ANNUAL REPORT

2011

FIRST RESOURCES LIMITED

CONTENTS

CORPORATE PROFILE

Listed on the Singapore Exchange since 2007, First Resources is one of the fastest-growing palm oil producers in the Asia-Pacific. The Group has grown its plantation assets rapidly since its inception in 1992. We now manage more than 130,000 hectares of oil palm plantations and operate nine palm oil mills in Indonesia.

The Group's core business activities are cultivating oil palms, harvesting the fresh fruit bunches and milling them into crude palm oil ("CPO") and palm kernel for sale to the domestic and international markets. With our integrated processing facilities, we also refine part of our CPO production into higher value products such as olein and biodiesel.

First Resources' expertise in plantation cultivation and management is clearly reflected in its high yields, high extraction rates and low cost of production. We keep our operations closely integrated to extract maximum operational synergies.

The Group's disciplined approach to new plantings constantly rejuvenates its plantation profile. Our favourable age profile positions us well for sturdy operational growth over the next few years. With a sizeable reserve of unplanted land bank, the Group also has further room to expand its plantation footprint. We aim to enlarge our plantation hectarage and grow our CPO production to one million tonnes per annum.

FINEST
SELECTION

FINEST SELECTION

After carefully selecting land that is best-suited for oil palm cultivation and sourcing only top quality planting materials, we exercise a stringent nursery culling process to ensure that our plantations have the right foundation to develop their best yield potential.

BEST PRACTICES

Adopting plantation best practices and ensuring that exacting standards are executed on the ground, we strive to give our oil palms the meticulous attention they deserve in order to realise their yield potential to the fullest.

BEST PRACTICES

REFINED RESULTS

REFINED RESULTS

With our expanding processing capabilities, the Group is well positioned to capture the additional margins from value-added activities. This maximises the value potential of our plantation assets and the returns to our shareholders.

OUR LOCATION MAP

Favourable plantation age profile to drive **production growth** over the next few years.

Low-cost structure achieved through operational efficiency and stringent cost management.

Integrated operations through the palm value chain to leverage and **maximise value** of our plantation assets.

OIL PALM PLANTATIONS

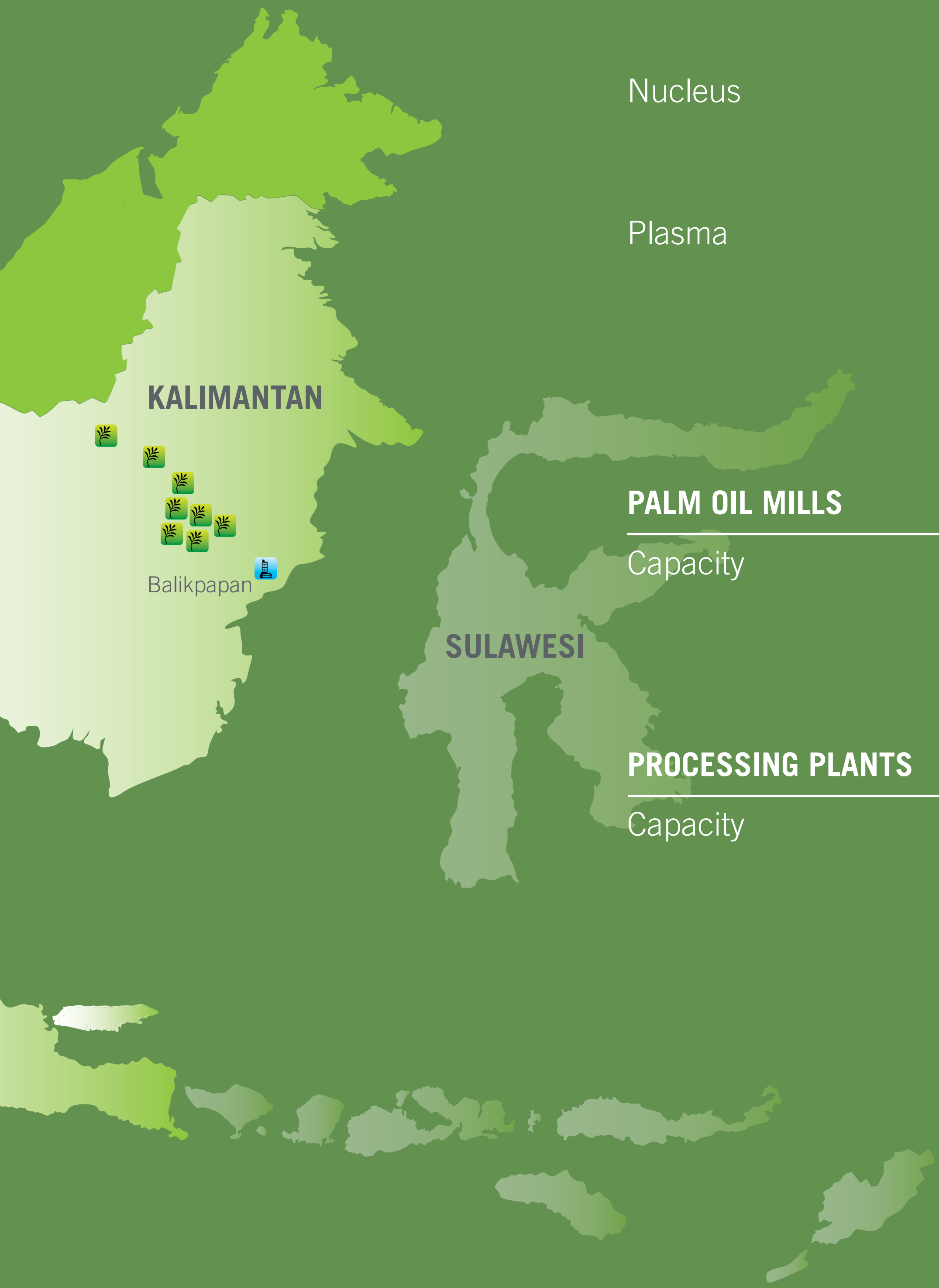
Total Planted Area	132,251 Hectares
Nucleus	113,143 Hectares
Plasma	19,108 Hectares

PALM OIL MILLS

Capacity	3.24 Million Tonnes/Annum

PROCESSING PLANTS

Capacity	250,000 Tonnes/Annum



Office

Oil Palm Plantation / Land Bank

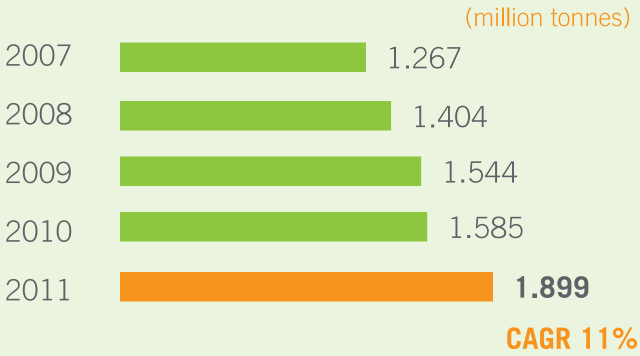
Oil Palm Plantation with Mill

Processing Plants

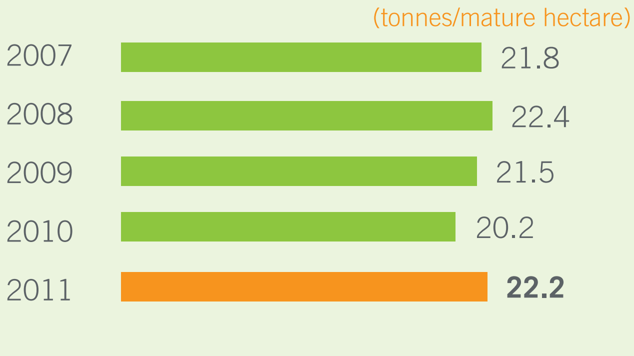
OPERATIONAL HIGHLIGHTS

FINANCIAL YEAR	2007	2008	2009	2010	2011
PLANTATION AREA (Hectares)					
Total Planted Area	**86,354**	**95,241**	**108,917**	**120,830**	**132,251**
Mature	58,119	62,616	71,927	78,627	85,699
Immature	28,235	32,625	36,990	42,203	46,552
Nucleus Planted Area	**76,666**	**84,076**	**96,858**	**107,664**	**113,143**
Mature	50,842	54,915	63,684	69,404	74,704
Immature	25,824	29,161	33,174	38,260	38,439
Plasma Planted Area	**9,688**	**11,165**	**12,059**	**13,166**	**19,108**
Mature	7,277	7,701	8,243	9,223	10,995
Immature	2,411	3,464	3,816	3,943	8,113
Planted Area by Location					
Riau	86,354	94,668	98,966	101,181	103,128
West Kalimantan	-	573	9,951	19,649	29,123
PRODUCTION VOLUME (Tonnes)					
Fresh Fruit Bunches ("FFB")	**1,266,762**	**1,403,794**	**1,544,332**	**1,584,910**	**1,898,565**
Nucleus	1,131,179	1,243,747	1,393,384	1,447,595	1,725,374
Plasma	135,583	160,047	150,948	137,315	173,191
Crude Palm Oil ("CPO")	**278,340**	**322,678**	**368,631**	**376,922**	**452,113**
Palm Kernel ("PK")	**63,470**	**76,332**	**84,393**	**85,650**	**103,993**
PRODUCTIVITY					
FFB Yield per Mature Hectare (tonnes)	**21.8**	**22.4**	**21.5**	**20.2**	**22.2**
CPO Yield per Mature Hectare (tonnes)	**4.8**	**5.1**	**5.1**	**4.7**	**5.2**
CPO Extraction Rate (%)	**22.2**	**22.8**	**23.7**	**23.6**	**23.6**
PK Extraction Rate (%)	**5.1**	**5.4**	**5.4**	**5.4**	**5.4**

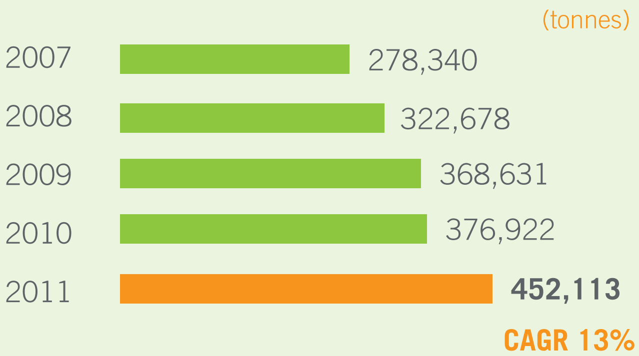
FRESH FRUIT BUNCHES PRODUCTION



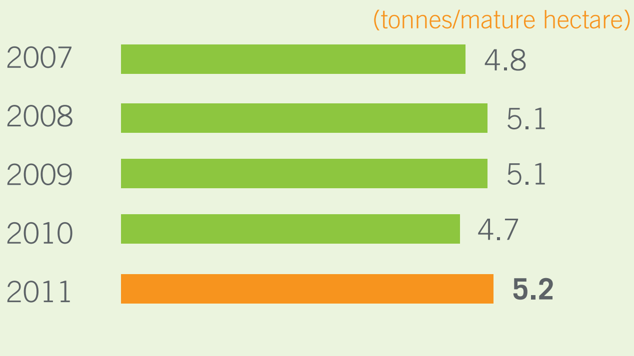
FRESH FRUIT BUNCHES YIELD



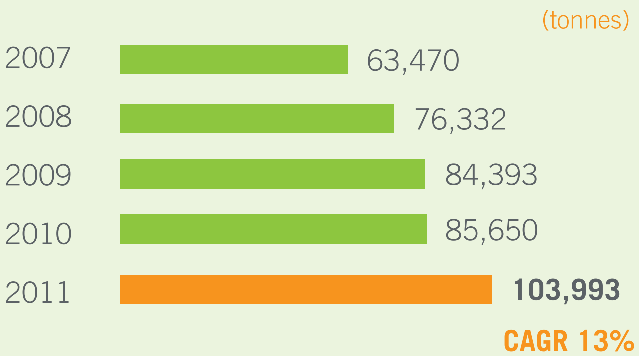
CRUDE PALM OIL PRODUCTION



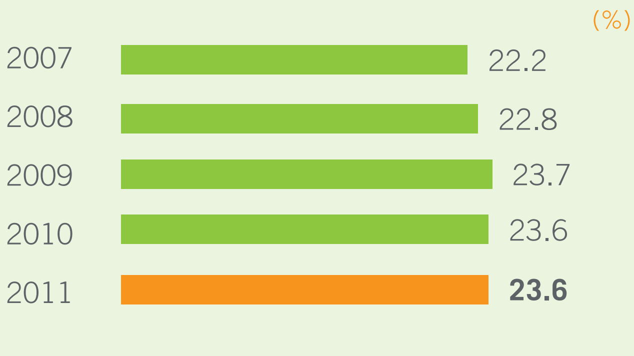
CRUDE PALM OIL YIELD



PALM KERNEL PRODUCTION



CRUDE PALM OIL EXTRACTION RATE



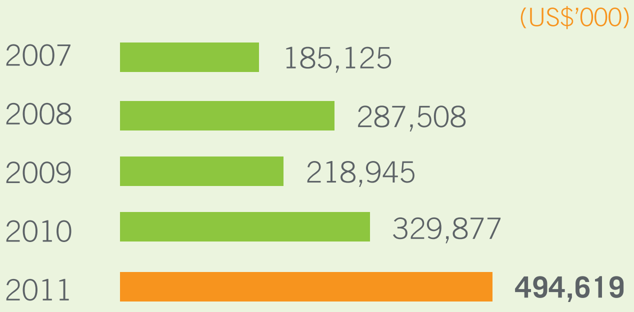
Note:
CAGR : Compounded Annual Growth Rate

