Management provides the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis and when deemed appropriate by particular circumstances. To allow Directors to have sufficient time to prepare for the meetings, all Board and Board committee papers are distributed in advance of the meetings to the Directors.

For matters which require the Board's decision outside such meetings, Board papers will be circulated for the Board's consideration, with discussions and clarifications taking place between members of the Board and Management directly, before approval is granted.

AUDIT COMMITTEE

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

The Audit Committee performs the following functions:

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

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

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

The Audit Committee has undertaken a review of all the nature and extent of all non-audit services provided by the external auditors during the financial year and is satisfied that such services has not, in the Audit Committee's opinion, compromised the independence of the external auditors. The breakdown of the audit and non-audit fees paid/payable to the external auditors is found in Note 7 "General and Administrative Expenses" in the Financial Statements of this Annual Report.

The Company is in compliance with the requirements under SGX-ST Listing Manual Rules 712 and 715(1) on the appointment of a same auditing firm in Singapore to audit its accounts and the accounts of its subsidiaries and significant associated companies and Rule 715(2) on the appointment of a suitable auditing firm for its foreign incorporated subsidiaries and associated companies.

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

RISK MANAGEMENT

The Company has identified and reviewed its key risks to assess the adequacy and effectiveness of the Company's risk management and internal control systems, specifically on financial, operational and compliance risks. The Board, through the Audit Committee, will continuously identify, review and monitor the key risks, control measures and management actions as part of the risk management process.

Some of these risks are discussed in Note 43 "Financial Risk Management Objectives and Policies" in the Financial Statements of this Annual Report.

INTERNAL CONTROLS

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

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors and reviews performed by Management, the Board, with the concurrence of the Audit Committee, is of the view that the Company's internal controls addressing key financial, operational and compliance risks are adequate to meet the needs of the Group in its current business environment as at 31 December 2012.

The system of internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

INTERNAL AUDIT

The Company has established an in-house internal audit function that is independent of the activities that it audits. The internal auditor reports to the Audit Committee functionally and to the Chief Executive Officer administratively.

The internal audit function adopts a risk-based approach in formulating the annual audit plan which aligns its activities to the key risks across the Group's business. The reviews performed by the internal auditors are aimed at assisting the Board in evaluating and improving the effectiveness of risk management, controls and governance processes.

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

COMMUNICATION WITH SHAREHOLDERS

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

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

CORPORATE GOVERNANCE

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

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

DEALING IN SECURITIES

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

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

INTERESTED PERSON TRANSACTIONS

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

Details of interested person transactions for the financial year ended 31 December 2012 as required under Rule 907 of the SGX-ST Listing Manual are set out as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	US$'000	US$'000
PT Surya Dumai Industri	417	Not Applicable
Fangiono Resources Pte. Ltd.	371	Not Applicable
PT Karangjuang Hijau Lestari	5,617	Not Applicable

The Audit Committee has reviewed, and is satisfied that the transactions are conducted at arm's length and on terms that are fair and reasonable. The Audit Committee and the Board of Directors are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.

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

MATERIAL CONTRACTS

Save as disclosed, there are no other material contracts entered into by the Company and its subsidiaries involving the interest of the CEO, Director or controlling shareholder, which are either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2011.

FINANCIAL STATEMENTS

CONTENTS

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 2012.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Lim Ming Seong	100,000	100,000	–	–
Ciliandra Fangiono	–	–	1,000,800,130 *	–
Ng Shin Ein	38,000	38,000	–	–

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2013.

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.

SHARE OPTION SCHEME AND PERFORMANCE SHARE PLAN

The Company has a Share Option Scheme and a Performance Share Plan which are administered by a committee comprising the members of the Remuneration and Nominating Committees (the "Administration Committee"), namely Messrs Lim Ming Seong, Teng Cheong Kwee, Hee Theng Fong, Ng Shin Ein and Ciliandra Fangiono. Details of the Share Option Scheme and Performance Share Plan are as follows:

(a) First Resources Share Option Scheme

(i) The First Resources Share Option Scheme (the "Share Option Scheme") was approved on 14 November 2007. Employees (including executive directors) of the Company and its subsidiaries and associated companies over which the Group has control (the "Participants") are eligible to participate in the Share Option Scheme at the absolute discretion of the Administration Committee.

(ii) The aggregate number of new shares issued and issuable and/or transferred and transferable in respect of all options granted under the Share Option Scheme, and under any such other share-based incentive schemes of the Company, shall not exceed 15% of the total issued shares (including treasury shares) on the day preceding the date of the relevant grant.

(iii) Options may be granted from time to time during the year when the Share Option Scheme is in force, except that options shall only be granted after the second market day from the date on which an announcement of any matter of an exceptional nature involving unpublished price sensitive information is released.

(iv) No options have been granted to the Participants under the Share Option Scheme since the commencement of the scheme till the end of the financial year ended 31 December 2012.

(b) First Resources Performance Share Plan

(i) The First Resources Performance Share Plan (the "Performance Share Plan") was approved on 14 November 2007. The Company would at its discretion and on a free-of-charge basis, grant awards which represent a specified number of fully paid shares in the share capital of the Company or its equivalent cash value or combinations thereof. The awards will vest only after satisfactory completion of prescribed performance targets and/or time based service conditions. Upon the vesting of an award, the participants may receive any or a combination of the following:

- New ordinary shares credited as fully paid;
- Existing shares repurchased from open market; and/or
- Cash equivalent value of such shares.

(ii) The following persons (collectively known as the "Participants") shall be eligible to participate in the Performance Share Plan subject to the absolute discretion of the Administration Committee:

- Employees (including executive directors) and non-executive directors of the Company and its subsidiaries and associated companies over which the Group has control.

- Controlling shareholders and their associates who have contributed to the success and development of the Group, provided that each of their participation and actual number of shares to be awarded to them must be approved by independent shareholders.

SHARE OPTION SCHEME AND PERFORMANCE SHARE PLAN (CONT'D)

(b) First Resources Performance Share Plan (cont'd)

(iii) The aggregate number of new shares which may be issued and/or transferred pursuant to awards granted under the Performance Share Plan, when added to the total number of shares issued and issuable and/or transferred and transferable in respect of all options granted under the Share Option Scheme, shall not exceed 15% of the total issued shares (including treasury shares) on the day preceding the date of the relevant award.

The aggregate number of shares available to the controlling shareholders shall not exceed 25% of the shares available under the Performance Share Plan. The number of shares available to each controlling shareholder shall not exceed 10% of the shares available under the Performance Share Plan.

(iv) No awards have been granted to the Participants under the Performance Share Plan since the commencement of the share plan till the end of the financial year ended 31 December 2012.

DIRECTORS' CONTRACTUAL BENEFITS

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

AUDIT COMMITTEE

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

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

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

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

AUDITOR

Ernst & Young LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Lim Ming Seong
Chairman

Ciliandra Fangiono
Chief Executive Officer

Singapore
18 March 2013

STATEMENT BY DIRECTORS

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

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Company and its subsidiaries (collectively the "Group") as at 31 December 2012 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the Board of Directors,

Lim Ming Seong
Chairman

Ciliandra Fangiono
Chief Executive Officer

Singapore
18 March 2013

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Independent Auditor's Report to the Members of First Resources Limited

Report on the Financial Statements

We have audited the accompanying financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2012, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and Certified Public Accountants

Singapore
18 March 2013

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$'000	2011 US$'000
Sales	4	603,429	494,619
Cost of sales	5	(221,189)	(148,745)
Gross profit		382,240	345,874
Gains arising from changes in fair value of biological assets	11	35,795	39,217
Selling and distribution costs	6	(50,704)	(50,239)
General and administrative expenses	7	(32,262)	(22,846)
Other operating expenses		(1,541)	(1,608)
Profit from operations		333,528	310,398
Gains/(losses) on foreign exchange		8,054	(2,808)
Gains on derivative financial instruments		1,579	906
Net financial expenses	8	(19,174)	(27,808)
Other non-operating income		2,340	999
Profit before tax		326,327	281,687
Tax expense	9	(78,134)	(75,809)
Profit for the year		248,193	205,878
Profit attributable to:			
Owners of the Company		237,060	196,416
Non-controlling interests		11,133	9,462
		248,193	205,878
Earnings per share attributable to owners of the Company (US cents)			
- Basic	10(a)	15.29	13.38
- Diluted	10(b)	15.29	12.98

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	2012 US$'000	2011 US$'000
Profit for the year	248,193	205,878
Other comprehensive income:		
Fair value gains on cash flow hedges	23,263	9,881
Fair value gains on cash flow hedges transferred to the income statement	(17,777)	(3,625)
Tax on fair value gains and losses	(1,752)	(1,129)
Foreign currency translation adjustments	(66,115)	(11,106)
Total comprehensive income for the year	185,812	199,899
Total comprehensive income attributable to:		
Owners of the Company	177,722	190,254
Non-controlling interests	8,090	9,645
	185,812	199,899

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

BALANCE SHEETS

AS AT 31 DECEMBER 2012

	Note	Group		Company	
		2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Non-current assets					
Biological assets	11	844,023	755,931	–	–
Plasma plantation receivables	12	44,264	39,589	–	–
Property, plant and equipment	13	321,217	275,002	11,071	12,317
Land use rights	14	40,775	40,230	–	–
Investment in subsidiaries	15	–	–	297,617	297,508
Goodwill	16	32,530	21,391	–	–
Other intangible assets	17	74,304	43,868	287	287
Tax recoverable		6,727	271	–	–
Deferred tax assets	9	2,577	2,565	–	–
Loans to subsidiaries	18	–	–	193,330	5,250
Derivative financial assets	19	1,136	3,044	657	–
Other non-current assets		2,627	1,054	–	–
Total non-current assets		1,370,180	1,182,945	502,962	315,362
Current assets					
Inventories	20	57,929	39,406	–	–
Loan to subsidiary	18	–	–	750	750
Trade receivables	21	24,903	29,880	5,037	11,683
Other receivables	22	10,127	3,833	3,127	1,285
Derivative financial assets	19	25,812	14,039	14	–
Advances for purchase of property, plant and equipment	23	8,480	10,355	–	–
Other advances and prepayments	23	18,604	6,641	10,778	91
Prepaid taxes		10,127	2,569	–	–
Advance subscription for shares in subsidiary	24	–	–	82,778	57,701
Cash and bank balances	25	404,738	210,406	130,084	88,269
Total current assets		560,720	317,129	232,568	159,779
Total assets		1,930,900	1,500,074	735,530	475,141

BALANCE SHEETS

AS AT 31 DECEMBER 2012

	Note	Group		Company	
		2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Current liabilities					
Trade payables	26	20,879	16,633	129	10,788
Other payables and accruals	27	38,430	29,225	6,974	6,819
Advances from customers	28	6,302	7,396	–	–
Loans and borrowings from financial institutions	29	40,202	40,171	17	15
Rupiah bonds payable	30	–	48,369	–	–
Derivative financial liabilities	19	2,804	7,262	42	657
Provision for tax		22,080	27,276	1	4,668
Total current liabilities		130,697	176,332	7,163	22,947
Non-current liabilities					
Loans and borrowings from financial institutions	29	174,127	171,072	7	23
Liability component of convertible bonds	31	–	90,017	–	90,017
Islamic medium term notes	32	323,839	–	323,839	–
Derivative financial liabilities	19	1,366	5,620	1,366	–
Provision for post-employment benefits	33	13,041	8,717	–	–
Deferred tax liabilities	9	130,258	119,963	844	348
Total non-current liabilities		642,631	395,389	326,056	90,388
Total liabilities		773,328	571,721	333,219	113,335
Net assets		1,157,572	928,353	402,311	361,806
Equity					
Share capital	34	394,913	290,312	394,913	290,312
Differences arising from restructuring transactions involving entities under common control	36	35,016	35,016	–	–
Other reserves	37	(47,085)	12,253	2,150	10,715
Equity component of convertible bonds	31	–	13,762	–	13,762
Retained earnings		723,548	533,350	5,248	47,017
Equity attributable to owners of the Company		1,106,392	884,693	402,311	361,806
Non-controlling interests		51,180	43,660	–	–
Total equity		1,157,572	928,353	402,311	361,806

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company								
	Share capital	Treasury shares	Differences arising from restructuring transactions involving entities under common control	Other reserves	Equity component of convertible bonds	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	US$'000 (Note 34)	US$'000 (Note 35)	US$'000 (Note 36)	US$'000 (Note 37)	US$'000 (Note 31)	US$'000	US$'000	US$'000	US$'000
Group									
2012									
At 1 January 2012	290,312	–	35,016	12,253	13,762	533,350	884,693	43,660	928,353
Total comprehensive income for the year	–	–	–	(59,338)	–	237,060	177,722	8,090	185,812
Dividends paid	–	–	–	–	–	(46,918)	(46,918)	(600)	(47,518)
Issue of shares upon conversion of convertible bonds	104,601	–	–	–	(13,706)	–	90,895	–	90,895
Gain on redemption of convertible bonds	–	–	–	–	(56)	56	–	–	–
Equity contribution by non-controlling interests	–	–	–	–	–	–	–	103	103
Acquisition of additional interest in subsidiary	–	–	–	–	–	–	–	(73)	(73)
At 31 December 2012	394,913	–	35,016	(47,085)	–	723,548	1,106,392	51,180	1,157,572
2011									
At 1 January 2011	288,735	(6,816)	35,016	8,093	13,971	371,454	710,453	34,464	744,917
Total comprehensive income for the year	–	–	–	(6,162)	–	196,416	190,254	9,645	199,899
Dividends paid	–	–	–	–	–	(34,520)	(34,520)	(2,201)	(36,721)
Sale of treasury shares	–	6,816	–	10,322	–	–	17,138	–	17,138
Acquisition of subsidiaries	–	–	–	–	–	–	–	1,099	1,099
Issue of shares upon conversion of convertible bonds	1,577	–	–	–	(209)	–	1,368	–	1,368
Equity contribution by non-controlling interests	–	–	–	–	–	–	–	653	653
At 31 December 2011	290,312	–	35,016	12,253	13,762	533,350	884,693	43,660	928,353

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Share capital	Treasury shares	Other reserves	Equity component of convertible bonds	Retained earnings	Total equity
	US$'000 (Note 34)	US$'000 (Note 35)	US$'000 (Note 37)	US$'000 (Note 31)	US$'000	US$'000
Company						
2012						
At 1 January 2012	290,312	–	10,715	13,762	47,017	361,806
Total comprehensive income for the year	–	–	(8,565)	–	5,093	(3,472)
Dividends paid (Note 46)	–	–	–	–	(46,918)	(46,918)
Issue of shares upon conversion of convertible bonds	104,601	–	–	(13,706)	–	90,895
Gain on redemption of convertible bonds	–	–	–	(56)	56	–
At 31 December 2012	394,913	–	2,150	–	5,248	402,311
2011						
At 1 January 2011	288,735	(6,816)	393	13,971	24,182	320,465
Total comprehensive income for the year	–	–	–	–	57,355	57,355
Dividends paid (Note 46)	–	–	–	–	(34,520)	(34,520)
Sale of treasury shares	–	6,816	10,322	–	–	17,138
Issue of shares upon conversion of convertible bonds	1,577	–	–	(209)	–	1,368
At 31 December 2011	290,312	–	10,715	13,762	47,017	361,806

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

CONSOLIDATED
CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	2012 US$'000	2011 US$'000
Cash flows from operating activities		
Profit before tax	326,327	281,687
Adjustments for:		
Depreciation of property, plant and equipment	23,536	21,428
Amortisation of land use rights and intangible assets	1,771	2,108
Financial expenses	21,514	29,090
Interest income	(2,340)	(1,282)
Gains on derivative financial instruments	(1,579)	(906)
Loss on disposal of property, plant and equipment	–	20
Gain on disposal of subsidiary	–	(6)
Gains arising from changes in fair value of biological assets	(35,795)	(39,217)
Operating cash flows before changes in working capital	333,434	292,922
Changes in working capital:		
Inventories	(18,523)	(20,885)
Trade receivables	4,977	(19,379)
Other receivables	(6,294)	(1,700)
Advances and prepayments	(11,963)	(2,339)
Prepaid taxes	(7,473)	(1,849)
Other non-current assets	(1,573)	3
Trade payables	3,624	1,521
Other payables and accruals	4,478	8,964
Advances from customers	(1,094)	(2,505)
Provision for post-employment benefits	4,324	2,554
Unrealised translation differences	(11,756)	(114)
Cash flows generated from operations	292,161	257,193
Financial expenses paid	(25,044)	(30,382)
Interest income received	2,340	1,313
Tax paid	(72,974)	(51,850)
Net cash generated from operating activities	196,483	176,274

CONSOLIDATED
CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	2012 US$'000	2011 US$'000
Cash flows from investing activities		
Capital expenditure on biological assets (Note 11)	(88,950)	(73,049)
Capital expenditure on property, plant and equipment (Note 13)	(85,867)	(85,258)
Decrease in advances for purchase of property, plant and equipment	1,875	354
Decrease in plasma plantation receivables	9,809	1,472
Acquisition of land use rights	(1,313)	(3,954)
Acquisition of other intangible assets	(34,395)	(429)
Proceeds from disposal of property, plant and equipment	–	759
Net cash outflow on acquisition of subsidiaries (Note 15(a))	(31,239)	(38,245)
Net cash inflow on disposal of subsidiary (Note 15(c))	–	5
Acquisition of additional interest in subsidiary	(73)	–
Net cash used in investing activities	(230,153)	(198,345)
Cash flows from financing activities		
(Settlement of)/proceeds from derivative financial instruments, net	(4,098)	2,344
Redemption of Rupiah bonds payable	(46,906)	(5,102)
Redemption of convertible bonds	(409)	–
Proceeds from bank loans, net	13,006	48,402
Proceeds from issuance of Islamic medium term notes, net	316,508	–
Payment of obligations under finance leases	(3,017)	(2,958)
Decrease/(increase) in restricted cash balances	2,979	(11,823)
Dividends paid	(47,518)	(36,721)
Proceeds from sale of treasury shares	–	17,138
Proceeds from equity contribution by non-controlling interests	103	653
Net cash generated from financing activities	230,648	11,933
Net increase/(decrease) in cash and cash equivalents	196,978	(10,138)
Effect of exchange rate changes on cash and cash equivalents	333	(310)
Cash and cash equivalents, at the beginning of the financial year	194,483	204,931
Cash and cash equivalents, at the end of the financial year (Note 25)	391,794	194,483

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

1. GENERAL

(a) *Corporate information*

First Resources Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company's immediate and ultimate holding company is Eight Capital Inc., which is incorporated in the British Virgin Islands.

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

The registered office and principal place of business of the Company is located at 8 Temasek Boulevard, #36-02, Suntec Tower Three, Singapore 038988.

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

(b) *Subsidiaries*

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

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2012 %	Effective group equity interest 2011 %
Direct Ownership:				
PT Ciliandra Perkasa ("PT CLP")[4]	Indonesia	Oil palm plantation	95.51	95.51
PT Meridan Sejati Surya Plantation ("PT MSSP")[4]	Indonesia	Oil palm plantation	93.56[1]	93.56[1]
PT Borneo Ketapang Permai ("PT BKP")[5]	Indonesia	Oil palm plantation	95.00	95.00
PT Adhitya Seraya Korita ("PT ASK")[5]	Indonesia	Investment holding	95.00	95.00
First Resources Trading Pte. Ltd. ("FRTPL")	Singapore	Marketing and distribution of palm oil products	100.00	100.00

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2012 %	Effective group equity interest 2011 %
Indirect Ownership:				
PT Pancasurya Agrindo ("PT PSA") [4]	Indonesia	Oil palm plantation	95.32 [2]	95.32 [2]
Subsidiaries of PT CLP				
PT Surya Intisari Raya ("PT SIR") [4]	Indonesia	Oil palm plantation	95.50	95.50
PT Perdana Intisawit Perkasa ("PT PISP") [4]	Indonesia	Oil palm plantation	95.50	95.50
PT Bumi Sawit Perkasa ("PT BSP") [5]	Indonesia	Oil palm plantation	95.44	95.44
PT Priatama Riau ("PT PTR") [5]	Indonesia	Oil palm plantation	95.33	95.33
PT Surya Dumai Agrindo ("PT SDA") [5]	Indonesia	Oil palm plantation	95.50	95.50
PT Panca Surya Garden ("PT PSG") [5]	Indonesia	Oil palm seed breeding	94.32	94.32
PT Matthew Air Nusantara ("PT MAN") [5]	Indonesia	Aircraft ownership and management	– [3]	93.60 [3]
Subsidiaries of PT PSA				
PT Pancasurya Binasejahtera ("PT PSBS") [4]	Indonesia	Investment holding	95.31	95.31
PT Muriniwood Indah Industry ("PT MII") [4]	Indonesia	Oil palm plantation	95.31	95.31
PT Kalimantan Green Persada ("PT KGP") [6]	Indonesia	Investment holding	90.55	90.55
PT Gerbang Sawit Indah ("PT GSI") [6]	Indonesia	Oil palm plantation	95.31	–
PT Matthew Air Nusantara ("PT MAN") [5]	Indonesia	Aircraft ownership and management	95.41 [3]	– [3]
Subsidiaries of PT PSBS				
PT Subur Arummakmur ("PT SAM") [4]	Indonesia	Oil palm plantation	95.30	95.30
PT Arindo Trisejahtera ("PT ATS") [4]	Indonesia	Oil palm plantation	95.30	95.30

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2012 %	Effective group equity interest 2011 %
Indirect Ownership:				
Subsidiaries of PT BKP				
PT Limpah Sejahtera ("PT LS") [5]	Indonesia	Oil palm plantation	94.99	94.99
PT Mitra Karya Sentosa ("PT MKS") [5]	Indonesia	Oil palm plantation	94.99	94.99
PT Umekah Saripratama ("PT USP") [5]	Indonesia	Oil palm plantation	94.99	94.99
PT Pulau Tiga Lestari Jaya ("PTLJ") [5]	Indonesia	Oil palm plantation	94.99	94.99
Subsidiaries of PT KGP				
PT Ketapang Agro Lestari ("PT KAL") [6]	Indonesia	Oil palm plantation	90.52	90.52
PT Borneo Persada Energy Jaya ("PT BPEJ") [6]	Indonesia	Oil palm plantation	90.46	90.46
PT Borneo Surya Mining Jaya ("PT BSMJ") [6]	Indonesia	Oil palm plantation	90.46	90.46
PT Borneo Damai Lestari ("PT BDL") [6]	Indonesia	Rubber plantation	90.46	90.46
PT Citra Agro Kencana ("PT CAK") [6]	Indonesia	Oil palm plantation	90.51	90.51
PT Borneo Persada Prima Jaya ("PT BPPJ") [6]	Indonesia	Rubber plantation	90.46	90.46
PT Maha Karya Bersama ("PT MKB") [6]	Indonesia	Oil palm plantation	85.84	85.84

(1) *PT MSSP is 32.00% held by PT CLP and 63.00% held by the Company.*

(2) *PT PSA is 62.00% held by PT CLP and 38.00% held by PT ASK.*

(3) *PT MAN is 51.00% held by PT PSA and 49.00% held by PT CLP (2011: 98.00% held by PT CLP).*

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

(5) *Audited by Grant Thornton in Indonesia.*

(6) *Audited by KAP Selamat Sinuraya & Rekan in Indonesia.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning as of 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	
- Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
- Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
- Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

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

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

Except for the Amendments to FRS 1, Revised FRS 19, FRS 112 and FRS 113, management expects that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of these standards are described below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

Revised FRS 19 *Employee Benefits*

Revised FRS 19 *Employee Benefits* is effective for financial periods beginning on or after 1 January 2013.