FINANCIAL HIGHLIGHTS

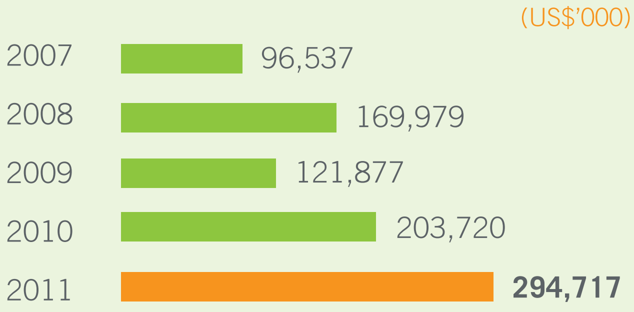
FINANCIAL YEAR	2007	2008	2009	2010	2011
INCOME STATEMENT (US$'000)					
Sales	185,125	287,508	218,945	329,877	494,619
Gross Profit	101,258	192,209	130,500	212,239	345,874
Gains arising from Changes in Fair Value of Biological Assets	17,134	39,016	44,286	49,531	39,217
Profit from Operations	108,224	201,531	156,416	236,988	310,398
EBITDA [1]	96,537	169,979	121,877	203,720	294,717
Profit before Tax	97,487	167,573	163,707	212,508	281,687
Net Profit Attributable to Owners of the Company	47,202	112,791	112,505	143,084	196,416
Underlying Net Profit [2]	37,611	86,010	74,560	108,895	168,371
BALANCE SHEET (US$'000)					
Total Assets	663,516	714,729	1,012,618	1,235,088	1,500,074
Total Liabilities	312,455	318,322	419,827	490,171	571,721
Total Equity	351,061	396,407	592,791	744,917	928,353
Equity Attributable to Owners of the Company	335,217	373,567	563,678	710,453	884,693
FINANCIAL STATISTICS					
Gross Profit Margin (%)	54.7	66.9	59.6	64.3	69.9
EBITDA Margin (%)	52.1	59.1	55.7	61.8	59.6
Underlying Net Profit Margin (%) [3]	20.3	29.9	34.1	33.0	34.0
Basic Earnings per Share (US Cents) [4]	4.43	7.71	7.74	9.84	13.38
Net Debt to Equity (times) [5]	0.13	0.21	0.18	0.13	0.15
EBITDA to Interest Coverage (times) [6]	4.7	7.0	5.3	6.9	9.9
Net Asset Value per Share (US$) [7]	0.23	0.26	0.39	0.49	0.60

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 = Interest-bearing loans and borrowings less cash and bank balances / Total equity
6. EBITDA to interest coverage = EBITDA / Total interest paid on interest-bearing loans and borrowings
7. Net asset value per share = Equity attributable to owners of the Company / Number of ordinary shares (excluding treasury shares) in issue at end of the financial year

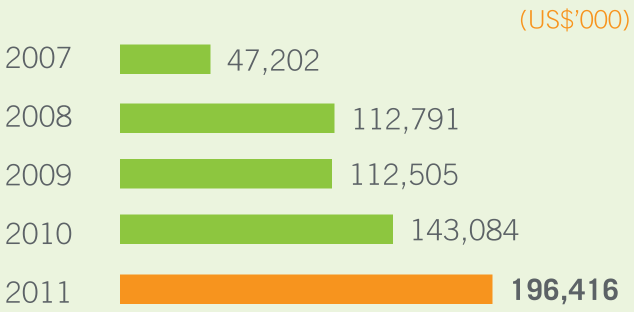
SALES



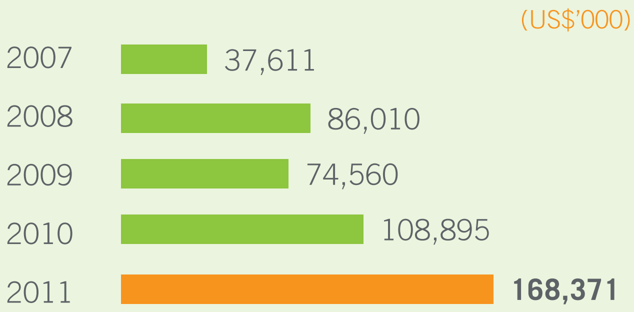
EBITDA



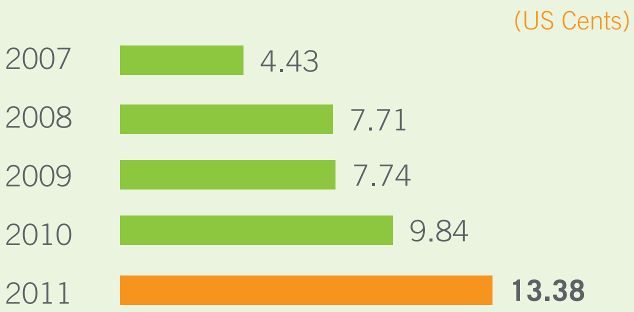
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



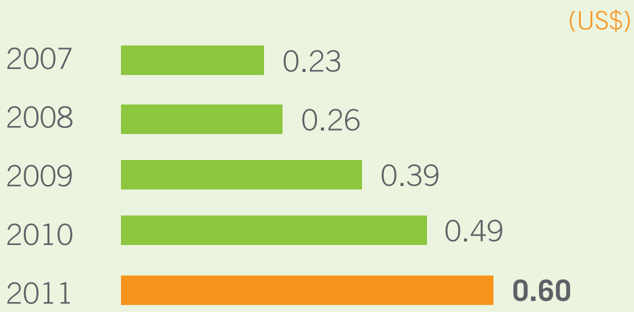
UNDERLYING NET PROFIT



BASIC EARNINGS PER SHARE



NET ASSET VALUE PER SHARE



"FY2011 was an outstanding year. We rewrote our Group's records for sales, net profit, underlying net profit and EBITDA."

Dear Shareholders,

On behalf of the Board of Directors and the management team of First Resources, we are pleased to present to you the Annual Report of the Group for the financial year ended 31 December 2011 ("FY2011").

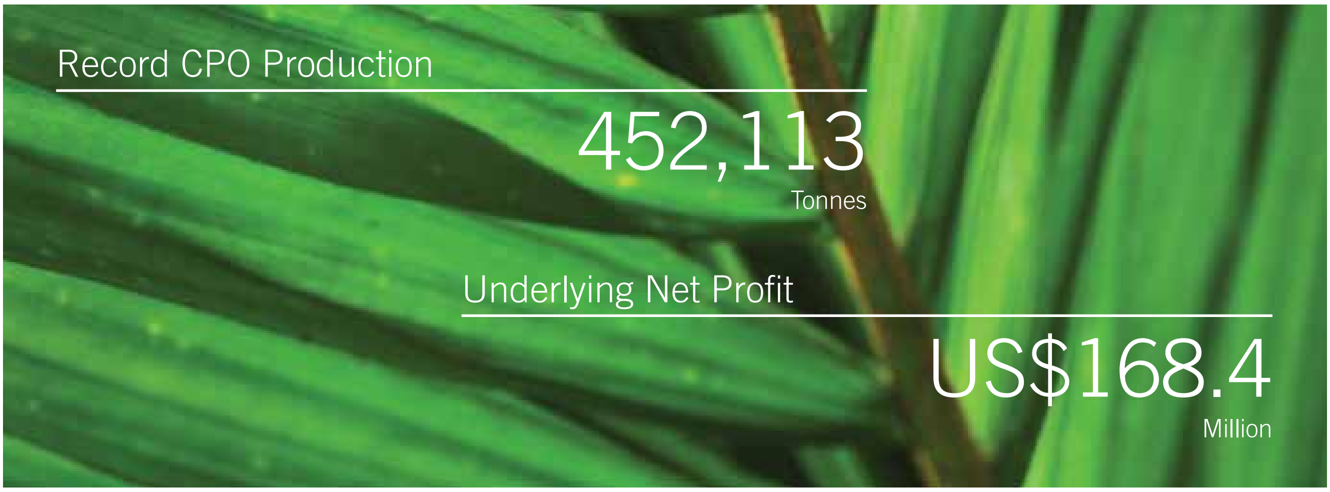
Operating Environment and Achievements

2011 turned out to be a very strong year for agri-businesses with heavy upstream exposure. Despite clouds of uncertainty in the financial markets, especially with the unfolding of the European debt crisis, crude palm oil ("CPO") prices remained well-supported. Strong demand growth for edible oils, again mostly from burgeoning emerging markets, was able to absorb additional supply. International CPO prices (FOB Malaysia) averaged at US$1,071 per tonne, the highest ever recorded, as compared to US$856 per tonne in 2010. The price trends in 2011 and 2010 have reaffirmed our long-held convictions that the demand for palm oil, a basic food commodity, is growing, highly resilient and inelastic.

Besides the favourable prices, the Group also achieved record volumes in fresh fruit bunches ("FFB"), CPO and palm kernel productions. This was largely attributed to our past planting efforts – continued maturing of our young palms increased production. FFB production grew by a staggering 20% to 1.9 million tonnes and CPO production grew similarly by 20%, to over 452,000 tonnes.

From the productivity angle, FFB yield jumped from 20.2 tonnes per hectare in 2010 to 22.2 tonnes in 2011. The increase was driven mainly by the recovery from biological tree stress that adversely impacted our plantations' yields back in 2010. Our CPO extraction rate was maintained at an impressive 23.6%, resulting in a CPO yield of 5.2 tonnes per hectare – another record in the Group's history. These yield metrics are credible achievements considering the young age profile of our plantations. For many years, we have been working hard at improving the coordination of our mill and plantation teams so that maximum operational synergies can be extracted. We are glad to see continued results from these team efforts.

Another important operating parameter is the cash cost of production. On this front, each tonne of nucleus CPO cost us approximately US$221 to produce on an ex-mill basis, unchanged from the previous year. This is a noteworthy achievement considering the cost pressures that we faced during the year, the most significant being the yearly increase in minimum wages in Indonesia. As the Indonesian Rupiah continued to appreciate against the US Dollar in 2011, the impact of these nominal wage increases were further magnified when translated to US Dollar terms.



Fertiliser prices, in particular urea, also inched up in response to higher crude oil prices. However, the effects of these costs increases were largely negated by the higher productivity we achieved over the year, enabling us to maintain our competitive cost base.

High yields and a low cost base are qualities of a well-managed plantation house. The Group aspires to continually improve on our operations, to push yields higher and costs lower.

2011 also saw the commencement of the Group's processing activities on a meaningful scale. With the completion of the Group's refinery, fractionation and biodiesel plants in 2010, we started securing more orders for our processed palm based products, channelling a portion of our CPO production to these plants and ramping up our processing activities. Processing our CPO into higher value products increases the absolute margin from each tonne of CPO that our plantation produces. The Group sold more than 140,000 tonnes of processed palm based products in 2011 and we expect this figure to grow in 2012 as we further increase the utilisation of our processing plants.

Strong Financial Performance

Combining the factors above, FY2011 was an outstanding year. We rewrote our Group's records for sales, net profit, underlying net profit and EBITDA (profit from operations before depreciation, amortisation and gains arising from changes in fair value of biological assets). As an upstream producer, the Group benefited greatly from strong selling prices and higher production volumes, and these propelled our financial earnings in FY2011.

We achieved net profit attributable to shareholders of US$196 million, a 37% increase over FY2010. After excluding the gains arising from biological assets revaluation, the Group saw underlying net profit rise by 55% to US$168 million.