The Revised FRS 19 removes the corridor mechanism for defined benefit plans and no longer allows actuarial gains and losses to be recognised in profit or loss. The distinction between short-term and long-term employee benefits is based on expected timing of settlement rather than employee entitlement. The revised FRS 19 is to be applied retrospectively.

The Group applies the corridor method for its defined benefit plans and is currently determining the impact of the changes arising from the adoption of this standard. The adoption of Revised FRS 19 is not expected to have any material impact on the financial position and financial performance of the Group.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

FRS 113 *Fair Value Measurement*

FRS 113 *Fair Value Measurement* is effective for financial periods beginning on or after 1 January 2013.

FRS 113 provides a single source of guidance for all fair value measurements. FRS 113 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted by FRS. The adoption of FRS 113 is not expected to have any material impact on the financial position and financial performance of the Group.

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

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

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

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

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

(a) Basis of consolidation (cont'd)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

(b) Business combinations

Business combinations from 1 January 2010

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

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

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

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

(b) Business combinations (cont'd)

Business combinations prior to 1 January 2010

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

Other than business combinations involving entities under common control, business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Business combinations involving entities under common control

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

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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

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

2.7 Biological assets

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

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

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

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

2.8 Property, plant and equipment

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

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

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

Leasehold buildings and improvements	-	5 to 20 years
Machinery and installations	-	5 to 15 years
Farming and transportation equipment	-	5 to 20 years
Furniture, fittings, office equipment and others	-	5 years

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

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

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, if appropriate.

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

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

2.9 Land use rights

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

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over their terms of 25 to 35 years.

2.10 Plasma plantation receivables

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

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

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

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

2.11 Intangible assets

(a) Goodwill

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

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

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

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

2.11 Intangible assets (cont'd)

(a) Goodwill (cont'd)

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.

(b) Other intangible assets

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

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

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

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

2.12 Subsidiaries

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

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

2.13 Impairment of non-financial assets

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. For periods longer than that covered by the budgets and forecast calculations, a long-term growth rate is calculated and applied to project future cash flows.

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

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

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

2.14 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

(b) Loans and receivables

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

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

2.14 Financial assets (cont'd)

Subsequent measurement (cont'd)

(c) Available-for-sale financial assets

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

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

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

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

Regular way purchase or sale of a financial asset

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

2.15 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

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

2.15 Impairment of financial assets (cont'd)

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

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

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

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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

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

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

2.16 Inventories

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

Cost of palm based products, inventories for fertiliser, 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.

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

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

2.17 Cash and cash equivalents

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

2.18 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

2.18 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(b) Other financial liabilities

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

Derecognition

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

2.19 Financial guarantee

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

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

2.20 Provisions

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

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

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

2.21 Hedge accounting

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

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

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

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

- hedges of a net investment in a foreign operation.

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

The Group does not have any fair value hedges or hedges of net investment in foreign operations in 2012 and 2011.

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

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

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

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

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

2.22 Convertible bonds

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

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

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

2.23 Borrowing costs

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

2.24 Issuance costs on borrowings

Transaction costs directly attributable to the issuance of borrowings are deducted from the proceeds in the balance sheet as discounts and amortised over the maturity period using the effective interest method.

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

2.25 Share capital and share issuance expenses

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

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

2.26 Treasury shares

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

2.27 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(c) Employee leave entitlement

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

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

2.28 Leases

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

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.29 Revenue

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

(a) Sale of goods

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

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

2.30 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

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

2.30 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 year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

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

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

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

(c) Sales tax

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

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

- receivables and payables that are stated with the amount of sales tax or VAT included.

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

2.31 Segment reporting

For management purposes, the Group is organised into operating segments based on their products. Management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 45, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.32 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.33 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- Both entities are joint ventures of the same third party.

- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

- The entity is controlled or jointly controlled by a person identified in (a).

- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

(a) VAT relating to FFB

The Group has value added tax receivable relating to the production of FFB. With effect from 1 January 2007, FFB has been classified as a Certain Strategic Taxable Good and is therefore exempted from the imposition of VAT in Indonesia. As such, sale of FFB is no longer subject to VAT and input VAT components directly related to the production of FFB for sale should thus not be claimed but should instead be charged as an expense. Management is of the opinion that the production of CPO which uses FFB produced by the same legal entity does not involve any sale resulting in a transfer of title and is therefore not covered by this regulation. Consequently, all input VAT in the production of the FFB can be claimed and offset against the output VAT on CPO sold by the same legal entity. As at 31 December 2012, the cumulative effect of the input VAT relating to the production of FFB before offsetting output VAT is US$11.4 million (2011: US$13.2 million).

(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 determine the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Biological assets

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

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

(c) Impairment of non-financial assets

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

The value in use calculation is based on a discounted cash flow model. Management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 16.

The carrying amounts of the non-financial assets are disclosed in Notes 12, 13, 15, 16 and 17 respectively.

(d) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the loans and receivables is disclosed in Note 41.

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

3.2 Key sources of estimation uncertainty (cont'd)

(e) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

The carrying amount of provision for tax as at 31 December 2012 is US$22.1 million (2011: US$27.3 million).

The carrying amounts of deferred tax assets and liabilities are disclosed in Note 9(c).

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 Group has unrecognised tax losses carried forward amounting to US$23.9 million (2011: US$18.2 million). These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group.

The carrying amounts of recognised tax losses at 31 December 2012 and 2011 is disclosed in Note 9(c).

(f) Defined benefit plan

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

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

The carrying amount of the provision for post-employment benefits, together with further details about the assumptions, is disclosed in Note 33.

4. SALES

	Group	
	2012 US$'000	2011 US$'000
Crude palm oil	310,796	266,595
Palm kernel	49,425	52,503
Processed palm based products	243,208	175,521
	603,429	494,619

5. COST OF SALES

	Group	
	2012 US$'000	2011 US$'000
Cost of inventories recognised as an expense	94,831	59,110
Depreciation of property, plant and equipment (Note 13)	19,765	19,772
Net employee benefit expense relating to defined benefit plans (Note 33)	2,708	1,902
Plantation, milling and processing costs	103,885	67,961
	221,189	148,745

6. SELLING AND DISTRIBUTION COSTS

	Group	
	2012 US$'000	2011 US$'000
Export taxes	35,655	41,592
Freight charges	11,958	6,230
Depreciation of property, plant and equipment (Note 13)	334	–
Others	2,757	2,417
	50,704	50,239

7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are stated after charging:

	Group	
	2012 US$'000	**2011 US$'000**
Audit fees paid to:		
- Auditors of the Company	188	166
- Other auditors	291	273
Non-audit fees paid to:		
- Auditors of the Company	60	119
Salaries, bonuses and other benefits (including Central Provident Fund contributions)	16,126	11,684
Net employee benefit expense relating to defined benefit plans (Note 33)	2,442	1,103
Operating lease rental (Note 40(c))	985	682
Depreciation of property, plant and equipment (Note 13)	3,147	1,656
Amortisation of intangible assets (Note 13)	230	500
Directors' fees	316	315
Transaction costs incurred on acquisition of subsidiaries (Note 15(a))	9	27

8. NET FINANCIAL EXPENSES

	Group	
	2012 US$'000	**2011 US$'000**
Interest expense and amortisation on:		
- Rupiah bonds payable	5,033	6,112
- Convertible bonds	2,163	9,525
- Loans and borrowings from financial institutions	17,246	18,685
Profit distribution and amortisation on Islamic medium term notes	3,470	–
Loss on redemption of:		
- Rupiah bonds payable (Note 30)	–	117
- Convertible bonds (Note 31)	35	–
	27,947	34,439
Less:		
Capitalised to biological assets (Note 11)	(6,433)	(5,283)
Capitalised to property, plant and equipment (Note 13)	–	(66)
	21,514	29,090
Interest income	(2,340)	(1,282)
	19,174	27,808

9. TAX EXPENSE

(a) *Major components of tax expense*

The major components of tax expense for the financial years ended 31 December 2012 and 2011 are as follows:

	Group	
	2012 US$'000	2011 US$'000
Income statement		
Current income tax		
- Current year	65,417	59,135
- Over provision in respect of previous years	–	(202)
Deferred income tax		
- Origination and reversal of temporary differences	12,317	11,659
- (Over)/under provision in respect of previous years	(740)	637
Withholding tax	1,140	4,580
	78,134	75,809
Deferred income tax related to other comprehensive income:		
Net change in fair value of derivative financial instruments designated as cash flow hedges	1,752	1,129

(b) *Relationship between tax expense and accounting profit*

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the financial years ended 31 December 2012 and 2011 are as follows:

	Group	
	2012 US$'000	2011 US$'000
Profit before tax	326,327	281,687
Tax expense at domestic rate applicable to profits in the countries where the Group operates	79,416	68,616
Adjustments:		
Income not subject to tax	(4,083)	(283)
Non-deductible expenses	1,332	2,533
Deferred tax assets not recognised	1,704	248
(Over)/under provision in respect of previous years	(740)	435
Withholding tax	1,140	4,580
Others	(635)	(320)
Tax expense recognised in profit or loss	78,134	75,809

The corporate tax rate for companies in Singapore and Indonesia is 17% and 25% (2011: 17% and 25%) respectively.

9. TAX EXPENSE (CONT'D)

(c) *Deferred tax assets and liabilities*

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

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Deferred tax assets	2,577	2,565	–	–
Deferred tax liabilities	(130,258)	(119,963)	(844)	(348)

Deferred tax assets and liabilities (prior to offsetting) comprise the following:

	Consolidated balance sheet		Consolidated income statement	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Group				
Deferred tax assets:				
Unutilised tax losses	1,899	405	(1,567)	(120)
Provisions	2,661	2,079	(582)	(568)
Post-employment benefits	3,139	2,087	(1,218)	(576)
Fair value adjustments on derivative financial instruments	–	–	–	171
Others	2,483	2,128	(503)	(2,198)
	10,182	6,699		
Deferred tax liabilities:				
Biological assets	(101,645)	(95,658)	12,310	12,893
Differences in depreciation for tax purposes	(10,678)	(9,406)	1,858	1,976
Obligations under finance leases	(539)	(393)	178	127
Revaluation of property, plant and equipment	(1,630)	(1,738)	–	–
Fair value adjustments on acquisition of subsidiaries	(17,955)	(14,115)	–	–
Fair value adjustments on derivative financial instruments	(3,728)	(1,407)	635	109
Others	(1,688)	(1,380)	466	482
	(137,863)	(124,097)		
Net deferred tax liabilities	(127,681)	(117,398)		
Deferred income tax			11,577	12,296

9. TAX EXPENSE (CONT'D)

(c) Deferred tax assets and liabilities (cont'd)

	Balance sheet	
	2012 US$'000	**2011 US$'000**
Company		
Deferred tax assets:		
Provisions	308	301
	308	301
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(1,140)	(650)
Others	(12)	1
	(1,152)	(649)
Net deferred tax liabilities	(844)	(348)

Unrecognised tax losses

As at 31 December 2012, the Group has unrecognised tax losses carried forward amounting to US$23.9 million (2011: US$18.2 million), which would expire between 2013 and 2017 (2011: between 2012 and 2016). The related deferred tax assets of US$6.0 million (2011: US$4.6 million) attributable to such tax losses was not recognised due to uncertainty of its recoverability.

10. EARNINGS PER SHARE

(a) *Basic earnings per share*

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

	Group	
	2012	2011
Profit for the year attributable to owners of the Company (US$'000)	237,060	196,416
Weighted average number of ordinary shares ('000)	1,550,519	1,467,815
Basic earnings per share (US cents)	15.29	13.38

(b) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company (after adjusting for the interest expense and amortisation on convertible bonds) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2012	2011
Profit for the year attributable to owners of the Company (US$'000)	237,060	196,416
Add: Interest expense and amortisation on convertible bonds, net of tax (US$'000)	–	8,956
Adjusted profit for the year attributable to owners of the Company (US$'000)	237,060	205,372
Weighted average number of ordinary shares ('000)	1,550,519	1,467,815
Effect of dilution from convertible bonds ('000)	–	114,337
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,550,519	1,582,152
Diluted earnings per share (US cents)	15.29	12.98

11. BIOLOGICAL ASSETS

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

	Group	
	2012 US$'000	2011 US$'000
At fair value		
At 1 January	755,931	668,885
Additions	97,490	80,720
Acquisition of subsidiaries (Note 15(a))	19,912	997
Reclassification to plasma plantation receivables (Note 12)	(14,486)	(25,135)
	858,847	725,467
Gains arising from changes in fair value	35,795	39,217
Exchange differences	(50,619)	(8,753)
At 31 December	844,023	755,931

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

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, which varies with the average age of oil palm trees;

(d) discount rate of 12.35% (2011: 14.15%); and

(e) projected selling prices of CPO are based on Economist Intelligence Unit and World Bank Forecast (2011: Goldman Sachs Research and World Bank Forecast).

	Group	
	2012	2011
Nucleus production volume (tonnes)		
FFB	1,924,743	1,725,374
Nucleus planted area (hectares)		
Mature	85,888	74,704
Immature	40,761	38,439
	126,649	113,143

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

11. BIOLOGICAL ASSETS (CONT'D)

Additions to biological assets consist of:

	Group	
	2012 US$'000	**2011 US$'000**
Capital expenditure on biological assets using cash	88,950	73,049
Capitalisation of finance expenses (Note 8)	6,433	5,283
Capitalisation of depreciation on property, plant and equipment (Note 13)	2,107	2,388
	97,490	80,720

Assets pledged as security

As at 31 December 2012, certain subsidiaries' biological assets were pledged to secure the Group's loans and borrowings from financial institutions (Note 29).

As at 31 December 2011, certain subsidiaries' biological assets were pledged to secure the Group's loans and borrowings from financial institutions (Note 29) and Rupiah bonds payable (Note 30).

12. PLASMA PLANTATION RECEIVABLES

Movements in plasma plantation receivables during the reporting period are as follows:

	Group	
	2012 US$'000	**2011 US$'000**
At 1 January	39,589	15,925
Additional development costs	3,467	1,255
Conversion value	(4,087)	(589)
Differences in accumulated development costs of plasma plantation and conversion value	900	277
Payment of self-financing of receivables from plasma plantation	(7,335)	(1,498)
Reclassification from biological assets (Note 11)	14,486	25,135
Exchange differences	(2,756)	(916)
At 31 December	44,264	39,589

Reclassification from biological assets to plasma plantation receivables relates to costs incurred for development of plasma plantations previously capitalised under biological assets, so as to be in line with the Indonesian Government's Ministry of Agriculture Regulation for plantation companies to develop plasma plantations for farmers in the local community who are members of rural cooperatives unit KUD.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings and improvements	Machinery and installations	Farming and transportation equipment	Furniture, fittings, office equipment and others	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
Cost						
At 1 January 2011	100,083	125,496	28,799	3,840	32,245	290,463
Additions	14,763	3,865	22,196	657	46,235	87,716
Disposals	(590)	–	(117)	–	(130)	(837)
Acquisition of subsidiaries (Note 15(a))	–	83	35	11	–	129
Reclassifications	12,014	11,524	19	227	(23,784)	–
Exchange differences	(1,505)	(1,561)	(505)	(69)	(1,079)	(4,719)
At 31 December 2011 and 1 January 2012	124,765	139,407	50,427	4,666	53,487	372,752
Additions	2,067	630	5,952	429	80,057	89,135
Acquisition of subsidiaries (Note 15(a))	587	–	563	2	–	1,152
Reclassifications	32,780	7,155	181	2,346	(42,462)	–
Exchange differences	(8,727)	(8,914)	(2,510)	(351)	(3,692)	(24,194)
At 31 December 2012	151,472	138,278	54,613	7,092	87,390	438,845
Accumulated depreciation						
At 1 January 2011	26,433	23,676	22,496	3,001	–	75,606
Charge for the year	8,583	9,892	4,836	505	–	23,816
Disposals	–	–	(58)	–	–	(58)
Exchange differences	(499)	(813)	(258)	(44)	–	(1,614)
At 31 December 2011 and 1 January 2012	34,517	32,755	27,016	3,462	–	97,750
Charge for the year	10,661	13,840	1,113	29	–	25,643
Exchange differences	(1,536)	(2,585)	(1,464)	(180)	–	(5,765)
At 31 December 2012	43,642	44,010	26,665	3,311	–	117,628
Net carrying amount						
At 31 December 2012	107,830	94,268	27,948	3,781	87,390	321,217
At 31 December 2011	90,248	106,652	23,411	1,204	53,487	275,002

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

	Transportation equipment	Furniture, fittings, office equipment and others	Total
	US$'000	US$'000	US$'000
Company			
Cost			
At 1 January 2011	593	85	678
Additions	12,650	65	12,715
At 31 December 2011 and 1 January 2012	13,243	150	13,393
Additions	–	48	48
At 31 December 2012	13,243	198	13,441
Accumulated depreciation			
At 1 January 2011	315	41	356
Charge for the year	698	22	720
At 31 December 2011 and 1 January 2012	1,013	63	1,076
Charge for the year	1,249	45	1,294
At 31 December 2012	2,262	108	2,370
Net carrying amount			
At 31 December 2012	10,981	90	11,071
At 31 December 2011	12,230	87	12,317

Additions to property, plant and equipment consist of:

	Group	
	2012 US$'000	2011 US$'000
Capital expenditure on property, plant and equipment using cash	85,867	85,258
Capitalisation of finance expenses (Note 8)	–	66
Obligations under finance leases	3,268	2,392
	89,135	87,716

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

Assets held under finance leases

As at 31 December 2012, the net carrying amount of property, plant and equipment held under obligations under finance leases amounted to US$5.9 million (2011: US$5.7 million).

Assets pledged as security

As at 31 December 2012 and 2011, certain subsidiaries' property, plant and equipment were pledged to secure the Group's loans and borrowings from financial institutions (Note 29).

Assets under construction

As at 31 December 2012 and 2011, the Group's assets under construction relate primarily to palm oil mills, roads, buildings and infrastructure, as well as other machinery and installations.

Depreciation and amortisation

The depreciation and amortisation charges for the financial years ended 31 December 2012 and 2011 are as follows:

	Group	
	2012 US$'000	**2011 US$'000**
Depreciation of property, plant and equipment	25,643	23,816
Amortisation of land use rights (Note 14)	1,541	1,608
Amortisation of intangible assets (Note 17)	230	500
	27,414	25,924
Depreciation included in cost of sales (Note 5)	19,765	19,772
Depreciation included in selling and distribution costs (Note 6)	334	–
Depreciation included in general and administrative expenses (Note 7)	3,147	1,656
Amortisation included in general and administrative expenses (Note 7)	230	500
Amortisation included in other operating expenses	1,541	1,608
Depreciation included in other non-operating income	290	–
Depreciation capitalised in biological assets (Note 11)	2,107	2,388
	27,414	25,924

14. LAND USE RIGHTS

	Group	
	2012 US$'000	2011 US$'000
At 1 January	40,230	33,585
Additions	1,313	3,954
Acquisition of subsidiaries (Note 15(a))	3,270	29
Reclassification from land permits (Note 17)	–	4,784
Amortisation charge during the year (Note 13)	(1,541)	(1,608)
Exchange differences	(2,497)	(514)
At 31 December	40,775	40,230
Amount to be amortised		
- Not later than one year	1,541	1,608
- Later than one year but not more than five years	6,164	6,432
- Later than five years	33,070	32,190
	40,775	40,230

Land use rights are in respect of:

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

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

As at 31 December 2012, the Group's land use rights cover a total land area of 129,854 hectares (2011: 124,078 hectares), representing HGU and HGB. The legal terms of the existing land use rights of the Group expire on various dates between 2020 and 2046.

Assets pledged as security

As at 31 December 2012, certain subsidiaries' land use rights were pledged to secure the Group's loans and borrowings from financial institutions (Note 29).

As at 31 December 2011, certain subsidiaries' land use rights were pledged to secure the Group's loans and borrowings from financial institutions (Note 29) and Rupiah bonds payable (Note 30).

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2012 US$'000	2011 US$'000
Unquoted equity shares, at cost	297,617	297,508
At 1 January	297,508	276,984
Incorporation of subsidiary	–	10,000
Conversion from advance subscription for shares in subsidiary	–	10,524
Additional investment in subsidiary	109	–
At 31 December	297,617	297,508

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

(a) Acquisition of subsidiaries

(i) On 18 October 2012 ("acquisition date"), the Group's subsidiary company, PT Pancasurya Agrindo ("PT PSA") acquired the entire equity interest in PT Gerbang Sawit Indah ("PT GSI"). PT GSI is incorporated in Indonesia and principally engaged in the oil palm plantation business. Upon the acquisition, PT GSI became a subsidiary of the Group.

The Group has acquired PT GSI to increase its plantation assets and land bank for the development of new oil palm plantations.

The fair value of the identifiable assets and liabilities of PT GSI and the effect thereof as at the acquisition date were as follows:

	Fair value recognised on acquisition US$'000
Assets	
Biological assets	19,912
Property, plant and equipment	1,152
Land use rights	3,270
	24,334
Liabilities	
Trade payables	(622)
Deferred tax liabilities	(4,719)
	(5,341)
Total identifiable net assets at fair value	18,993
Goodwill arising from acquisition (Note 16)	12,246
Cash consideration for acquisition representing net cash outflow on acquisition	31,239

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (cont'd)

Transaction costs

Transaction costs of US$9,000 (Note 7) relating to the acquisition have been recognised in the "General and administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2012.

Goodwill arising from acquisition

The goodwill of US$12.2 million is mainly attributable to the synergies that is expected to arise from the acquisition. None of the goodwill recognised is expected to be deductible for tax purposes.

Impact of acquisition on profit or loss

From the acquisition date, PT GSI has contributed loss of US$144,000 to the Group's result for the year. If the acquisition had occurred on 1 January 2012, the Group's consolidated profit for the year would have decreased by US$963,000.

(ii) On 5 April 2011 ("acquisition date"), the Group's subsidiary company, PT Pancasurya Agrindo ("PT PSA") acquired 95% equity interest in PT Kalimantan Green Persada and its subsidiaries ("PT KGP Group"). PT KGP Group is incorporated in Indonesia and principally engaged in the plantation business. Upon the acquisition, PT KGP Group became subsidiaries of the Group.