EBITDA increased by 45% to US$295 million in FY2011. Our EBITDA margin remained very healthy at 60%, a reflection of the high-margin, upstream segment that we operate in. We have always highlighted that amongst the metrics used to gauge performance, we favour EBITDA per mature, nucleus hectare the most. This financial metric conveys the cash earnings generated or the financial yield for each hectare that we worked on. On this measure, our Plantations and Palm Oil Mills segment brought in US$3,586 per mature, nucleus hectare in FY2011, a significant improvement over the US$2,969 per hectare achieved in FY2010. Comparing this against the prevailing replacement cost and bearing in mind that oil palms have an economic lifespan of over 20 years, one can easily appreciate the attractiveness of a well-managed oil palm business.

Returns to Shareholders

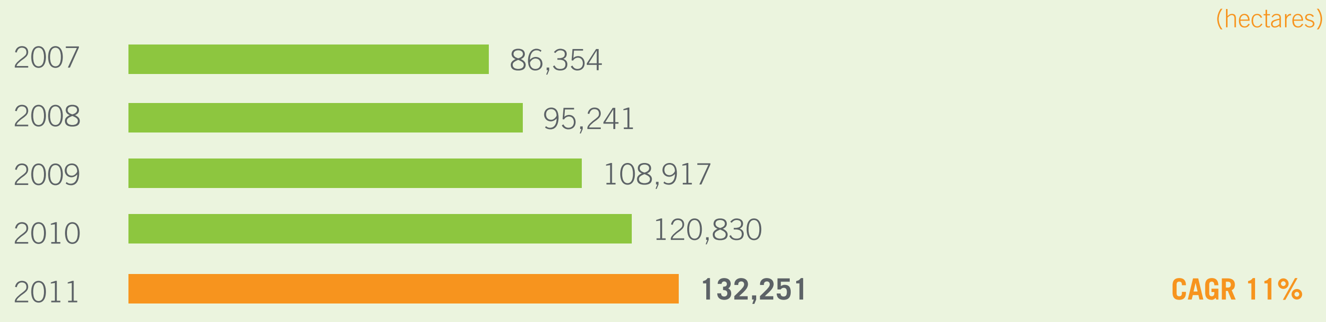
The Group is committed towards managing its capital in a proactive manner to provide value to shareholders, optimise gearing levels and ensure sufficient funding for its growth plans. With this objective in mind, the Board has recommended a final dividend of 2.5 Singapore cents per share for FY2011, to be approved at our Annual General Meeting. Coupled with the interim dividend of 1.0 Singapore cent per share paid out in September 2011, the total dividend payout is approximately 25% of our underlying net profit in FY2011, and represents a 21% increase over FY2010.

Expansion in 2011

In 2011, we acquired a large land bank in the East Kalimantan province, adding more than 100,000 hectares to our unplanted land bank reserve. This addition will, in the medium term, support the Group's aggressive planting programme of both oil palms and rubber.

We continued to invest in new plantings, in particular at the West Kalimantan province. The Group added 11,421 hectares

PLANTED AREA UNDER MANAGEMENT



of new oil palms in 2011 to bring our total planted area under management (including plasma plantations) to 132,251 hectares. As a result of our consistent planting programme, the age profile of the Group's plantations looks more attractive than ever – 56% of our trees are now either still immature or young. This profile will be a key driver of organic volume growth over the next five years as these young and immature trees age into their prime years and gradually realise their productive potential.

The Group's ninth palm oil mill was completed in 2011. This additional mill will ensure that we have sufficient milling capacity to mill all our FFB internally, especially during the peak production season.

We have also continued our investments in other strategic projects. A notable one is the integrated processing complex located in Dumai, Riau. Part of this complex will be completed in 2012 and we will elaborate further on this project in the subsequent section.

Growth Strategy

Our growth strategy in the medium term is mapped out as such:

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

b) Sustain Cost Leadership
We aim to maintain our cost advantage by pushing our productivity further and keeping our eyes firmly on cost. As a commodity producer, being at the low end of the industry cost curve maximises the earnings potential of our assets and gives us greatest resilience to price cycles.

c) Expand Processing Capabilities
We aim to leverage on our position as an owner and operator of upstream plantation assets by maximising the value potential from these assets. The strategy is to have sufficient capacity to further process all the current and future CPO output from our plantations in order to capture the additional margins available from these value-added activities.

We have a strong balance sheet to support these strategies and we believe that proper execution will deliver solid growth in shareholder value over time.

Investments in 2012 and Beyond

In the immediate term, the Group has embarked on several initiatives.

Construction work for the Group's tenth and eleventh palm oil mills began in 2011 and both these mills are expected to come on-stream this year. With the additional mills, the Group's total milling capacity will grow to 630 tonnes of FFB per hour or approximately 3.78 million tonnes per annum. The increased capacity will help to meet the growing demands of our enlarged plantation operations.

The Group has started investing in an integrated processing complex since 2010, located at sea-front Dumai, Riau. This complex will feature a private jetty with a deep draft that can accommodate vessels of up to 80,000 tonnes and storage capacity of more than 100,000 tonnes. When this jetty is ready in 2012, the Group will have better control over its order books and logistics. With more than half a million tonnes of the Group's palm products exiting from Dumai into the international markets, we believe that this distribution advantage will add tremendous strategic value to the Group's operations in the long run.

In addition, the complex will house a new palm kernel crushing plant with an annual capacity of 105,000 tonnes and a new refinery with an annual capacity of 600,000 tonnes. The completion of the kernel crushing plant, expected to be in the second half of 2012, will see the Group expanding its product offerings to include palm kernel oil and palm kernel expeller. The former is a key ingredient to the oleochemical industry and the latter is used largely for animal feeds. The new refinery is expected to come on-stream by the first quarter of 2013. It will lift the Group's total refining capacity to 850,000 tonnes per annum and comfortably accommodate the expected growth in our CPO production over the next few years.

On new plantings, we intend to expand our oil palms planted hectarage by another 15,000 to 20,000 hectares in 2012. We have worked hard in preparing parts of our new land bank at East Kalimantan for new plantings to commence in 2012. With multiple planting sites being worked on simultaneously at East and West Kalimantan, we expect our planting pace to increase. These new plantings will continually rejuvenate our plantation age profile and raise our CPO production potential. We are confident in the fundamentals of the palm oil industry and our aim is to attain a plantation asset base capable of producing at least one million tonnes of CPO per annum.

The Group will also commence its first batch of rubber plantings in the later part of this year. We expect to plant approximately 2,000 hectares in 2012, with the planting pace accelerating in 2013. Our ambition is to establish 40,000 hectares of rubber plantations within the next 7 to 10 years.

Optimistic Outlook

Commodity prices have become increasingly volatile over the last few years and we expect such volatility to continue. However, the fundamentals of the palm industry remain solid. Growing consumption in emerging markets such as China, India and Indonesia, and the increasing use of edible oils for biofuels production is expected to increase demand for palm oil and its substitutes. As supply growth in other edible oils is expected to remain constrained due to limited availability of arable land, this structural tightness in supply and demand will be beneficial to palm oil, which is currently still the most affordable vegetable oil globally.

We believe First Resources is well positioned to capitalise on these positive macro trends. Our diligence in growing our asset base will bear us more fruits over the next five years, thus enabling us to capture the growing demand. Our deliberate upstream focused agri-business model will allow us to be a beneficiary of strong commodity prices. Execution of our growth strategy as discussed earlier will further consolidate the Group's position in the industry.

In Appreciation

We would like to thank our Board members for their invaluable inputs in charting the Group's long-term growth strategy. To our employees, we thank you for your hard work and loyalty. Without your dedication, the Group's outstanding achievements would not have been possible. We would also like to take this opportunity to express our appreciation to our customers, suppliers and bankers. Your continued support over the years has enabled us to realise our growth plans.

Last but not least, we would like to thank you, our shareholders, for your trust and confidence. We will continue in our efforts to provide accurate and timely disclosure to facilitate you in making informed investment decisions. We have, and will remain focused on growing shareholder value.

Lim Ming Seong
Chairman
and Independent Director

Ciliandra Fangiono
Executive Director
and Chief Executive Officer

With a FFB yield of 22.2 tonnes and a CPO extraction rate of 23.6%, our CPO yield per mature hectare came in at a record high of 5.2 tonnes.

Record Plantation Production Volumes

2011 was a record year for the Group's plantation production volumes.

The Group's mature plantations produced 1,898,565 tonnes of FFB, an increase of 19.8% over the previous year. FFB production volume from our nucleus estates grew by 19.2% to 1,725,374 tonnes, while FFB production volume from our plasma estates saw an even more significant growth of 26.1% to 173,191 tonnes.

The overall increase in production volumes is largely attributed to the contribution from our set of newly mature trees, increase in productivity of our young plantations as they mature into their prime ages and the recovery from biological tree stress that adversely impacted our prime yielding trees in 2010.

FFB yield per mature hectare increased to 22.2 tonnes from 20.2 tonnes in 2010. These figures represent the combined productivity of both our nucleus and plasma plantations. Separately, FFB yield of our nucleus plantations came in at 23.1 tonnes per hectare as compared to 20.9 tonnes per hectare in 2010. Plasma plantations yielded 15.8 tonnes per hectare in 2011 vis-à-vis 14.9 tonnes per hectare in 2010. Yields of plasma plantations have recovered well in 2011, although not yet fully, from the lack of fertilisation during the credit crunch in 2008 and 2009 when CPO prices were lower.

99% of the FFB milled by the Group's palm oil mills came from our nucleus and plasma estates. Therefore, in line with the growth in our FFB production volume, our CPO production volume grew by 19.9% to 452,113 tonnes, the highest ever recorded by the Group. Our CPO extraction rate remained high at 23.6%, unchanged from the previous year. With a FFB yield of 22.2 tonnes and a CPO extraction rate of 23.6%, our CPO yield per mature hectare came in at a record high of 5.2 tonnes, a more than 10% increase over the previous year. This level of productivity is relatively high considering that 32% of our mature trees are still young and have yet to reach prime yielding age.

The increase in productivity mitigated the cost inflations faced by the Group in 2011, particularly in main cost items such as wages, fertilisers and diesel. We maintained the cash cost of production for our nucleus CPO at US$221 per tonne on an ex-mill basis, an impressive achievement amidst 2011's operating environment.

Our palm kernel production volume increased by 21.4% to 103,993 tonnes, in line with the higher volume of FFB produced. Palm kernel extraction rate was maintained at 5.4%.

Growth in Processing Activities

2011 was also a record year for the Group's production of processed palm based products. With the completion of the Group's refinery, fractionation and biodiesel plants in 2010, we started securing more orders for processed products, channelling a portion of our CPO production to these plants and ramping up our processing activities.

A total of 141,690 tonnes of processed products, which includes olein, stearin and biodiesel, were sold to the domestic and international markets. With an annual capacity of 250,000 tonnes, the average utilisation of our processing facilities in 2011 was approximately 59%, with utilisation rate hitting 88% by December 2011. Moving forward, the Group expects to process more of its CPO production into higher value products as we further increase the utilisation of our processing plants.

Expansion in Asset Base

We saw the commissioning of our ninth palm oil mill in 2011, which brought the Group's total milling capacity to 540 tonnes of FFB per hour or approximately 3.24 million tonnes per annum. This additional milling capacity will ensure that the Group can accommodate the growth in our FFB production volumes and continue to mill all our FFB internally.

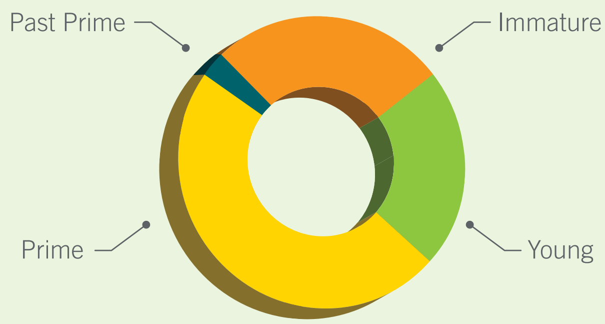
In line with the Group's strategy of expanding our plantation footprint, we added 11,421 hectares of new oil palms in 2011, bringing our total plantation area under management to 132,251 hectares, a 9.5% increase over the previous year. The total area comprises 113,143 hectares of nucleus plantations and 19,108 hectares of plasma plantations. The majority of new plantings were carried out at the West Kalimantan province, where we have 29,123 hectares planted as at end of 2011.

Our consistent planting programme has kept our plantation profile young, with a weighted average age of eight years old. Approximately 56% of our trees are either immature or still young. We expect our production volumes to continue to grow steadily in the coming years as these immature palms mature and the existing young trees develop into their prime yielding ages. The Group does not need to carry out any replanting programme for the next few years.

In addition, the Group has been diligently preparing parts of our new land bank at East Kalimantan for new plantings to commence in 2012. With multiple planting sites being worked on concurrently in the East and West Kalimantan provinces, we expect our planting pace to increase.