The Group acquired PT KGP Group to increase its land bank for the development of new plantations. The Group intends to utilise the land bank for new oil palm cultivation and potential diversification into other crops.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of PT KGP Group's identifiable net assets.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (cont'd)

The fair value of the identifiable assets and liabilities of PT KGP Group and the effect thereof as at the acquisition date were as follows:

	Fair value recognised on acquisition
	US$'000
Assets	
Biological assets	997
Property, plant and equipment	129
Land use rights	29
Other intangible assets	30,868
Inventories	126
Advances and prepayments	438
Other receivables	13
Cash and cash equivalents	261
	32,861
Liabilities	
Trade and other payables	(635)
Borrowings from financial institutions	(26)
Deferred tax liabilities	(7,319)
	(7,980)
Total identifiable net assets at fair value	24,881
Non-controlling interest measured at the non-controlling interest's proportionate share of PT KGP Group's identifiable net assets	(1,099)
Goodwill arising from acquisition (Note 16)	14,724
Cash consideration for acquisition	38,506
<u>Effect of the acquisition of PT KGP Group on cash flows</u>	
Total cash consideration for 95% equity interest acquired	38,506
Less: Cash and cash equivalents of subsidiaries acquired	(261)
Net cash outflow on acquisition of subsidiaries	38,245

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Acquisition of subsidiaries (cont'd)*

Transaction costs

Transaction costs of US$27,000 (Note 7) relating to the acquisition have been recognised in the "General and administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2011.

Goodwill arising from acquisition

The goodwill of US$14.7 million is mainly attributable to the synergies that is expected to arise from the acquisition. None of the goodwill recognised is expected to be deductible for tax purposes.

Impact of acquisition on profit or loss

From the acquisition date, PT KGP Group has contributed US$25,000 to the Group's profit for the year. If the acquisition had occurred on 1 January 2011, the Group's consolidated profit for the year would have increased by US$2,000.

(b) *Incorporation of subsidiary*

On 1 July 2011, the Company incorporated a wholly-owned subsidiary under the name of First Resources Trading Pte. Ltd. ("FRTPL") with an initial issued and paid up capital of US$2. On 25 July 2011, the Company increased its investment in FRTPL by US$9,999,998 through a subscription of 9,999,998 ordinary shares in FRTPL. As at the end of reporting period, the paid up capital of FRTPL is US$10,000,000.

FRTPL will principally be involved in the marketing and distribution of palm oil products and will assist the Group in expanding its reach into the international markets.

(c) *Disposal of subsidiaries*

During the financial year ended 31 December 2011, the Group disposed of a subsidiary, PT Pancasurya Agrindo Perkasa ("PT PSAP") to its related parties. As a result of the disposal, PT PSAP ceased to be an indirect subsidiary of the Group.

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

	US$'000
Net assets/(liabilities) disposed:	
Current assets	–*
Current liabilities	(1)
Net identifiable liabilities disposed	(1)
Gain on disposal	6
Net cash inflow on disposal of subsidiary	5

* *Less than US$500.*

16. GOODWILL

	Group	
	2012 US$'000	2011 US$'000
Cost		
At 1 January	21,391	7,073
Acquisition of subsidiary (Note 15(a))	12,246	14,724
Exchange differences	(1,107)	(406)
At 31 December	32,530	21,391

Impairment testing of goodwill

Goodwill arising from business combinations is allocated to individual cash-generating units ("CGU") for the purpose of impairment testing. The carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2012 US$'000	2011 US$'000
PT Borneo Ketapang Permai Group	7,073	7,073
PT Kalimantan Green Persada Group	13,427	14,318
PT Gerbang Sawit Indah	12,030	–
	32,530	21,391

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management.

Key assumptions used for value in use calculations:

	2012	2011
Terminal growth rate	3%	3%
Pre-tax discount rate	13%	13%
Projected CPO price	US$900/tonne	US$950/tonne

The value in use calculations use a discounted cash flow model based on cash flow projections covering a period of 10 years, and projected CPO price of US$900 per tonne (2011: US$950 per tonne).

Cash flows beyond the projected periods are extrapolated using the estimated terminal growth rate indicated above. The growth rate is based on published industry research and does not exceed the long-term average growth rates in the industry.

The discount rate applied to the cash flow projections is pre-tax and derived from the weighted average cost of capital ("WACC") of the Group. The WACC takes into account both the cost of debt and the cost of equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

Based on the above analysis, management has assessed that the goodwill is not impaired as at 31 December 2012 and 2011.

16. GOODWILL (CONT'D)

Impairment testing of goodwill (cont'd)

Changes to the assumptions used by management to determine the recoverable amounts can have an impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amount of the goodwill for each of the CGU to materially exceed their recoverable amount.

17. OTHER INTANGIBLE ASSETS

	Land permits	Software	Total
	US$'000	US$'000	US$'000
Group			
Cost			
At 1 January 2011	18,045	1,618	19,663
Additions	–	429	429
Acquisition of subsidiaries (Note 15(a))	30,868	–	30,868
Reclassification to land use rights (Note 14)	(4,784)	–	(4,784)
Exchange differences	(1,605)	(15)	(1,620)
At 31 December 2011 and 1 January 2012	42,524	2,032	44,556
Additions	33,985	410	34,395
Exchange differences	(3,666)	(115)	(3,781)
At 31 December 2012	72,843	2,327	75,170
Accumulated amortisation			
At 1 January 2011	–	206	206
Amortisation charge during the year (Note 13)	–	500	500
Exchange differences	–	(18)	(18)
At 31 December 2011 and 1 January 2012	–	688	688
Amortisation charge during the year (Note 13)	–	230	230
Exchange differences	–	(52)	(52)
At 31 December 2012	–	866	866
Net carrying amount			
At 31 December 2012	72,843	1,461	74,304
At 31 December 2011	42,524	1,344	43,868

17. OTHER INTANGIBLE ASSETS (CONT'D)

	Software US$'000
Company	
Cost	
At 1 January 2011	–
Additions	287
At 31 December 2011 and 1 January 2012	287
Additions	2
At 31 December 2012	289
Accumulated amortisation	
At 1 January 2011	–
Amortisation charge during the year	–
At 31 December 2011 and 1 January 2012	–
Amortisation charge during the year	2
At 31 December 2012	2
Net carrying amount	
At 31 December 2012	287
At 31 December 2011	287

Land permits are not amortised. Amortisation will only commence upon reclassification from land permits to land use rights when HGU status has been obtained.

Software costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

18. LOANS TO SUBSIDIARIES

	Company	
	2012 US$'000	2011 US$'000
Loans to subsidiaries	194,080	6,000
Less: Current portion	(750)	(750)
Non-current portion	193,330	5,250

The loans to subsidiaries as at the end of the reporting period relate to the following:

(i) US$5.4 million (2011: US$6.0 million) which is denominated in USD, unsecured, bears interest at London Interbank Offer Rate ("LIBOR") plus 5.0% per annum, repayable quarterly up till 30 September 2021 and is to be settled in cash; and

(ii) US$188.7 million (2011: Nil) which is denominated in USD, unsecured, bears interest at 3.7675% per annum, repayable on 31 July 2017 and is to be settled in cash.

19. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2012		2011	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Group				
Cross currency swaps	657	1,366	699	–
Foreign currency options and forward contracts	615	1,152	990	3,313
Commodities futures, options and swap contracts	25,676	1,652	15,394	8,005
Credit and interest rate swap contracts	–	–	–	1,564
Total derivative financial instruments	26,948	4,170	17,083	12,882
Less: Current portion	(25,812)	(2,804)	(14,039)	(7,262)
Non-current portion	1,136	1,366	3,044	5,620
Company				
Cross currency swaps	657	1,366	–	–
Foreign currency options and forward contracts	14	42	–	–
Credit and interest rate swap contracts	–	–	–	657
Total derivative financial instruments	671	1,408	–	657
Less: Current portion	(14)	(42)	–	(657)
Non-current portion	657	1,366	–	–

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

19. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D)

Cross currency swaps

PT CLP had previously entered into a cross currency swap agreement with a financial institution for swapping its Indonesian Rupiah bond indebtedness effectively into USD liabilities. This cross currency swap was accounted for at fair value through profit or loss. During 2011, the cross currency swap was partially unwound after taking into consideration the Rupiah bonds repurchased. During 2012, PT CLP's Rupiah bonds were fully redeemed, and the associated cross currency swap agreement was terminated.

During 2012, the Company has entered into cross currency swap agreements with financial institutions for swapping its Ringgit-denominated Islamic medium term note indebtedness effectively into USD liabilities. Based on the agreements, the financial institutions will swap the principal as well as the profit distribution amounts of the Company's Islamic medium term notes from Malaysian Ringgit into USD. Cash flow hedge accounting has been applied to these cross currency swap agreements as they are considered to be highly effective hedging instruments. A net fair value loss of US$8.5 million (2011: Nil) has been included in other comprehensive income in respect of these contracts.

Foreign currency options and forward contracts

The Group enters into certain foreign currency forward contracts in order to hedge the foreign currency risk related to the purchase of palm based products as well as the Company's forecasted dividend payments. Cash flow hedge accounting has been applied to these derivatives as they are considered to be highly effective hedging instruments. A net fair value gain of US$2.2 million (2011: net fair value loss of US$3.3 million), with a related deferred tax charge of US$0.5 million (2011: deferred tax credit of US$0.6 million), has been included in other comprehensive income in respect of these contracts. Other foreign currency options and forward contracts entered into by the Group are accounted for at fair value through profit or loss.

Commodities futures, options and swap contracts

The Group enters into certain commodities swap contracts in order to hedge the commodity price risk related to the sale and purchase of palm based products. Cash flow hedge accounting has been applied to these derivatives as they are considered to be highly effective hedging instruments. A net fair value gain of US$11.8 million (2011: net fair value gain of US$9.6 million), with a related deferred tax charge of US$1.3 million (2011: deferred tax charge of US$1.7 million), has been included in other comprehensive income in respect of these contracts. Other commodities options and futures contracts entered into by the Group are accounted for at fair value through profit or loss.

Credit and interest rate swap contracts

The Group had previously entered into certain credit swap contracts to hedge its borrowing costs. These contracts were accounted for at fair value through profit or loss and have expired during 2012.

20. INVENTORIES

	Group	
	2012 US$'000	2011 US$'000
At lower of cost and net realisable value		
Palm based products	36,812	24,974
Fertilisers and chemicals	9,716	6,204
Spare parts and other consumables	8,130	7,665
Goods in transit	3,271	519
	57,929	39,362
At fair value		
Fresh fruit bunches	–	44
	57,929	39,406

21. TRADE RECEIVABLES

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Trade receivables from:				
- Third parties	24,691	29,876	–	7,438
- Subsidiaries	–	–	5,037	4,245
- Related parties	212	4		
	24,903	29,880	5,037	11,683

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

Trade receivables are denominated in the following currencies:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Indonesian Rupiah	376	1,384	–	–
United States Dollar	24,527	28,496	5,037	11,683
	24,903	29,880	5,037	11,683

21. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

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

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Trade receivables past due:				
Lesser than 30 days	–	1,428	–	–
30 to 60 days	–	–	–	–
More than 60 days	–	–	–	–
	–	1,428	–	–

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

22. OTHER RECEIVABLES

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Amounts due from financial institutions	5,143	967	–	865
Interest receivable	18	–	3	–
Amounts due from subsidiaries	–	–	3,093	376
Amounts due from related parties	964	209	–	–
Sundry receivables	4,002	2,657	31	44
	10,127	3,833	3,127	1,285

The amounts due from subsidiaries and related parties are non-trade related, unsecured, non-interest bearing, repayable on demand and expected to be settled in cash.

Other receivables are denominated in the following currencies:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Indonesian Rupiah	6,809	2,821	–	45
United States Dollar	3,306	967	3,121	1,240
Singapore Dollar	6	45	6	–
Others	6	–	–	–
	10,127	3,833	3,127	1,285

23. ADVANCES AND PREPAYMENTS

Advances for purchase of property, plant and equipment

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

	Group	
	2012 US$'000	**2011 US$'000**
Leasehold buildings and improvements	779	3,093
Machinery and installations	7,091	5,522
Others	610	1,740
	8,480	10,355

Other advances and prepayments

Other advances and prepayments relate mainly to payments made for acquisition of investment as well as purchase of inventories and other miscellaneous items. These payments are unsecured, non-interest bearing and expected to be fulfilled within the next 12 months.

24. ADVANCE SUBSCRIPTION FOR SHARES IN SUBSIDIARY

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

25. CASH AND BANK BALANCES

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Cash at banks and on hand	292,560	186,945	90,074	87,259
Time deposits	99,234	7,538	40,000	–
Cash held by financial institutions, restricted	12,944	15,923	10	1,010
	404,738	210,406	130,084	88,269

Cash at banks earn interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month to three months (2011: one week to nine months) depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates, which range between 0.69% and 3.50% (2011: 0.23% and 6.50%) per annum.

Restricted cash held by financial institutions relates to margins maintained with brokers and banks which are not freely remissible for use by the Group.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Indonesian Rupiah	35,806	33,475	–	–
United States Dollar	367,451	125,632	129,681	37,878
Singapore Dollar	612	50,463	393	50,391
Others	869	836	10	–
	404,738	210,406	130,084	88,269

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

	Group	
	2012 US$'000	2011 US$'000
Cash at banks and on hand	292,560	186,945
Time deposits	99,234	7,538
	391,794	194,483

26. TRADE PAYABLES

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Trade payables to:				
- Third parties	20,879	16,633	127	182
- Subsidiaries	–	–	2	10,606
	20,879	16,633	129	10,788

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

Trade payables are denominated in the following currencies:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Indonesian Rupiah	17,789	10,147	–	–
United States Dollar	3,056	6,260	129	10,778
Others	34	226	–	10
	20,879	16,633	129	10,788

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

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Lesser than 30 days	10,353	9,071	129	10,788
30 to 90 days	7,402	5,193	–	–
More than 90 days	3,124	2,369	–	–
	20,879	16,633	129	10,788

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Accrued employee costs	16,124	12,925	2,160	1,800
Accrued financial expenses	5,578	4,436	3,969	1,524
Accrued contractor fees and retention sums	12,022	6,818	–	–
Amounts due to subsidiaries	–	–	2	561
Amounts due to related parties	1,223	243	–	243
Others	3,483	4,803	843	2,931
	38,430	29,225	6,974	6,819

The amounts due to subsidiaries and related parties are non-trade related, unsecured, non-interest bearing, repayable on demand and expected to be settled in cash.

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Indonesian Rupiah	28,928	24,306	–	1,472
United States Dollar	6,547	2,740	4,643	3,227
Singapore Dollar	2,955	2,179	2,331	2,120
	38,430	29,225	6,974	6,819

28. ADVANCES FROM CUSTOMERS

Advances from customers represent advance payments relating to the sale of palm based products, are trade related, unsecured, non-interest bearing and the obligations to the customers are expected to be fulfilled within the next 12 months.

29. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Current				
Bank loans	37,991	37,650	–	–
Obligations under finance leases	2,211	2,521	17	15
	40,202	40,171	17	15
Non-current				
Bank loans	172,419	169,669	–	–
Obligations under finance leases	1,708	1,403	7	23
	174,127	171,072	7	23
	214,329	211,243	24	38

Bank loans

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

(a) loans from an Indonesian bank obtained by certain subsidiaries to finance the redemption of the Notes payable of US$140.8 million in 2010. The loans are secured over certain of the subsidiaries' assets and bear interest at Jakarta Interbank Offer Rate ("JIBOR") plus 2.61% per annum. The loans are repayable quarterly up till April 2016, with a total amount of US$82.8 million (2011: US$102.2 million) outstanding as at 31 December 2012;

(b) loans from an Indonesian bank obtained by certain subsidiaries for development of oil palm plantations and refinancing of a short-term loan. The loans bear interest at 6.0% to 9.5% (2011: 6.5% to 10.0%) per annum, subject to review quarterly, and are secured over certain of the subsidiaries' assets and by corporate guarantees and personal guarantees. The loans are repayable quarterly up till November 2015 to May 2022 (2011: November 2015 to August 2021), with a total amount of US$117.7 million (2011: US$83.3 million) outstanding as at 31 December 2012; and

(c) loan from an Indonesian bank obtained by a subsidiary for working capital purposes. The loan is secured over certain of the subsidiaries' assets and bears interest at JIBOR plus 2.63% per annum. The loan is repayable monthly up till May 2013 (2011: May 2012) with a total amount of US$9.9 million (2011: US$21.8 million) outstanding as at 31 December 2012.

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

Obligations under finance leases

The Group entered into capital lease agreements for purchase of farming equipment and motor vehicles incidental to the ordinary course of the business. These capital leases expire within the next three years. The interest rates of these capital leases range from 2.1% to 18.3% (2011: 5.5% to 17.0%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are disclosed in Note 40(d).

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

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Indonesian Rupiah	171,242	179,205	–	–
United States Dollar	43,063	32,000	–	–
Singapore Dollar	24	38	24	38
	214,329	211,243	24	38

30. RUPIAH BONDS PAYABLE

	Group	
	2012 US$'000	2011 US$'000
Nominal value	–	48,522
Less:		
Issuance costs	–	673
Accumulated amortisation	–	(520)
	–	153
Rupiah bonds payable, net	–	48,369

On 27 November 2007, PT CLP issued IDR 500 billion bonds ("Rupiah bonds") which were listed on Bursa Efek Indonesia and secured by the assets of another subsidiary. The Rupiah bonds were due on 27 November 2012 and bore interest at 11.50% per annum, payable quarterly.

During 2011, the Group repurchased a total of IDR 44 billion of the Rupiah bonds and recorded a loss of US$117,000, net of deferred bond issuance costs. The loss on redemption of Rupiah bonds is presented as part of net financial expenses (Note 8).

On 27 November 2012, the remaining outstanding Rupiah bonds of IDR 440 billion was fully redeemed.

There is no outstanding Rupiah bonds following the said redemption by the Group.

31. CONVERTIBLE BONDS

On 22 September 2009, the Company issued US$100.0 million convertible bonds which were listed on SGX-ST. The convertible bonds bore interest at 5.625% per annum, payable semi-annually and were due on 22 September 2014 at 104.34% to give an effective yield-to-maturity of 6.375%. The convertible bonds were convertible into fully paid ordinary shares of the Company at an initial conversion price of S$1.24735 per share with a fixed exchange rate of S$1.4479 to US$1.00.

During 2011, US$1.5 million of the convertible bonds were converted into 1,741,170 ordinary shares at S$1.24735 per share.

During 2012, US$98.1 million of the convertible bonds were converted into 113,872,578 ordinary shares at S$1.24735 per share.

On 14 June 2012, the Company exercised its right to early redeem the remaining outstanding convertible bonds of US$0.4 million and recorded a loss of US$35,000, net of deferred bond issuance costs. The loss on redemption of convertible bonds is presented as part of net financial expenses (Note 8).

There is no outstanding convertible bonds following the said redemption by the Company.

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

	Group and Company	
	2012 US$'000	**2011 US$'000**
Face value of convertible bonds	–	98,500
Less: Value of equity component	–	(14,192)
Value of liability component	–	84,308
Value of liability component		84,308
Add: Accretion of interest	–	7,254
Less: Issuance cost, net of amortisation	–	(1,545)
Liability component of convertible bonds	–	90,017
Value of equity component	–	14,192
Less: Issuance cost	–	(430)
Equity component of convertible bonds	–	13,762

32. ISLAMIC MEDIUM TERM NOTES

On 18 June 2012, the Company was granted approval by the Securities Commission of Malaysia to establish a Ringgit-denominated Islamic medium term note programme ("Programme") of up to MYR 2.0 billion under the laws of Malaysia. The tenure of the Programme shall be up to 10 years from the date of the first issuance.

Under the Programme, the Company may issue Islamic medium term notes ("IMTNs") from time to time in Malaysian Ringgit in various amounts and tenors of more than a year and up to a maximum tenor of 10 years. The IMTNs are unsecured and will not be listed on any stock exchange.

On 31 July 2012 and 10 December 2012, the Company issued MYR 600.0 million and MYR 400.0 million of IMTNs under the Programme. Both issuances of IMTNs have a tenor of five years and will bear periodic distribution rates payable semi-annually in arrears.

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

			Group and Company	
	Maturity date	Distribution rate (per annum)	2012 US$'000	2011 US$'000
First issuance	31 July 2017	4.45%	196,059	–
Second issuance	8 December 2017	4.30%	130,706	–
			326,765	–
Less:				
Issuance costs			3,147	–
Accumulated amortisation			(221)	–
			2,926	–
Islamic medium term notes, net			323,839	–

33. PROVISION FOR POST-EMPLOYMENT BENEFITS

The Group recognised employment benefits for all its permanent employees in Indonesia pursuant to Indonesian Labor Law No. 13/2003. The provision for employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method. No fund was provided for such liability for employment benefits. As at 31 December 2012, the post-employment benefits liability amounted to US$13.0 million (2011: US$8.7 million).

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

	2012	2011
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	6.30%	7.10%
Mortality Rate	Table Mortality Indonesia 2011	The Commissioners 1980 Standard Ordinary Mortality Table
Disability Rate	1% of mortality rate	1% of mortality rate
Resignation Rate	0% to 1%	0% to 1%
Calculation Method	Projected Unit Credit	Projected Unit Credit

The estimated liability for post-employment benefits as at the end of the reporting period is as follows:

	Group	
	2012 US$'000	2011 US$'000
Present value of employee benefits obligation	15,110	10,634
Unrecognised net actuarial gain	(2,029)	(1,865)
Unrecognised past service cost	(40)	(52)
	13,041	8,717

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

	Group	
	2012 US$'000	2011 US$'000
At 1 January	8,717	6,163
Net employee benefit expense	5,410	3,215
Benefits paid	(392)	(532)
Exchange differences	(694)	(129)
At 31 December	13,041	8,717

33. PROVISION FOR POST-EMPLOYMENT BENEFITS (CONT'D)

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

	Group	
	2012 US$'000	2011 US$'000
Current service cost	3,388	2,469
Interest cost on benefit obligation	706	653
Amortisation of past service cost	1,335	65
Amortisation of actuarial loss	45	23
Allowance of internal movement of employees	(64)	5
Net employee benefit expense	5,410	3,215

The breakdown of net employee benefit expense relating to defined benefit plans is as follows:

	Group	
	2012 US$'000	2011 US$'000
Cost of sales (Note 5)	2,708	1,902
General and administrative expenses (Note 7)	2,442	1,103
Others	260	210
	5,410	3,215

34. SHARE CAPITAL

	Group and Company			
	2012		2011	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
At 1 January	1,470,200	290,312	1,468,459	288,735
Issue of shares upon conversion of convertible bonds	113,873	104,601	1,741	1,577
At 31 December	1,584,073	394,913	1,470,200	290,312

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction. The ordinary shares have no par value.