PLANTATION AGE PROFILE

Age	Area (hectares)	% of Total
0 - 3 years (Immature)	46,552	35%
4 - 7 years (Young)	27,271	21%
8 - 17 years (Prime)	53,893	41%
18 years and above (Past Prime)	4,535	3%
Total	**132,251**	**100%**



Sales, Cost of Sales and Gross Profits

In FY2011, the Group recorded total sales of US$494.6 million, an increase of 49.9% over FY2010. The increase was mainly driven by a combination of higher sales volumes and selling prices of CPO and palm kernel from the Plantations and Palm Oil Mills segment. This was further aided by increased production from the Group's refinery, fractionation and biodiesel plants, which resulted in the Refinery and Processing segment contributing 28.5% to the Group's sales in FY2011.

During the year, we achieved average selling prices of US$919 per tonne for CPO (FY2010: US$746) and US$546 per tonne for palm kernel (FY2010: US$500). These average selling prices represents the weighted average of domestic and export sales made by the Group. Export volumes made up 39.3% of the Group's CPO sales volume in FY2011.

Cost of sales comprises mainly harvesting costs, plantation maintenance costs, FFB purchases from plasma farmers, plantation general expenses and processing costs. In FY2011, the Group's cost of sales increased by 26.4% to US$148.7 million. This was mainly due to the higher maintenance costs and harvesting costs resulting from the larger area of mature plantations that the Group manages, as well as the higher volumes of CPO and palm kernel produced. In line with the higher CPO prices and volume of FFB produced by our plasma plantations, there was also an increase in value of FFB purchased from plasma farmers. With the Group ramping up the operations at its refinery, fractionation and biodiesel plants, processing costs of these plants has also increased significantly compared to FY2010.

The Group's gross profit came in at US$345.9 million, an increase of 63.0% over FY2010, while its gross profit margin improved to 69.9% from 64.3% in the previous year. The better margins were mainly driven by the higher selling prices and percentage of export volumes achieved during the year.

Changes in Fair Value of Biological Assets

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

EBITDA came in at US$294.7 million, an increase of 44.7% over FY2010.

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$39.2 million in FY2011, as compared to US$49.5 million in the corresponding period last year. The gains in FY2011 mainly arose from the increase in the Group's plantation hectarage, as well as the lower discount rate used in the valuation.

Operating Expenses

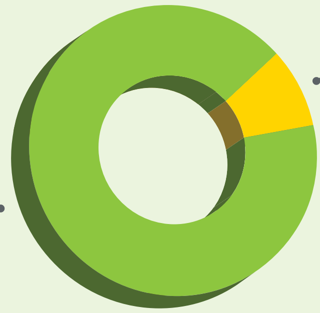
Selling & distribution costs and general & administrative expenses make up the majority of the Group's operating expenses incurred outside of the plantations, palm oil mills and processing plants. Total operating expenses increased by US$49.9 million over FY2010, mainly due to the increased export taxes. The Group incurred higher export taxes due to the progressive CPO export tax rates applicable to the higher CPO prices, as well as the higher volume of export sales done by the Group during the year. In addition, the increase in general & administrative expenses as the Group scaled up its operations also contributed to the higher operating expenses during the year.

EBITDA

EBITDA came in at US$294.7 million, an increase of 44.7% over FY2010. The growth came mainly from the Plantations and Palm Oil Mills segment, which contributed 90.9% to the Group's EBITDA in FY2011. EBITDA margin declined marginally from 61.8% in FY2010 to 59.6% in FY2011, due primarily to the higher percentage of export volumes in FY2011 as compared to FY2010. Although EBITDA value per tonne of CPO is comparable for domestic and export sales, the latter contributes to a lower EBITDA margin as export sales are gross of export taxes.

SEGMENTAL RESULTS

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



Non-Operating Expenses / Income

Non-operating expense is largely made up of net financial expenses, gains/losses on derivative financial instruments and gains/losses on foreign exchange. Total non-operating expenses in FY2011 amounted to US$28.7 million, as compared to US$24.5 million in FY2010.

Net financial expenses comprise interest expenses that were not capitalised, after deducting interest income and other financial gains/losses. In FY2011, net financial expenses amounted to US$27.8 million, a 9.6% reduction from FY2010. This was due to the Group's lower effective cost of borrowings post its liability management exercise in second quarter 2010 when it refinanced its US Dollar notes payable.

Gains/losses on derivative financial instruments arose primarily from financial instruments entered into by the Group to hedge its exposure to foreign exchange and commodity price movements during the course of its business. The Group recorded lower gains of US$0.9 million from derivative financial instruments in FY2011 as compared to gains of US$7.0 million in FY2010.

Taxes and Profits

Tax expense increased by 23.1% to US$75.8 million in FY2011, in line with the higher taxable income.

As a result of the foregoing, profit attributable to owners of the Company increased by 37.3% to US$196.4 million in FY2011. Excluding the effect from the gains arising from changes in fair value of biological assets, the underlying net profit of the Group would have increased by 54.6% to US$168.4 million.

Balance Sheet

Total assets of the Group increased from US$1,235.1 million as at 31 December 2010 to US$1,500.1 million as at 31 December 2011. Non-current assets increased by US$205.5 million 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 and other plant and equipment, as well as the additions to land permits and goodwill from the acquisition of PT Kalimantan Green Persada in second quarter 2011. Current assets increased by 23.1% to US$317.1 million as a result of higher inventories (as part of the production volumes has not been delivered as at end December 2011) and trade receivables (in line with the higher sales during the current financial year).

Total liabilities of the Group increased from US$490.2 million as at 31 December 2010 to US$571.7 million as at 31 December 2011, mainly due to the drawdown of bank loans and higher deferred tax liabilities of the Group, the latter a result of gains booked from fair valuation of biological assets.

The drawdown of bank loans brought gross borrowings from US$305.7 million as at 31 December 2010 to US$349.6 million as at 31 December 2011. Taking into consideration the Group's cash balance of US$210.4 million as at 31 December 2011 (31 December 2010: US$209.0 million), net borrowings increased from US$96.6 million as at 31 December 2010 to US$139.2 million as at 31 December 2011. However, the Group's gearing remains healthy with its Net Debt to Equity at 0.15 times (31 December 2010: 0.13 times).

Total equity attributable to owners of the Company increased to US$884.7 million as at 31 December 2011 from US$710.5 million as at 31 December 2010.

BOARD OF DIRECTORS

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

Lim Ming Seong
Chairman and Independent Director

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

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

Ciliandra Fangiono
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 2009. He has been with the Group for more than a decade, holding the position of Chief Executive Officer since 2003. During this time, the Group has expanded its plantation footprint rapidly, as evidenced by the doubling of its plantation assets and the tripling of its palm oil production. 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 2009. 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.

Ray Nugraha Yoshuara
Non-Executive Director

Mr Ray Nugraha Yoshuara was appointed to the Board in October 2007 and was last re-elected as a Director in April 2011. He is currently a Director of PT. Agung Waluya Kuta Pengembang, a Bali-based Indonesian property developer. From 2010 to 2011, Mr Yoshuara was a director of PT. Agro Pantes TBK., a company listed on the Indonesian Stock Exchange. His 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.

Our efforts in embracing corporate social responsibility are only the beginning of a journey. The issues we are attempting to address are wide ranging and we strive to continually improve our practices and initiatives to meet evolving standards. We will remain dedicated in our pursuit of business excellence in a responsible and sustainable manner.

CORPORATE SOCIAL RESPONSIBILITY

At First Resources, we are mindful that our business operations have a direct impact on the environment and the communities where we operate in. As such, the Group places strong emphasis on meeting our business goals in a responsible and sustainable manner.

We plan to launch our inaugural Sustainability Report in the near future to provide stakeholders with a more in depth understanding of the practices adopted in our operations. The Sustainability Report will be another major step forward in our journey towards greater accountability of our business conduct.

We will be adopting the Global Reporting Initiative Reporting Framework to develop our Sustainability Report. This framework is developed by a diverse range of industry stakeholders from consumers, investors, to non-government organisations, making the framework a widely acceptable standard for Corporate Sustainability Reporting.

BENCHMARKING OUR SUSTAINABILITY PRACTICES

During the year, eight of our subsidiaries had been preliminary assessed and graded in preparation for Indonesian Sustainable Palm Oil certification, a mandatory system initiated by the Indonesian government. Some of our subsidiaries also underwent the PROPER assessment, an environmental management performance rating programme by Indonesia's Ministry of Environment. One of our subsidiaries was awarded a Blue rating at the national level and four were awarded Blue ratings at the provincial level, demonstrating their compliance with all local environment management and monitoring requirements. We are also pleased to have obtained the International Sustainability and Carbon Certification for our processing plants, demonstrating the plants' compliance with European Union's Renewable Energy Directive.

The Group is also a member of the Roundtable of Sustainable Palm Oil, a non-profit association that represents stakeholders from various sectors of the palm oil industry to develop and implement global standards for sustainable palm oil.

We are committed to ensuring that our practices are in line with the sustainability standards upheld by these international and local bodies and we will continue to ensure that our benchmarks are up-to-date.

PRODUCING PALM OIL SUSTAINABLY

We recognise that protecting the environment is integral in ensuring the long-term viability of our business. The following highlights a few of the many policies and initiatives adopted by the Group in our plantation operations.

Resource Optimisation

Optimal utilisation of scarce land and resources is one of the best ways plantation companies can help to mitigate global warming and address global food shortage. By executing industry's best standards throughout our plantation management practices, our palm oil yield per hectare is significantly higher than industry average. We are therefore able to produce the same amount of palm oil by utilising less land and other inputs such as fertilisers, pesticides and fuel.

To further improve our efficiency in land usage, we are investing resources into Research and Development, especially in the area of seed breeding. This is a long-term project with the objective of developing higher yielding planting material for our future planting and replanting activities.

Zero Burning Policy

We adopt a strict zero burning policy for new plantings and deploy mechanical methods in our land clearing process. This involves bulldozing and stacking of the biomass.

The policy prevents air pollution that is commonly associated with land clearing via slash-and-burn methods. In addition, the subsequent decomposition of the biomass provides essential nutrients and organic matters for the soil, thereby reducing our reliance on chemical or inorganic fertilisers.

Soil Conservation

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

Legume cover crops are established immediately after new plantings as they offer better soil coverage compared to natural ground covers. These crops serve to reduce surface runoff, conserve soil moisture and improve soil nutrients organically without any use of external nitrogen input. On sloppy terrains, we construct terraces and silt pits to minimise soil erosion, leaching of nutrients and pollution of waterways. River buffer zones at both sides of river banks are also kept to serve as filtration systems to preserve water quality.

Integrated Pest Management

We adopt an environmental-friendly pest control strategy aimed at minimising the use of synthetic pesticides which could pose contamination risks and other harmful impacts to the environment and the ecosystem.

Barn owls are used in our plantations as a biological control agent for rat populations. Beneficial plants are planted to attract natural predators of caterpillars and other insects.

Our integrated pest management strategy has proven successful in reducing our reliance on inorganic pesticides in our plantations.

Waste and Pollution Minimisation

We recycle all production wastes from our palm oil mills.

The nutrient-rich empty fruit bunches from our mills are taken back to our plantations for use as organic fertilisers. Our effluent waste treatment programme uses bacteria to breakdown palm oil mill effluents, which is also directed to our plantations as fertiliser substitutes. These practices are fully integrated with our fertiliser management programme.

In addition, solid wastes from our mills such as mesocarp fibre and palm kernel shells are recycled as fuel to generate power for our mills and supply electricity to the neighbouring homes. All our mills are self-sufficient in their energy consumption.

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

FOSTERING COMMUNITY GROWTH

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

Smallholder Ownership

The Group actively participates in smallholder ownership schemes, 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. Such schemes are designed to assist smallholders become independent plantation owners and subsequently enjoy the economic benefits from their plantations.

As at 31 December 2011, we have 19,108 hectares of planted plantations under the plasma schemes, which represents 14% of our total planted hectarage. We are committed to expand this going forward in our future new plantings. These schemes have over the years provided sustainable incomes to thousands of smallholders, resulting in better standards of living for them and their families.

Community Welfare

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

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

ENSURING EMPLOYEE WELL-BEING

Our employees are important assets and we place great emphasis on human capital management. We believe that all employees must be well respected and treated fairly. A core focus of our human resource efforts involves the welfare of our employees working in our plantations, mills and processing operations.

Labour Standards

We adhere to all national and regional labour laws and standards. We ensure that all our employees have incomes above the minimum wages set in the respective provinces. Minimum wage levels are reviewed yearly by the government in conjunction with unions and businesses.