35. TREASURY SHARES

	Group and Company			
	2012		2011	
	No. of shares '000	US$'000	No. of shares '000	US$'000
At 1 January	–	–	15,000	6,816
Sale of treasury shares	–	–	(15,000)	(6,816)
At 31 December	–	–	–	–

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

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

37. OTHER RESERVES

The composition of other reserves is as follows:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Capital reserve	(29,096)	(29,096)	–	–
Revaluation reserve	279	279	–	–
Gain on sale of treasury shares	10,322	10,322	10,322	10,322
Hedging reserve	6,312	2,635	(8,565)	–
Foreign translation reserve	(34,902)	28,113	393	393
	(47,085)	12,253	2,150	10,715

Capital reserve

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

Revaluation reserve

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

Gain on sale of treasury shares

This represents the gain arising from sale of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

37. OTHER RESERVES (CONT'D)

Hedging reserve

Hedging reserve represents the cumulative fair value changes, net of tax, of the derivative financial instruments designated as cash flow hedges.

	Group	
	2012 US$'000	2011 US$'000
At 1 January	2,635	(2,309)
Fair value gains on cash flow hedges, net of tax and non-controlling interests	21,454	8,569
Reclassification to profit or loss		
- Sales	(9,317)	(3,598)
- Cost of sales	(631)	(27)
- Gains on foreign exchange	(7,110)	–
- Net financial expenses	(719)	–
At 31 December	6,312	2,635

Foreign translation reserve

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

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
At 1 January	28,113	39,219	393	393
Foreign currency translation adjustments	(63,015)	(11,106)	–	–
At 31 December	(34,902)	28,113	393	393

38. EMPLOYEE BENEFITS

	Group	
	2012 US$'000	2011 US$'000
Salaries, bonuses and other benefits	51,035	43,893
Net employee benefit expense relating to defined benefit plans (Note 33)	5,410	3,215
Central Provident Fund contributions	195	120
	56,640	47,228

39. RELATED PARTY DISCLOSURES

In addition to those related party information provided elsewhere in the relevant notes to the consolidated financial statements, the following significant transactions between the Group and related parties (who are not members of the Group) took place during the financial year at terms agreed between the parties:

	Group	
	2012 US$'000	2011 US$'000
Office lease rental	788	826
Disposal of subsidiaries	–	(5)
Commodities options and swap contracts	5,617	1,064

Compensation of key management personnel

	Group	
	2012 US$'000	2011 US$'000
Salaries, bonuses and other benefits	5,585	5,347
Directors' fees	316	315
Net employee benefit expense relating to defined benefit plans	312	234
Central Provident Fund contributions	53	39
	6,266	5,935
Comprise amounts paid to:		
- Directors of the Company	1,811	1,442
- Other key management personnel	4,455	4,493
	6,266	5,935

40. COMMITMENTS AND CONTINGENCIES

(a) Commitments for sales and purchases contracts

At the end of the reporting period, the Group has committed sales and purchases contracts, at fixed pricing terms, for palm based products with the following contractual or underlying principal amounts:

	Group	
	2012 US$'000	2011 US$'000
Sales		
- Third parties	522,592	388,197
Purchases		
- Third parties	(160,813)	(184,330)
- Related parties	(46,331)	(44,556)

40. COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) Capital commitments

Significant capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2012 US$'000	**2011 US$'000**
Capital commitments in respect of property, plant and equipment	64,491	24,439
Commitment in respect of acquisition of investment	59,401	–

(c) Operating lease commitments

As lessee

In addition to the land use rights disclosed in Note 14, the Group has entered into commercial leases to lease land and buildings. These non-cancellable operating leases have remaining lease terms of between one to three years. There are no restrictions placed upon the lessee by entering into these leases. Operating lease payments recognised in profit or loss are US$985,000 (2011: US$682,000) (Note 7).

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

	Group	
	2012 US$'000	**2011 US$'000**
Within one year	444	713
After one year but not more than five years	47	120
	491	833

40. COMMITMENTS AND CONTINGENCIES (CONT'D)

(d) *Finance lease commitments*

As lessee

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

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

	2012		2011	
	Minimum lease payments	Present value of minimum lease payments (Note 29)	Minimum lease payments	Present value of minimum lease payments (Note 29)
	US$'000	US$'000	US$'000	US$'000
Group				
Not later than one year	2,553	2,211	2,819	2,521
Later than one year but not more than five years	1,927	1,708	1,543	1,403
Total minimum lease payments	4,480	3,919	4,362	3,924
Less: Amount representing finance charges	(561)	–	(438)	–
Present value of minimum lease payments	3,919	3,919	3,924	3,924
Company				
Not later than one year	21	17	18	15
Later than one year but not more than five years	8	7	28	23
Total minimum lease payments	29	24	46	38
Less: Amount representing finance charges	(5)	–	(8)	–
Present value of minimum lease payments	24	24	38	38

(e) *Contingent liabilities*

The Company has provided corporate guarantees to certain external parties in the ordinary course of business, guaranteeing the obligations of a subsidiary in the event of any non-performance by the subsidiary in respect of its contracts with these external parties. No liability is expected to arise as at the end of the reporting period.

Certain subsidiaries have guaranteed US$2.3 million (2011: US$1.0 million) in respect of plasma farmers' loans repayable to a bank at the time when the plasma plantations are converted. These loans are being repaid by the plasma farmers on an instalment basis through a withholding mechanism on sales of the plasma crops to the Group.

41. CLASSES OF FINANCIAL ASSETS AND LIABILITIES

As at the end of the reporting period, the following are the different classes of financial assets and liabilities:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Assets				
Loans and receivables				
Loans to subsidiaries	–	–	194,080	6,000
Trade receivables	24,903	29,880	5,037	11,683
Other receivables	10,127	3,833	3,127	1,285
Cash and bank balances	404,738	210,406	130,084	88,269
	439,768	244,119	332,328	107,237
At fair value through profit or loss				
Derivative financial assets	5,974	6,927	7	–
Cash flow hedges				
Derivative financial assets	20,974	10,156	664	–
Liabilities				
At amortised cost				
Trade payables	20,879	16,633	129	10,788
Other payables and accruals	38,430	29,225	6,974	6,819
Loans and borrowings from financial institutions	214,329	211,243	24	38
Rupiah bonds payable	–	48,369	–	–
Liability component of convertible bonds	–	90,017	–	90,017
Islamic medium term notes	323,839	–	323,839	–
	597,477	395,487	330,966	107,662
At fair value through profit or loss				
Derivative financial liabilities	318	6,630	8	657
Cash flow hedges				
Derivative financial liabilities	3,852	6,252	1,400	–

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

	Quoted prices in active market for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Group				
2012				
Financial assets				
Derivative financial assets	3,069	23,879	–	26,948
Financial liabilities				
Derivative financial liabilities	310	3,860	–	4,170
2011				
Financial assets				
Derivative financial assets	646	16,437	–	17,083
Financial liabilities				
Derivative financial liabilities	314	12,568	–	12,882

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

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

	Quoted prices in active market for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Company				
2012				
Financial assets				
Derivative financial assets	–	671	–	671
Financial liabilities				
Derivative financial liabilities	–	1,408	–	1,408
2011				
Financial assets				
Derivative financial assets	–	–	–	–
Financial liabilities				
Derivative financial liabilities	–	657	–	657

Determination of fair value

Derivative financial assets/liabilities (Note 19)

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

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

Loans to subsidiaries (Note 18), Trade receivables (Note 21), Other receivables (Note 22), Trade payables (Note 26), Other payables and accruals (Note 27) and Loans and borrowings from financial institutions (Note 29).

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

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

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

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

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	US$'000	US$'000	US$'000	US$'000
Group				
Financial liabilities				
Rupiah bonds payable	–	–	48,369	50,390
Liability and equity components of convertible bonds	–	–	103,779	132,971
Islamic medium term notes	323,839	328,915	–	–
Company				
Financial liabilities				
Liability and equity components of convertible bonds	–	–	103,779	132,971
Islamic medium term notes	323,839	328,915	–	–

Determination of fair value

Rupiah bonds payable (Note 30)

The fair value is estimated by reference to the latest transacted price during 2011, which occurred on 28 December 2011.

Liability and equity components of convertible bonds (Note 31)

The fair values are estimated by reference to the market prices as at the end of 2011.

Islamic medium term notes (Note 32)

The fair value is estimated by reference to the latest transacted prices during 2012, which occurred on 12 and 18 December 2012.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its floating rate bank loans and deposits with financial institutions.

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, had the interest rates of the Group's floating rate bank loans and deposits with financial institutions been 50 basis points (2011: 50 basis points) higher/lower, ceteris paribus, profit before tax for the financial year ended 31 December 2012 would have been US$972,000 (2011: US$15,000) higher/lower accordingly.

(b) Foreign currency risk

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

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

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

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

The Group's foreign currency exposures are highlighted in Notes 21, 22, 25, 26, 27, 29, 30 and 32 respectively.

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

(b) *Foreign currency risk*

Sensitivity analysis for foreign currency risk

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

	Group			
	2012		2011	
	Profit before tax	Equity	Profit before tax	Equity
	US$'000	US$'000	US$'000	US$'000
IDR against USD				
- strengthened 10% (2011: 10%)	(11,449)	62,840	(3,219)	54,240
- weakened 10% (2011: 10%)	14,664	(60,428)	4,007	(53,650)
SGD against USD				
- strengthened 5% (2011: 5%)	272	860	2,414	2,004
- weakened 5% (2011: 5%)	(465)	(1,021)	(2,414)	(2,004)
MYR against USD				
- strengthened 10% (2011: 10%)	437	8,495	(5,639)	3,404
- weakened 10% (2011: 10%)	(437)	(8,495)	4,381	(4,439)

(c) *Commodity price risk*

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

Sensitivity analysis for commodity price risk

During the reporting period, had the average selling prices of palm based products been 10% higher/lower, ceteris paribus, profit before tax for the financial year ended 31 December 2012 would have been US$60.3 million (2011: US$49.5 million) higher/lower.

At the end of the reporting period, had the market price of palm based products been 10% higher/lower, ceteris paribus, the Group's profit before tax and equity would have (decreased)/increased by the amounts shown below, as a result of changes in fair value of commodities futures, options and swap contracts:

	Group			
	2012		2011	
	Profit before tax	Equity	Profit before tax	Equity
	US$'000	US$'000	US$'000	US$'000
Increase in prices of palm based products	(5,248)	(10,882)	(8,297)	(18,772)
Decrease in prices of palm based products	5,266	10,896	7,466	18,148

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

(d) Credit risk

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

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

The Group trades only with recognised and creditworthy third parties and conducts business by requiring payment in advance, letter of credit, cash on delivery or may grant customers credit terms, where appropriate. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

Exposure to credit risk

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

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- an amount of US$2.3 million (2011: US$1.0 million) relating to a financial guarantee provided by certain subsidiaries for repayment of plasma farmers' loans to a bank.

Credit risk concentration profile

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

At the end of the reporting period, 68.6% (2011: 77.0%) of the Group's trade receivables were due from two customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Cash and 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 21 (Trade receivables).

43. 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 obligations due to shortage of funds. The Group monitors its liquidity risk by actively managing its operating cash flows, debt maturity profile and availability of funding.