We strictly observe the minimum working age and do not employ underaged workers in our operations. The only children in our estates are children of workers.

Health and Safety

Ensuring the health and safety of our workforce is a priority. Our Health, Safety and Environment (HS&E) Plan is integrated into our ISO 9001 and ISO 14001 management systems, which are subject to audits conducted by independent auditors. Our regular HS&E programmes include training and educating our employees to raise their awareness of health and safety issues. Routine programmes of work safety inspections are carried out to ensure that the Group is in compliance with all regulations regarding employees' health and safety.

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

Employee Welfare

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

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

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

THE BOARD'S CONDUCT OF AFFAIRS

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

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

- reviewing and approving the Group's business strategies, key operational initiatives, annual budget, major investments, divestments and funding proposals;
- ensuring that decisions and investments are consistent with medium and long-term strategic goals;
- providing oversight by identifying the principal risks that may affect the Group's businesses and ensuring that appropriate systems to manage these risks are in place; 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	Non-Executive 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 2011 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	4	4	–	–	1	1	–	–
Ciliandra Fangiono	4	4	–	–	1	1	–	–
Teng Cheong Kwee	4	4	4	4	–	–	2	2
Ong Beng Kee	4	4	4	4	–	–	–	–
Hee Theng Fong	4	4	4	4	–	–	2	2
Ng Shin Ein	4	4	–	–	1	1	2	2
Ray Nugraha Yoshuara	4	4	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.

In February 2012, the Directors also visited the Company's operations in Riau, Indonesia, to view and have an update of the Group's recent developments. The off-site also provided the Directors with an opportunity to interact with other senior executives of the Group.

BOARD COMPOSITION AND GUIDANCE

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

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

The Directors appointed are qualified professionals who, as a group, possess a diverse range of expertise to provide core competencies such as accounting and finance, business management, strategic planning and industry knowledge. Key information of individual Directors in respect of academic and professional qualifications is set out on pages 24 and 25 of this annual report.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD MEMBERSHIP

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

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

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

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

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

All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years. The names of the Directors who are retiring pursuant to the Articles of Association of the Company and have submitted themselves for re-election at the next AGM are Mr Lim Ming Seong, Mr Ciliandra Fangiono and Ms Ng Shin Ein. The Nominating Committee had recommended their re-election at the forthcoming AGM.

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

Name	Date of initial appointment	Date of last re-election
Lim Ming Seong	1 October 2007	28 April 2010
Ciliandra Fangiono	18 April 2007	27 April 2009
Teng Cheong Kwee	1 October 2007	28 April 2010
Ong Beng Kee	1 May 2010	28 April 2011
Hee Theng Fong	1 October 2007	28 April 2011
Ng Shin Ein	1 October 2007	27 April 2009
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 year under review, the Nominating Committee also initiated a process for the succession planning for the CEO. As part of the process, potential internal and external candidates were identified while setting out the skill sets that each candidate possesses or lacks. The Nominating Committee will evaluate the list from time to time to ensure the suitability of the candidates taking into consideration the changing operating environment.

ACCESS TO INFORMATION

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

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

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

The following table shows a breakdown (in percentage) of our Director's remuneration paid in the year ended 31 December 2011:

Name	Directors' fee	Fixed salary	Variable bonus	Remuneration band
Lim Ming Seong	100%	–	–	Below S$250,000
Ciliandra Fangiono	–	60%	40%	S$1,250,000 – S$1,500,000
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 2011.

Number of executives	Remuneration band
1	S$1,000,000 – S$1,250,000
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.

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 are Non-Executive Directors and the majority of whom, including the Chairman, are independent. The majority of the Audit Committee, including the Chairman, has accounting or related financial management expertise or experience.

The Audit Committee performs the following functions:

- assists the Board 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.

INTERNAL CONTROLS

The Company has adopted a risk-based audit framework, which aims to identify and assess the key risk areas within its operations, and to put in place appropriate risk management processes and internal controls to minimise these risks. Some of these risks are discussed in Note 42 "Financial Risk Management Objectives and Policies" in the Financial Statements of this Annual Report.

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

Based on the reviews carried out by the internal and external auditors, the Board, with the concurrence of the Audit Committee, is of the view that the Company's internal controls addressing financial, operational and compliance risks are adequate to meet the needs of the Group in its current business environment.

INTERNAL AUDIT

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

DEALING IN SECURITIES

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

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

INTERESTED PERSON TRANSACTIONS

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

Details of interested person transactions for the financial year ended 31 December 2011 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	444	Not Applicable
Fangiono Resources Pte. Ltd.	382	Not Applicable
PT Karangjuang Hijau Lestari	1,064	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 2010.

FINANCIAL STATEMENTS

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 2011.

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	–	–	1,075,800,130	1,000,800,130
Ng Shin Ein	38,000	38,000	–	–

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2012.

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 2011.

(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 2011.

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.

AUDITORS

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

On behalf of the Board of Directors,

Lim Ming Seong
Chairman

Ciliandra Fangiono
Chief Executive Officer

Singapore
26 March 2012

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 2011 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
26 March 2012

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 2011, 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 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 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
26 March 2012

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Sales	4	494,619	329,877
Cost of sales	5	(148,745)	(117,638)
Gross profit		345,874	212,239
Gains arising from changes in fair value of biological assets	11	39,217	49,531
Selling and distribution costs	6	(50,239)	(8,164)
General and administrative expenses	7	(22,846)	(15,106)
Other operating expenses		(1,608)	(1,512)
Profit from operations		310,398	236,988
Losses on foreign exchange		(2,808)	(1,978)
Gains on derivative financial instruments		906	6,957
Net financial expenses	8	(27,808)	(30,773)
Other non-operating income		999	1,314
Profit before tax		281,687	212,508
Tax expense	9	(75,809)	(61,569)
Profit for the year		205,878	150,939
Profit attributable to:			
Owners of the Company		196,416	143,084
Non-controlling interests		9,462	7,855
		205,878	150,939
Earnings per share attributable to owners of the Company (US cents)			
– Basic	10(a)	13.38	9.84
– Diluted	10(b)	12.98	9.67

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 2011

	2011 US$'000	2010 US$'000
Profit for the year	205,878	150,939
Other comprehensive income:		
Fair value losses on available-for-sale financial assets transferred to the income statement	–	88
Fair value gains/(losses) on cash flow hedges	9,881	(2,309)
Fair value gains on cash flow hedges transferred to the income statement	(3,625)	–
Tax on fair value gains and losses	(1,129)	–
Foreign currency translation adjustments	(11,106)	29,165
Total comprehensive income for the year	199,899	177,883
Total comprehensive income attributable to:		
Owners of the Company	190,254	170,028
Non-controlling interests	9,645	7,855
	199,899	177,883

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

BALANCE SHEETS
As at 31 December 2011

	Note	Group 2011 US$'000	Group 2010 US$'000	Company 2011 US$'000	Company 2010 US$'000
Non-current assets					
Biological assets	11	755,931	668,885	–	–
Plasma plantation receivables	12	39,589	15,925	–	–
Property, plant and equipment	13	275,002	214,857	12,317	322
Land use rights	14	40,230	33,585	–	–
Investment in subsidiaries	15	–	–	297,508	276,984
Goodwill	16	21,391	7,073	–	–
Other intangible assets	17	43,868	19,457	287	–
Tax recoverable		271	3,212	–	–
Deferred tax assets	9	2,565	1,667	–	91
Loan to subsidiary	18	–	–	5,250	–
Derivative financial assets	19	3,044	11,765	–	9,732
Other non-current assets		1,054	1,057	–	525
Total non-current assets		1,182,945	977,483	315,362	287,654
Current assets					
Inventories	20	39,406	18,394	–	–
Loan to subsidiary	18	–	–	750	–
Trade receivables	21	29,880	10,501	11,683	847
Other receivables	22	3,833	3,152	1,285	1,013
Derivative financial assets	19	14,039	1,036	–	1,804
Advances for purchase of property, plant and equipment	23	10,355	10,709	–	–
Other advances and prepayments	23	6,641	3,862	91	12
Prepaid taxes		2,569	920	–	–
Advance subscription for shares in subsidiary	24	–	–	57,701	51,525
Cash and bank balances	25	210,406	209,031	88,269	83,587
Total current assets		317,129	257,605	159,779	138,788
Total assets		1,500,074	1,235,088	475,141	426,442

BALANCE SHEETS

As at 31 December 2011

	Note	Group		Company	
		2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Current liabilities					
Trade payables	26	16,633	15,023	10,788	3,403
Other payables and accruals	27	29,225	21,020	6,819	2,743
Advances from customers	28	7,396	9,901	–	–
Loans and borrowings from financial institutions	29	40,171	13,933	15	14
Rupiah bonds payable	30	48,369	–	–	–
Derivative financial liabilities	19	7,262	2,429	657	1,939
Provision for tax		27,276	18,996	4,668	146
Total current liabilities		176,332	81,302	22,947	8,245
Non-current liabilities					
Loans and borrowings from financial institutions	29	171,072	150,791	23	38
Rupiah bonds payable	30	–	53,494	–	–
Liability component of convertible bonds	31	90,017	87,462	90,017	87,462
Derivative financial liabilities	19	5,620	10,696	–	9,732
Provision for post-employment benefits	32	8,717	6,163	–	–
Deferred tax liabilities	9	119,963	99,763	348	–
Other non-current liabilities		–	500	–	500
Total non-current liabilities		395,389	408,869	90,388	97,732
Total liabilities		571,721	490,171	113,335	105,977
Net assets		928,353	744,917	361,806	320,465
Equity					
Share capital	33	290,312	288,735	290,312	288,735
Treasury shares	34	–	(6,816)	–	(6,816)
Differences arising from restructuring transactions involving entities under common control	35	35,016	35,016	–	–
Other reserves	36	12,253	8,093	10,715	393
Equity component of convertible bonds	31	13,762	13,971	13,762	13,971
Retained earnings		533,350	371,454	47,017	24,182
Equity attributable to owners of the Company		884,693	710,453	361,806	320,465
Non-controlling interests		43,660	34,464	–	–
Total equity		928,353	744,917	361,806	320,465

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 2011

	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$'000 (Note 33)	US$'000 (Note 34)	US$'000 (Note 35)	US$'000 (Note 36)	US$'000 (Note 31)	US$'000	US$'000	US$'000	US$'000
GROUP									
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	–	–	–	–	–	(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
Share application monies	–	–	–	–	–	–	–	653	653
At 31 December 2011	290,312	–	35,016	12,253	13,762	533,350	884,693	43,660	928,353
2010									
At 1 January 2010	288,735	(6,816)	35,066	(18,851)	13,971	251,573	563,678	29,113	592,791
Total comprehensive income for the year	–	–	–	26,944	–	143,084	170,028	7,855	177,883
Dividends	–	–	–	–	–	(23,253)	(23,253)	(2,529)	(25,782)
Disposal of subsidiaries	–	–	(50)	–	–	50	–	–	–
Share application monies	–	–	–	–	–	–	–	25	25
At 31 December 2010	288,735	(6,816)	35,016	8,093	13,971	371,454	710,453	34,464	744,917

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2011

	Share capital	Treasury shares	Other reserves	Equity component of convertible bonds	Retained earnings	Total equity
	US$'000 (Note 33)	US$'000 (Note 34)	US$'000 (Note 36)	US$'000 (Note 31)	US$'000	US$'000
Company						
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 (Note 45)	–	–	–	–	(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
2010						
At 1 January 2010	288,735	(6,816)	305	13,971	13,273	309,468
Total comprehensive income for the year	–	–	88	–	34,162	34,250
Dividends (Note 45)	–	–	–	–	(23,253)	(23,253)
At 31 December 2010	288,735	(6,816)	393	13,971	24,182	320,465

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 2011

	2011 US$'000	2010 US$'000
Cash flows from operating activities		
Profit before tax	281,687	212,508
Adjustments for:		
Depreciation of property, plant and equipment	21,428	14,631
Amortisation of land use rights and intangible assets	2,108	1,632
Interest expenses	28,973	29,545
Interest income	(1,282)	(901)
Loss on redemption of notes payable	–	2,146
Loss/(gain) on redemption of Rupiah bonds payable	117	(17)
Gains on derivative financial instruments	(906)	(6,957)
Loss on disposal of property, plant and equipment	20	–
Gains on disposal of subsidiaries	(6)	(3)
Gains arising from changes in fair value of biological assets	(39,217)	(49,531)
Unrealised foreign exchange (gains)/losses	(114)	873
Operating cash flows before changes in working capital	292,808	203,926
Changes in working capital		
(Increase)/decrease:		
Inventories	(20,885)	(2,999)
Trade receivables	(19,379)	(10,493)
Other receivables	(1,700)	661
Advances and prepayments	(2,339)	(906)
Prepaid taxes	(1,849)	(483)
Other non-current assets	3	(925)
Increase/(decrease):		
Trade payables	1,521	3,980
Other payables and accruals	8,964	3,109
Advances from customers	(2,505)	5,626
Provision for post-employment benefits	2,554	1,857
Cash flows generated from operations	257,193	203,353
Interest paid	(30,382)	(28,676)
Interest received	1,313	939
Tax paid	(51,850)	(41,372)
Net cash generated from operating activities	176,274	134,244

	2011 US$'000	2010 US$'000
Cash flows from investing activities		
Capital expenditure on biological assets (Note 11)	(73,049)	(53,341)
Capital expenditure on property, plant and equipment (Note 13)	(85,258)	(31,396)
Decrease/(increase) in advances for purchase of property, plant and equipment	354	(8,586)
Decrease in plasma plantation receivables	1,472	241
Acquisition of land use rights	(3,954)	(2,438)
Acquisition of other intangible assets	(429)	(238)
Proceeds from disposal of available-for-sale financial assets	–	7,959
Proceeds from disposal of property, plant and equipment	759	–
Net cash outflow on acquisition of subsidiaries (Note 15(a))	(38,245)	–
Net cash inflow on disposal of subsidiaries (Note 15(c))	5	1
Net cash used in investing activities	(198,345)	(87,798)
Cash flows from financing activities		
Proceeds from cross currency swap, net	2,344	2,456
Redemption of Rupiah bonds payable	(5,102)	(216)
Redemption of notes payable	–	(141,023)
Proceeds from bank loans, net	48,402	148,338
Redemption of secured bank balances	–	10,599
Placement of restricted bank balances	(11,823)	(4,100)
Payment of obligations under finance leases	(2,958)	(2,183)
Dividends paid	(36,721)	(25,782)
Proceeds from sale of treasury shares	17,138	–
Share application monies	653	25
Net cash generated from/(used in) financing activities	11,933	(11,886)
Net (decrease)/increase in cash and cash equivalents	(10,138)	34,560
Effect of exchange rates on cash and cash equivalents	(310)	1,372
Cash and cash equivalents, at the beginning of the financial year	204,931	168,999
Cash and cash equivalents, at the end of the financial year (Note 25)	194,483	204,931

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

1. GENERAL

(a) Corporate information

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

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

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

(b) Subsidiaries

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

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2011 %	Effective group equity interest 2010 %
Direct Ownership:				
PT Ciliandra Perkasa ("PT CLP")[3]	Indonesia	Oil palm plantation	95.51	95.51
PT Meridan Sejati Surya Plantation ("PT MSSP")[3]	Indonesia	Oil palm plantation	93.56[1]	93.56[1]
PT Borneo Ketapang Permai ("PT BKP")[4]	Indonesia	Oil palm plantation	95.00	95.00
PT Aditya Seraya Korita ("PT ASK")[4]	Indonesia	Investment holding	95.00	95.00
First Resources Trading Pte. Ltd. ("FRTPL")	Singapore	Marketing and distribution of palm oil products	100.00	–

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2011 %	2010 %
Indirect Ownership:				
PT Pancasurya Agrindo ("PT PSA")[3]	Indonesia	Oil palm plantation	95.32[2]	95.32[2]
Subsidiaries of PT CLP				
PT Surya Intisari Raya ("PT SIR")[3]	Indonesia	Oil palm plantation	95.50	95.50
PT Perdana Intisawit Perkasa ("PT PISP")[3]	Indonesia	Oil palm plantation	95.50	95.50
PT Bumi Sawit Perkasa ("PT BSP")[4]	Indonesia	Oil palm plantation	95.44	95.44
PT Priatama Riau ("PT PTR")[4]	Indonesia	Oil palm plantation	95.33	95.33
Ciliandra Perkasa Finance Company Pte. Ltd. ("CPFC")	Singapore	Debt financing transactions facilitator	–[6]	95.51
PT Surya Dumai Agrindo ("PT SDA")[4]	Indonesia	Oil palm plantation	95.50	95.50
PT Panca Surya Garden ("PT PSG")[4]	Indonesia	Oil palm seed breeding	94.32	94.32
PT Matthew Air Nusantara ("PT MAN")[4]	Indonesia	Aircraft ownership and management	93.60	93.60
Subsidiaries of PT PSA				
PT Pancasurya Binasejahtera ("PT PSBS")[3]	Indonesia	Investment holding	95.31	95.31
PT Muriniwood Indah Industry ("PT MII")[3]	Indonesia	Oil palm plantation	95.31	95.31
PT Kalimantan Green Persada ("PT KGP")[5]	Indonesia	Investment holding	90.55	–

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2011 %	2010 %
Indirect Ownership:				
Subsidiaries of PT PSBS				
PT Subur Arummakmur ("PT SAM")[3]	Indonesia	Oil palm plantation	95.30	95.30
PT Arindo Trisejahtera ("PT ATS")[3]	Indonesia	Oil palm plantation	95.30	95.30
Subsidiaries of PT ATS				
PT Pancasurya Agrindo Perkasa ("PT PSAP")	Indonesia	Oil palm plantation	–	95.29
Subsidiaries of PT BKP				
PT Limpah Sejahtera ("PT LS")[4]	Indonesia	Oil palm plantation	94.99	94.99
PT Mitra Karya Sentosa ("PT MKS")[4]	Indonesia	Oil palm plantation	94.99	94.99
PT Umekah Saripratama ("PT USP")[4]	Indonesia	Oil palm plantation	94.99	94.99
PT Pulau Tiga Lestari Jaya ("PTLJ")[4]	Indonesia	Oil palm plantation	94.99	94.99
Subsidiaries of PT KGP				
PT Ketapang Agro Lestari ("PT KAL")[5]	Indonesia	Oil palm plantation	90.52	–
PT Borneo Persada Energy Jaya ("PT BPEJ")[5]	Indonesia	Oil palm plantation	90.46	–
PT Borneo Surya Mining Jaya ("PT BSMJ")[5]	Indonesia	Oil palm plantation	90.46	–
PT Borneo Damai Lestari ("PT BDL")[5]	Indonesia	Rubber plantation	90.46	–
PT Citra Agro Kencana ("PT CAK")[5]	Indonesia	Oil palm plantation	90.51	–
PT Borneo Persada Prima Jaya ("PT BPPJ")[5]	Indonesia	Rubber plantation	90.46	–
PT Maha Karya Bersama ("PT MKB")[5]	Indonesia	Oil palm plantation	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) Audited by member firm of Ernst & Young Global in Indonesia.
(4) Audited by Grant Thornton in Indonesia.
(5) Audited by KAP Selemat Sinuraya & Retan in Indonesia.
(6) CPFC has been struck off during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations 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 and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 12 *Deferred Tax – Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013

Except for the Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* and revised FRS 19 *Employee Benefits* as described below, management expects that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

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

The Amendments to FRS 1 changes the grouping of items presented in Other Comprehensive Income ("OCI"). Items that could be reclassified to Income Statement 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.

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

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

Revised FRS 19 *Employee Benefits*

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 FRS19 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 impact on the Group's financial position or performance upon adoption of this standard is not expected to be material.

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 (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. 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 owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the 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, mainly Indonesian Rupiah ("Rp"), and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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

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

(b) 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.

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

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

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	– 5-20 years
Machinery and installations	– 5-15 years
Farming and transportation equipment	– 5-20 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 financial year-end and adjusted prospectively, if appropriate.

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

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 a maximum period of 35 years, which can be extended for a further period of 25 years.

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

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

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.

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.

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

2.11 Intangible assets (cont'd)

(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 financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. 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.

2.12 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, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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.

2.14 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.

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

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

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

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

2.14 Financial assets (cont'd)

Subsequent measurement (cont'd)

(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.

(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.

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

2.15 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses 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.

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)

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

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

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.

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

2.15 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

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.

2.16 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.

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

2.18 Financial liabilities (cont'd)

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.

(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); or
– cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
– hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the 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 2011 and 2010.

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.

2.22 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.

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

2.22 Convertible bonds (cont'd)

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 Rupiah bonds, convertible bonds and notes issuance costs

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

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

2.25 Share capital and share issuance expenses

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

2.26 Treasury shares

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

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

2.27 Employee benefits (cont'd)

(b) Defined benefit plans

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

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

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

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

(c) Employee leave entitlement

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

2.28 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.30 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.

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

2.30 Taxes (cont'd)

(b) Deferred tax (cont'd)

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 recovered.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.31 Segment reporting

For management purposes, the Group is organised into operating segments based on their products. Management of the Company 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 44, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.32 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.33 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 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, FFB is no longer subject to VAT and such input VAT components should 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 Group, is not covered by this exemption and all input VAT in the production of the FFB can be claimed and offset against the output VAT of CPO. Accordingly, the net VAT is accounted for as a recoverable amount in the balance sheet. As at 31 December 2011, the cumulative effect of the input VAT relating to the FFB before offsetting output VAT is US$13.2 million (2010: US$11.2 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 determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 Key sources of estimation uncertainty

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

(a) Biological assets

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

(b) Useful lives of property, plant and equipment

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

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

3.2 Key sources of estimation uncertainty (cont'd)

(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 40.

(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 tax payables as at 31 December 2011 is US$27.3 million (2010: US$19.0 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$18.1 million (2010: US$15.1 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 2011 and 2010 is disclosed in Note 9(c).

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

3.2 Key sources of estimation uncertainty (cont'd)

(f) Defined benefit plan

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

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

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

4. SALES

	Group	
	2011 US$'000	2010 US$'000
Crude palm oil	266,595	270,773
Palm kernel	52,503	43,169
Processed palm based products	175,521	15,935
	494,619	329,877

5. COST OF SALES

	Group	
	2011 US$'000	2010 US$'000
Cost of inventories recognised as an expense	59,110	56,025
Depreciation of property, plant and equipment (Note 13)	19,772	13,807
Net employee benefit expense relating to defined benefit plans (Note 32)	1,902	1,046
Plantation, milling and processing costs	67,961	46,760
	148,745	117,638

6. SELLING AND DISTRIBUTION COSTS

	Group	
	2011 US$'000	2010 US$'000
Export taxes	41,592	4,625
Freight charges	6,230	3,097
Others	2,417	442
	50,239	8,164

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Group	
	2011 US$'000	2010 US$'000
Audit fees paid to:		
– Auditors of the Company	166	121
– Other auditors	283	219
Non-audit fees paid to:		
– Auditors of the Company	119	47
Salaries, bonuses and other benefits (including Central Provident Fund contributions)	11,684	7,887
Net employee benefit expense relating to defined benefit plans (Note 32)	1,103	799
Other professional fees	653	958
Operating lease rental (Note 39(c))	682	751
Depreciation of property, plant and equipment (Note 13)	1,656	824
Amortisation of intangible assets (Note 17)	500	120
Directors' fees	315	286
Transaction costs incurred on acquisition of subsidiaries (Note 15(a))	27	–
Others	5,658	3,094
	22,846	15,106

8. NET FINANCIAL EXPENSES

	Group	
	2011 US$'000	2010 US$'000
Interest expense and amortisation on:		
– Notes payable	–	9,336
– Rupiah bonds payable	6,112	6,267
– Convertible bonds payable	9,525	9,164
– Loans and borrowings from financial institutions	18,685	9,693
	34,322	34,460
Less:		
Capitalised to biological assets (Note 11)	(5,283)	(3,711)
Capitalised to property, plant and equipment (Note 13)	(66)	(1,204)
Interest expense recognised in profit or loss	28,973	29,545
Interest and other financial income	(1,282)	(901)
Loss on redemption of notes payable	–	2,146
Loss/(gain) on redemption of Rupiah bonds payable (Note 30)	117	(17)
	27,808	30,773

9. TAX EXPENSE

(a) *Major components of tax expense*

The major components of tax expense for the financial years ended 31 December 2011 and 2010 are as follows:

	Group	
	2011 US$'000	2010 US$'000
Income statement		
Current income tax		
– Current income tax	59,135	41,290
– (Over)/under provision in respect of previous years	(202)	6
Deferred income tax		
– Origination and reversal of temporary differences	11,659	15,795
– Under provision in respect of previous years	637	61
Withholding tax	4,580	4,417
	75,809	61,569
Deferred income tax related to other comprehensive income:		
Net change in fair value of derivative financial instruments designated as cash flow hedges	1,129	–

9. TAX EXPENSE (CONT'D)

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2011 and 2010 are as follows:

	Group	
	2011 US$'000	**2010 US$'000**
Profit before tax	281,687	212,508
Tax expense at domestic rate applicable to profits in the countries where the Group operates	68,616	53,586
Adjustments:		
Income not subject to tax	(283)	(619)
Non-deductible expenses	2,533	1,320
Deferred tax assets not recognised	248	1,647
Under provision in respect of previous years	435	67
Withholding tax	4,580	4,417
Others	(320)	1,151
Tax expense recognised in profit or loss	75,809	61,569

For the financial year ended 31 December 2011, the corporate tax rate for companies in Singapore and Indonesia was 17% and 25% (2010: 17% and 25%) respectively.