Analysis of financial instruments by remaining contractual maturities

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

	One year or less	One to five years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000
Group				
2012				
Trade and other payables	59,309	–	–	59,309
Loans and borrowings from financial institutions	55,643	166,876	66,258	288,777
Islamic medium term notes	14,345	384,154	–	398,499
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(14,345)	(384,154)	–	(398,499)
- Cross currency swaps (gross payments)	11,191	364,428	–	375,619
- Other derivatives	2,810	–	–	2,810
	128,953	531,304	66,258	726,515
2011				
Trade and other payables	45,858	–	–	45,858
Loans and borrowings from financial institutions	63,683	190,360	48,738	302,781
Rupiah bonds payable	53,668	–	–	53,668
Convertible bonds payable	6,384	115,311	–	121,695
Derivative financial liabilities:				
- Cross currency swap (gross receipts)	(54,872)	–	–	(54,872)
- Cross currency swap (gross payments)	51,348	–	–	51,348
- Other derivatives	4,715	5,770	–	10,485
	170,784	311,441	48,738	530,963

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

(e) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities (cont'd)

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Company				
2012				
Trade and other payables	7,103	–	–	7,103
Loans and borrowings from financial institutions	21	8	–	29
Islamic medium term notes	14,345	384,154	–	398,499
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(14,345)	(384,154)	–	(398,499)
- Cross currency swaps (gross payments)	11,191	364,428	–	375,619
- Other derivatives	42	–	–	42
	18,357	364,436	–	382,793
2011				
Trade and other payables	17,607	–	–	17,607
Loans and borrowings from financial institutions	18	28	–	46
Convertible bonds payable	6,384	115,311	–	121,695
Derivative financial liabilities	659	–	–	659
	24,668	115,339	–	140,007

44. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2012 and 2011.

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

44. CAPITAL MANAGEMENT (CONT'D)

	Group	
	2012 US$'000	**2011 US$'000**
Loans and borrowings from financial institutions (Note 29)	214,329	211,243
Rupiah bonds payable (Note 30)	–	48,369
Liability component of convertible bonds (Note 31)	–	90,017
Islamic medium term notes (Note 32)	323,839	–
Gross debt	538,168	349,629
EBITDA	322,750	294,717
Debt/EBITDA	1.67 times	1.19 times

45. SEGMENT INFORMATION

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

(a) Plantations and Palm Oil Mills

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

(b) Refinery and Processing

Refinery and processing segment markets and sells processed palm based products produced from the refinery, fractionation and biodiesel processing facilities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA, which is not measured differently from EBITDA computed using the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

45. SEGMENT INFORMATION (CONT'D)

	Plantations and Palm Oil Mills	Refinery and Processing	Elimination	Total
	US$'000	US$'000	US$'000	US$'000
2012				
Sales:				
External customers	360,221	243,208	–	603,429
Inter-segment	144,190	–	(144,190)	–
Total sales	504,411	243,208	(144,190)	603,429
Results:				
EBITDA	295,375	29,885	(2,510)	322,750
Depreciation and amortisation	(19,889)	(5,128)	–	(25,017)
Gains arising from changes in fair value of biological assets	35,795	–	–	35,795
Profit from operations	311,281	24,757	(2,510)	333,528
Gains on foreign exchange				8,054
Gains on derivative financial instruments				1,579
Net financial expenses				(19,174)
Other non-operating income				2,340
Profit before tax				326,327

45. SEGMENT INFORMATION (CONT'D)

	Plantations and Palm Oil Mills	Refinery and Processing	Elimination	Total
	US$'000	US$'000	US$'000	US$'000
2011				
Sales:				
External customers	319,098	175,521	–	494,619
Inter-segment	121,978	–	(121,978)	–
Total sales	441,076	175,521	(121,978)	494,619
Results:				
EBITDA	275,919	26,818	(8,020)	294,717
Depreciation and amortisation	(18,117)	(5,419)	–	(23,536)
Gains arising from changes in fair value of biological assets	39,217	–	–	39,217
Profit from operations	297,019	21,399	(8,020)	310,398
Losses on foreign exchange				(2,808)
Gains on derivative financial instruments				906
Net financial expenses				(27,808)
Other non-operating income				999
Profit before tax				281,687

45. SEGMENT INFORMATION (CONT'D)

Geographical information

The Group operates primarily in Singapore and Indonesia. In presenting information on the basis of geographical segments, segment sales is based on the countries from which the customers are invoiced. Segment assets are based on the geographical location of the assets.

	Sales		Non-current assets	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Singapore	435,029	336,527	18,555	19,763
Indonesia	168,400	158,092	1,341,185	1,157,302
	603,429	494,619	1,359,740	1,177,065

Non-current assets information presented above consist of biological assets, plasma plantation receivables, property, plant and equipment, land use rights, goodwill, other intangible assets and other non-current assets.

Information about major customers

In 2012, sales to three major customers amounted to US$159.6 million from the plantations and palm oil mills segment and US$153.2 million from the refinery and processing segment.

In 2011, sales to one major customer amounted to US$125.3 million from the plantations and palm oil mills segment and US$13.2 million from the refinery and processing segment.

46. DIVIDENDS

	Group and Company	
	2012 US$'000	2011 US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final tax exempt (one-tier) dividend for 2011: 2.50 Singapore cents (2010: 1.90 Singapore cents) per share	30,739	22,424
- Interim tax exempt (one-tier) dividend for 2012: 1.25 Singapore cents (2011: 1.00 Singapore cents) per share	16,179	12,096
	46,918	34,520
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final tax exempt (one-tier) dividend for 2012: 2.75 Singapore cents (2011: 2.50 Singapore cents) per share	35,631 *	30,739

* *based on USD/SGD exchange rate of 1.2226*

47. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 1 February 2013, the Company announced that it has completed the acquisition of 100% interest in Lynhurst Investment Pte. Ltd. ("Lynhurst"), which in turn owns 95% interest in PT Swadaya Mukti Prakarsa ("PT SMP"). In addition, the Company has through its indirect subsidiary, PT Pancasurya Agrindo, acquired the remaining 5% interest in PT SMP.

Following the completion of the above acquisitions, Lynhurst and PT SMP are now direct and indirect subsidiaries of the Company respectively.

48. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 18 March 2013.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2013

SHAREHOLDERS' INFORMATION

Number of issued shares	:	1,584,072,969
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

The Company does not have any treasury shares as at 15 March 2013.

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 999	5	0.24	381	0.00
1,000 - 10,000	1,589	75.70	7,856,304	0.50
10,001 - 1,000,000	485	23.11	22,489,129	1.42
1,000,001 and above	20	0.95	1,553,727,155	98.08
	2,099	100.00	1,584,072,969	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Eight Capital Inc.	537,800,130	33.95
2.	HSBC (Singapore) Nominees Pte Ltd	385,661,671	24.35
3.	Citibank Nominees Singapore Pte Ltd	200,435,904	12.65
4.	DB Nominees (S) Pte Ltd	93,219,758	5.88
5.	DBSN Services Pte Ltd	85,781,797	5.42
6.	DBS Nominees Pte Ltd	76,034,166	4.80
7.	Raffles Nominees (Pte) Ltd	45,972,001	2.90
8.	ABN AMRO Nominees Singapore Pte Ltd	40,000,000	2.53
9.	United Overseas Bank Nominees Pte Ltd	28,878,670	1.82
10.	Advance Synergy Capital Ltd	17,186,000	1.08
11.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	14,729,016	0.93
12.	DBS Vickers Securities (S) Pte Ltd	5,834,000	0.37
13.	BNP Paribas Securities Services	5,316,146	0.34
14.	UOB Kay Hian Pte Ltd	4,451,000	0.28
15.	Bank of Singapore Nominees Pte Ltd	3,992,561	0.25
16.	OCBC Securities Private Ltd	2,232,000	0.14
17.	Merrill Lynch (Singapore) Pte Ltd	2,013,100	0.13
18.	Maybank Kim Eng Securities Pte Ltd	1,483,635	0.09
19.	Ng Mei Hwee Warni	1,422,000	0.09
20.	Phillip Securities Pte Ltd	1,283,600	0.08
		1,553,727,155	98.08

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2013

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 15 March 2013)

	Direct Interest	%	Deemed Interest	%
Eight Capital Inc.	1,000,800,130	63.18	-	-
Eight Capital Trustees Pte Ltd	-	-	1,000,800,130 (1)	63.18
Equity Trust (Jersey) Ltd	-	-	1,000,800,130 (2)	63.18
Infinite Capital Fund Limited	88,000,000	5.56	-	-
King Fortune International Inc.	-	-	88,000,000 (3)	5.56
DB International Trust (Singapore) Limited	-	-	88,000,000 (4)	5.56

Notes:

(1) Eight Capital Trustees Pte Ltd ("ECTPL") holds the entire share capital of Eight Capital Inc. ("Eight Capital") as trustee of the Eight Capital Trust (the "Trust"), which is a discretionary family trust, and subject to the terms of the Trust. Eight Capital is the investment holding vehicle of the Trust and ECTPL is deemed interested in the shares held by Eight Capital.

(2) Equity Trust (Jersey) Ltd is the trustee of Eight Cap Purpose Trust (the "Purpose Trust"). Pursuant to the Purpose Trust, Equity Trust (Jersey) Ltd is the sole shareholder of ECTPL and it is therefore deemed interested in the shares held by Eight Capital.

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

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

PERCENTAGE OF SHARES HELD BY THE PUBLIC

Approximately 31.26% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of First Resources Limited ("the Company") will be held at Marina Mandarin Singapore, Function Rooms Libra and Gemini, Level 1, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Monday, 22 April 2013 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2012 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a final dividend of 2.75 Singapore cents (S$0.0275) (one-tier, tax-exempt) per ordinary share for the year ended 31 December 2012 (2011: S$0.025). **(Resolution 2)**

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

   Mr Teng Cheong Kwee **(Resolution 3)**
   Mr Hee Theng Fong **(Resolution 4)**

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

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

   Mr Ray Nugraha Yoshuara, who is due to retire by rotation pursuant to Article 93 of the Articles of Association of the Company, will not be seeking re-election as a Director of the Company.

4. To approve the payment of Directors' fees of S$395,000 for the year ended 31 December 2012 (2011: S$395,000). **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

7. **Authority to issue shares**

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

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

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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

provided that:

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

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

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

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

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

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 7)**

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

That:

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

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

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

and otherwise in accordance with all other laws and regulations, including but not limited to the provisions of the Companies Act and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(2) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

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

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

(3) in this Resolution:

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

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

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

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

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

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

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

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

(4) the Directors of the Company and/or any of them be and are/is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.
[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Tan San-Ju
Secretary

Singapore
5 April 2013

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

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

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition, including the amount of financing and financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2012 are set out in greater detail in the Circular dated 5 April 2013 attached to this Annual Report.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies 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

(Please see notes overleaf before completing this Form)

FIRST RESOURCES LIMITED

(COMPANY REGISTRATION NO. 200415931M)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

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

I/We, ____

of ____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Marina Mandarin Singapore, Function Rooms Libra and Gemini, Level 1, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Monday, 22 April 2013 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

NO.	RESOLUTIONS RELATING TO:	FOR	AGAINST
1	Directors' Report and Audited Accounts for the year ended 31 December 2012		
2	Payment of proposed final dividend		
3	Re-election of Mr Teng Cheong Kwee as a Director		
4	Re-election of Mr Hee Theng Fong as a Director		
5	Approval of Directors' fees amounting to S$395,000		
6	Re-appointment of Messrs Ernst & Young LLP as Auditor		
7	Authority to issue new shares		
8	Renewal of Share Purchase Mandate		

Dated this ______________ day of ______________ 2013

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

____

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

*Delete where inapplicable

PROXY FORM

FIRST RESOURCES LIMITED

(COMPANY REGISTRATION NO. 200415931M)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

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

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

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

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

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

General:

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

FIRST RESOURCES LIMITED
Company Registration Number : 200415931M

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