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

9. TAX EXPENSE (CONT'D)

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities comprise the following:

	Consolidated balance sheet		Consolidated income statement	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Group				
Deferred tax assets:				
Unutilised tax losses	405	290	(120)	(287)
Provisions	2,079	1,511	(568)	(1,379)
Post-employment benefits	2,087	1,543	(576)	(413)
Fair value adjustments on derivatives	–	167	171	1,198
Others	2,128	–	(2,198)	–
	6,699	3,511		
Deferred tax liabilities:				
Biological assets	(95,658)	(83,891)	12,893	16,095
Differences in depreciation for tax purposes	(9,406)	(7,708)	1,976	78
Obligations under finance leases	(393)	(270)	127	85
Revaluation of property, plant and equipment	(1,738)	(1,753)	–	–
Fair value adjustments on acquisition of subsidiaries	(14,115)	(7,237)	–	–
Fair value adjustments on derivatives	(1,407)	–	109	–
Others	(1,380)	(748)	482	479
	(124,097)	(101,607)		
Net deferred tax liabilities	(117,398)	(98,096)		
Deferred income tax			12,296	15,856

9. TAX EXPENSE (CONT'D)

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

	Balance sheet	
	2011 US$'000	**2010 US$'000**
Company		
Deferred tax assets:		
Provisions	301	104
	301	104
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(650)	(9)
Others	1	(4)
	(649)	(13)
Net deferred tax (liabilities)/assets	(348)	91

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 tax authority. The following amounts, determined after appropriate offsetting, were shown in the balance sheets:

	Group		Company	
	2011 US$'000	**2010 US$'000**	**2011 US$'000**	**2010 US$'000**
Deferred tax assets	2,565	1,667	–	91
Deferred tax liabilities	(119,963)	(99,763)	(348)	–

<u>Unrecognised tax losses</u>

As at 31 December 2011, the Group has unrecognised tax losses carried forward amounting to US$18.1 million (2010: US$15.1 million), which would expire between 2012 and 2016 (2010: between 2011 and 2015). The related deferred tax assets of US$4.5 million (2010: US$3.8 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	
	2011	**2010**
Profit for the year attributable to owners of the Company (US$'000)	196,416	143,084
Weighted average number of ordinary shares ('000)	1,467,815	1,453,459
Basic earnings per share (US cents)	13.38	9.84

(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	
	2011	**2010**
Profit for the year attributable to owners of the Company (US$'000)	196,416	143,084
Add: Interest expense and amortisation on convertible bonds, net of tax (US$'000)	8,956	8,690
Adjusted profit for the year attributable to owners of the Company (US$'000)	205,372	151,774
Weighted average number of ordinary shares ('000)	1,467,815	1,453,459
Effect of dilution from convertible bonds ('000)	114,337	116,078
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,582,152	1,569,537
Diluted earnings per share (US cents)	12.98	9.67

11. BIOLOGICAL ASSETS

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

	Group	
	2011 US$'000	**2010 US$'000**
At fair value		
At 1 January	668,885	534,953
Additions	80,720	58,938
Acquisition of subsidiaries (Note 15(a))	997	–
Reclassification to plasma plantation receivables (Note 12)	(25,135)	–
	725,467	593,891
Gains arising from changes in fair value	39,217	49,531
Exchange differences	(8,753)	25,463
At 31 December	755,931	668,885
Represented by:		
Oil palm plantations	720,151	627,949
Field preparation costs	35,780	40,936
	755,931	668,885

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 14.15% (2010: 18.24%); and

(e) projected selling prices of CPO are based on Goldman Sachs Research and World Bank Forecast.

11. BIOLOGICAL ASSETS (CONT'D)

	Group	
	2011	2010
Nucleus production volume (tonnes)		
FFB	1,725,374	1,447,595
Nucleus planted area (hectares)		
Mature	74,704	69,404
Immature	38,439	38,260
	113,143	107,664

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

Additions to biological assets consist of:

	Group	
	2011 US$'000	2010 US$'000
Capital expenditure on biological assets using cash	73,049	53,341
Capitalisation of finance expenses (Note 8)	5,283	3,711
Capitalisation of depreciation on property, plant and equipment (Note 13)	2,388	1,886
	80,720	58,938

Assets pledged as security

As at 31 December 2011 and 2010, 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	
	2011 US$'000	2010 US$'000
At 1 January	15,925	16,166
Additional development costs	1,255	3,876
Conversion value	(589)	(2,182)
Differences in accumulated development costs of plasma plantation and conversion value	277	344
Payment of self-financing of receivables from plasma plantation	(1,498)	(3,004)
Reclassification from biological assets (Note 11)	25,135	–
Exchange differences	(916)	725
At 31 December	39,589	15,925

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 2010	68,151	64,083	22,920	3,367	83,620	242,141
Additions	1,736	862	4,845	438	28,540	36,421
Reclassifications	26,809	57,036	(37)	(118)	(83,690)	–
Exchange differences	3,387	3,515	1,071	153	3,775	11,901
At 31 December 2010 and 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	124,765	139,407	50,427	4,666	53,487	372,752
Accumulated depreciation						
At 1 January 2010	21,232	19,883	13,281	1,458	–	55,854
Charge for the year	4,296	2,709	8,166	1,346	–	16,517
Reclassifications	(102)	150	(166)	118	–	–
Exchange differences	1,007	934	1,215	79	–	3,235
At 31 December 2010 and 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	34,517	32,755	27,016	3,462	–	97,750
Net carrying amount						
At 31 December 2011	90,248	106,652	23,411	1,204	53,487	275,002
At 31 December 2010	73,650	101,820	6,303	839	32,245	214,857

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 2010	423	81	504
Additions	170	4	174
At 31 December 2010 and 1 January 2011	593	85	678
Additions	12,650	65	12,715
At 31 December 2011	13,243	150	13,393
Accumulated depreciation			
At 1 January 2010	186	21	207
Charge for the year	129	20	149
At 31 December 2010 and 1 January 2011	315	41	356
Charge for the year	698	22	720
At 31 December 2011	1,013	63	1,076
Net carrying amount			
At 31 December 2011	12,230	87	12,317
At 31 December 2010	278	44	322

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

Additions to property, plant and equipment consist of:

	Group	
	2011 US$'000	2010 US$'000
Capital expenditure on property, plant and equipment using cash	85,258	31,396
Capitalisation of finance expenses (Note 8)	66	1,204
Obligation under finance leases	2,392	3,821
	87,716	36,421

Assets held under finance leases

As at 31 December 2011, the net carrying amount of property, plant and equipment held under obligations under finance leases amounted to US$5.7 million (2010: US$6.4 million).

Assets pledged as security

As at 31 December 2011 and 2010, 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 2011 and 2010, 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

For the financial years ended 31 December 2011 and 2010, the depreciation and amortisation charges are as follows:

	Group	
	2011 US$'000	2010 US$'000
Depreciation of property, plant and equipment	23,816	16,517
Amortisation of land use rights (Note 14)	1,608	1,512
Amortisation of intangible assets (Note 17)	500	120
	25,924	18,149
Depreciation included in cost of sales (Note 5)	19,772	13,807
Depreciation included in general and administrative expenses (Note 7)	1,656	824
Depreciation capitalised in biological assets (Note 11)	2,388	1,886
Amortisation included in general and administrative expenses (Note 7)	500	120
Amortisation included in other operating expenses	1,608	1,512
	25,924	18,149

14. LAND USE RIGHTS

	Group	
	2011 US$'000	2010 US$'000
At 1 January	33,585	19,236
Additions	3,954	2,438
Acquisition of subsidiaries (Note 15(a))	29	–
Reclassification from land permits (Note 17)	4,784	12,409
Amortisation charge during the year	(1,608)	(1,512)
Exchange differences	(514)	1,014
At 31 December	40,230	33,585
Amount to be amortised		
– Not later than one year	1,608	1,512
– Later than one year but not more than five years	6,432	6,049
– Later than five years	32,190	26,024
	40,230	33,585

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 2011, the Group's land use rights cover a total land area of 124,078 hectares (2010: 116,810 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 2011 and 2010, 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	
	2011 US$'000	2010 US$'000
Unquoted equity shares, at cost	297,508	276,984
At 1 January	276,984	249,829
Incorporation of subsidiary	10,000	–
Conversion from advance subscription for shares in subsidiary	10,524	27,155
At 31 December	297,508	276,984

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

(a) Acquisition of subsidiaries

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	14,724
Cash consideration for acquisition	38,506

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (cont'd)

Effect of the acquisition of PT KGP Group on cash flows

	US$'000
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

Transaction costs

Transaction costs of US$27,000 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 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 Group incorporated a wholly-owned subsidiary under the name of First Resources Trading Pte. Ltd. ("FRT") with an initial issued and paid up capital of US$2. On 25 July 2011, the Group increased its investment in FRT by US$9,999,998 through a subscription of 9,999,998 ordinary shares in the share capital of FRT. Consequent to the increase, the current paid up capital of FRT stands at US$10,000,000.

FRT 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.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Disposal of subsidiaries

(i) 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

(ii) During the financial year ended 31 December 2010, the Group disposed of three subsidiaries to a related party. As a result of the disposal, PT Dharma Bhakti Utama, PT Andalan Mitrasawit Sejati and PT Pancasurya Agrosejahtera ceased to be indirect subsidiaries of the Group.

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

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

* Less than US$500.

16. GOODWILL

	Group	
	2011 US$'000	2010 US$'000
Cost		
At 1 January	7,073	7,073
Acquisition of subsidiaries (Note 15(a))	14,724	–
Exchange differences	(406)	–
At 31 December	21,391	7,073

Impairment testing of goodwill

Goodwill arising from business combinations is allocated to individual cash-generating units ("CGU") for the purpose of impairment testing. The CGU relating to the goodwill as at 31 December 2011 and 2010 is as follows:

	Group	
	2011 US$'000	2010 US$'000
PT Borneo Ketapang Permai Group	7,073	7,073
PT Kalimantan Green Persada Group	14,318	–
	21,391	7,073

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. The calculations were based on the following key assumptions:

	2011	2010
Terminal growth rate	3%	3%
Pre-tax discount rate	13%	14%
Projected CPO price	US$950/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$950 per tonne (2010: US$950 per tonne). The cash flows beyond the projected periods are extrapolated using the estimated terminal growth rate indicated above.

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

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

Discount rate – The discount rate applied to the cash flow projection is pre-tax and derived from the weighted average cost of capital ("WACC") of the Group. The WACC takes into account both debt and 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 2011 and 2010.

17. OTHER INTANGIBLE ASSETS

	Land permits	Software	Total
	US$'000	US$'000	US$'000
Group			
Cost			
At 1 January 2010	29,129	1,441	30,570
Additions	129	109	238
Reclassification to land use rights (Note 14)	(12,409)	–	(12,409)
Exchange differences	1,196	68	1,264
At 31 December 2010 and 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	42,524	2,032	44,556
Accumulated amortisation			
At 1 January 2010	–	81	81
Amortisation charge during the year	–	120	120
Exchange differences	–	5	5
At 31 December 2010 and 1 January 2011	–	206	206
Amortisation charge during the year	–	500	500
Exchange differences	–	(18)	(18)
At 31 December 2011	–	688	688
Net carrying amount			
At 31 December 2011	42,524	1,344	43,868
At 31 December 2010	18,045	1,412	19,457

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

17. OTHER INTANGIBLE ASSETS (CONT'D)

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

18. LOAN TO SUBSIDIARY

	Company	
	2011 US$'000	2010 US$'000
Loan to subsidiary	6,000	–
Less: Current portion	(750)	–
Non-current portion	5,250	–

The loan to subsidiary is denominated in USD, unsecured, bears interest at London Interbank Offer Rate ("LIBOR") plus 5.0%, repayable quarterly up till 30 September 2021 and is to be settled in cash.

19. DERIVATIVE FINANCIALS ASSETS/LIABILITIES

	2011		2010	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Group				
Cross currency swap	699	–	2,033	–
Foreign currency options and swap contracts	990	3,313	87	135
Commodities futures, options and swap contracts	15,394	8,005	10,681	12,990
Credit and interest rate swap contracts	–	1,564	–	–
Total derivative financial instruments	17,083	12,882	12,801	13,125
Less: Current portion	(14,039)	(7,262)	(1,036)	(2,429)
Non-current portion	3,044	5,620	11,765	10,696
Company				
Foreign currency options and swap contracts	–	–	–	135
Commodities futures, options and swap contracts	–	–	11,536	11,536
Credit and interest rate swap contracts	–	657	–	–
Total derivative financial instruments	–	657	11,536	11,671
Less: Current portion	–	(657)	(1,804)	(1,939)
Non-current portion	–	–	9,732	9,732

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

Cross currency swap

PT CLP has previously entered into a cross currency swap agreement with a financial institution ("Bank A") for swapping its Indonesian Rupiah bond indebtedness effectively into USD liabilities. Based on the agreement, PT CLP or Bank A is obliged to pay the net amount whereby PT CLP's obligation is based on the amount of US$53.4 million at 7.40% per annum while Bank A's obligation is based on the amount of Rp500 billion at 11.50% per annum. At the termination date, one of the parties is obliged to pay the difference in principal amounts. The cross currency swap is accounted for at fair value through profit or loss.

During the financial year ended 31 December 2011, the cross currency swap has been partially unwound to Rp450 billion (equivalent to US$48.1 million) after taking into consideration the Rupiah bonds repurchased by the Group.

Foreign currency options and swap 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. Cash flow hedge accounting has been applied to these derivatives as they are considered to be highly effective hedging instruments. A net fair value loss of US$3.3 million (2010: Nil), with a related deferred tax credit of US$0.6 million (2010: Nil), has been included in other comprehensive income in respect of these contracts. Other foreign currency forward and swap contracts entered into by the Group are accounted for at fair value through profit or loss.

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

Commodities futures, options and swap contracts

The Group enters into certain commodities futures and 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$9.6 million (2010: net loss of US$2.3 million), with a related deferred tax charge of US$1.7 million, has been included in other comprehensive income in respect of these contracts. Other commodities options contracts entered into by the Group are accounted for at fair value through profit or loss.

Credit and interest rate swap contracts

The Group has entered into certain credit swap contracts to hedge its borrowing costs. These contracts are accounted for at fair value through profit or loss.

20. INVENTORIES

	Group	
	2011 US$'000	2010 US$'000
At lower of cost and net realisable value		
Palm based products	24,974	7,683
Fertilisers and chemicals	6,204	4,074
Spare parts and other consumables	7,665	6,157
Goods in transit	519	402
	39,362	18,316
At fair value		
Fresh fruit bunches	44	78
Total inventories	39,406	18,394

21. TRADE RECEIVABLES

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Trade receivables	29,880	10,501	7,438	847
Amounts due from subsidiaries (trade)	–	–	4,245	–
	29,880	10,501	11,683	847

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

Included in trade receivables are amounts due from related parties of US$4,000 (2010: Nil).

21. TRADE RECEIVABLES (CONT'D)

Trade receivables are denominated in the following currencies:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Indonesian Rupiah	1,384	3,170	–	–
United States Dollar	28,496	7,331	11,683	847
	29,880	10,501	11,683	847

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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Amounts due from financial institutions	967	–	865	–
Interest receivable	–	32	–	32
Amounts due from subsidiaries (non-trade)	–	–	376	944
Sundry receivables	2,866	3,120	44	37
	3,833	3,152	1,285	1,013

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

Included in sundry receivables are amounts due from related parties of US$209,000 (2010: Nil).

22. OTHER RECEIVABLES (CONT'D)

Other receivables are denominated in the following currencies:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Indonesian Rupiah	2,821	2,106	45	–
United States Dollar	967	32	1,240	976
Singapore Dollar	45	37	–	37
Others	–	977	–	–
	3,833	3,152	1,285	1,013

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	
	2011 US$'000	2010 US$'000
Leasehold buildings and improvements	3,093	4,428
Machinery and installations	5,522	5,282
Others	1,740	999
	10,355	10,709

Other advances and prepayments

Other advances and prepayments relate mainly to payments made to suppliers for purchase of inventories and other miscellaneous items. These payments are unsecured, non-interest bearing and the obligations from suppliers are 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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Cash at banks and on hand	186,945	113,952	87,259	29,875
Time deposits	7,538	90,979	–	49,612
Cash held by financial institutions, restricted	15,923	4,100	1,010	4,100
	210,406	209,031	88,269	83,587

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week to nine months (2010: one day to nine months) depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates, which range between 0.23% and 6.50% (2010: 0.12% 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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Indonesian Rupiah	33,475	28,676	–	–
United States Dollar	125,632	173,642	37,878	76,874
Singapore Dollar	50,463	6,713	50,391	6,713
Others	836	–	–	–
	210,406	209,031	88,269	83,587

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

	Group	
	2011 US$'000	2010 US$'000
Cash at banks and on hand	186,945	113,952
Time deposits	7,538	90,979
	194,483	204,931

26. TRADE PAYABLES

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Trade payables	16,633	15,023	182	3
Amounts due from subsidiaries (trade)	–	–	10,606	3,400
	16,633	15,023	10,788	3,403

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

Trade payables are denominated in the following currencies:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Indonesian Rupiah	10,147	11,539	–	–
United States Dollar	6,260	3,341	10,778	3,400
Others	226	143	10	3
	16,633	15,023	10,788	3,403

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

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Lesser than 30 days	9,071	10,413	10,788	3,403
30 to 90 days	5,193	2,142	–	–
More than 90 days	2,369	2,468	–	–
	16,633	15,023	10,788	3,403

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Accrued staff costs	12,925	9,236	1,800	924
Accrued interest expenses	4,436	4,551	1,524	1,547
Accrued contractor fees and retention sums	6,818	5,098	–	–
Amounts due to subsidiaries (non-trade)	–	–	561	–
Others	5,046	2,135	2,934	272
	29,225	21,020	6,819	2,743

The amounts due to subsidiaries (non-trade) are 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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Indonesian Rupiah	24,306	18,077	1,472	–
United States Dollar	2,740	1,970	3,227	1,770
Singapore Dollar	2,179	973	2,120	973
	29,225	21,020	6,819	2,743

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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Current				
Bank loans	37,650	11,428	–	–
Obligations under finance leases	2,521	2,505	15	14
	40,171	13,933	15	14
Non-current				
Bank loans	169,669	148,773	–	–
Obligations under finance leases	1,403	2,018	23	38
	171,072	150,791	23	38
	211,243	164,724	38	52

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

Bank loans

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

(a) loans from an Indonesian bank obtained by certain subsidiaries during 2010 to finance the redemption of the Notes payable of US$140.8 million. 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$102.2 million outstanding as at 31 December 2011 (2010: US$133.5 million);

(b) loans from an Indonesian bank obtained by certain subsidiaries during 2010 for development of palm oil plantations and refinancing of a short-term loan. The loans bear interest rate at 6.5% – 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 December 2015 to August 2021, with a total amount of US$83.3 million outstanding as at 31 December 2011 (2010: US$26.7 million); and

(c) loan from an Indonesian bank obtained by certain subsidiaries during 2011 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 2012 with a total amount of US$21.8 million outstanding as at 31 December 2011 (2010: Nil).

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 5.5% to 17.0% (2010: 4.2% 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 39(d).

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

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Indonesian Rupiah	179,205	164,672	–	–
United States Dollar	32,000	–	–	–
Singapore Dollar	38	52	38	52
	211,243	164,724	38	52

30. RUPIAH BONDS PAYABLE

	Group	
	2011 US$'000	2010 US$'000
Nominal value	48,522	53,832
Less:		
Bond issuance costs	673	746
Accumulated amortisation	(520)	(408)
Total	153	338
Rupiah bonds payable, net	48,369	53,494

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

In 2011, the Group repurchased a total of Rp44 billion (2010: Rp2 billion) of the Rupiah bonds and recorded a total loss of US$117,000 (2010: gain of US$17,000), net of deferred bond issuance costs. The loss/gain on redemption of Rupiah bonds are presented as part of net financial expenses (Note 8).

PT CLP and its subsidiaries have complied with the covenants required in the Bond Indenture for the financial years ended 31 December 2011 and 2010.

31. CONVERTIBLE BONDS

On 22 September 2009, the Company issued US$100 million convertible bonds which are listed on SGX-ST. The convertible bonds bear interest at 5.625% per annum, payable semi-annually and are due on 22 September 2014 at 104.34% to give an effective yield-to-maturity of 6.375%. The convertible bonds are convertible 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.

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

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

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

During the financial year ended 31 December 2011, US$1.5 million of the convertible bonds were converted into 1,741,170 ordinary shares at S$1.24735 per share.

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

	Group and Company	
	2011 US$'000	2010 US$'000
Face value of convertible bonds	98,500	100,000
Less: Value of equity component	(14,192)	(14,408)
Value of liability component	84,308	85,592
Value of liability component	84,308	85,592
Add: Accretion of interest	7,254	3,912
Less: Issuance cost, net of amortisation	(1,545)	(2,042)
Liability component of convertible bonds	90,017	87,462
Value of equity component	14,192	14,408
Less: Issuance cost	(430)	(437)
Equity component of convertible bonds	13,762	13,971

32. PROVISION FOR POST-EMPLOYMENT BENEFITS

The Group recognised employment benefits for all its permanent employees in Indonesia pursuant to Indonesian Labor Law No. 13/2003. The provision for employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method. No fund was provided for such liability for employment benefits. As at 31 December 2011, the post-employment benefits liability amounted to US$8.7 million (2010: US$6.2 million).

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

	2011	2010
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	7.10%	9.30%
Mortality Rate	The Commissioners 1980 Standard Ordinary Mortality Table	The Commissioners 1980 Standard Ordinary Mortality Table
Disability Rate	1% of mortality rate	1% of mortality rate
Resignation Rate	0% to 1%	0% to 1%
Calculation Method	Projected Unit Credit	Projected Unit Credit

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

	Group	
	2011 US$'000	2010 US$'000
Present value of employee benefits obligation	10,634	6,627
Unrecognised net actuarial gain	(1,865)	(534)
Unrecognised past service cost	(52)	70
	8,717	6,163

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

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

	Group	
	2011 US$'000	2010 US$'000
At 1 January	6,163	4,306
Net employee benefit expense	3,215	1,965
Benefits paid	(532)	(321)
Exchange differences	(129)	213
At 31 December	8,717	6,163

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

	Group	
	2011 US$'000	2010 US$'000
Current service cost	2,469	1,481
Interest cost on benefit obligation	653	472
Amortisation of past service cost	65	17
Amortisation of actuarial loss/(gain)	23	(124)
Allowance of internal movement of employees	5	119
Net employee benefit expense	3,215	1,965

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

	Group	
	2011 US$'000	2010 US$'000
Cost of sales (Note 5)	1,902	1,046
General and administrative expenses (Note 7)	1,103	799
Others	210	120
	3,215	1,965

33. SHARE CAPITAL

	Group and Company			
	2011		2010	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
At 1 January	1,468,459	288,735	1,468,459	288,735
Issue of shares upon conversion of convertible bonds	1,741	1,577	–	–
At 31 December	1,470,200	290,312	1,468,459	288,735

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

34. TREASURY SHARES

	Group and Company			
	2011		2010	
	No. of shares '000	US$'000	No. of shares '000	US$'000
At 1 January	15,000	6,816	15,000	6,816
Sale of treasury shares	(15,000)	(6,816)	–	–
At 31 December	–	–	15,000	6,816

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

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

36. OTHER RESERVES

The composition of other reserves is as follows:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Capital reserve	(29,096)	(29,096)	–	–
Revaluation reserve	279	279	–	–
Gain on sale of treasury shares	10,322	–	10,322	–
Hedging reserve	2,635	(2,309)	–	–
Foreign translation reserve	28,113	39,219	393	393
	12,253	8,093	10,715	393

36. OTHER RESERVES (CONT'D)

Capital reserve

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

Revaluation reserve

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

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.

Hedging reserve

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

	Group	
	2011 US$'000	2010 US$'000
At 1 January	(2,309)	–
Fair value gains/(losses) on cash flow hedges, net of tax and non-controlling interests	8,569	(2,309)
Transferred to the income statement on contracts realised	(3,625)	–
At 31 December	2,635	(2,309)

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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
At 1 January	39,219	10,054	393	393
Foreign currency translation adjustments	(11,106)	29,165	–	–
At 31 December	28,113	39,219	393	393

37. EMPLOYEE BENEFITS

	Group	
	2011 US$'000	2010 US$'000
Salaries, bonuses and other benefits	43,893	33,856
Net employee benefit expense relating to defined benefit plans (Note 32)	3,215	1,965
Central Provident Fund contributions	120	80
	47,228	35,901

38. RELATED PARTY DISCLOSURES

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

In addition to those related party information provided elsewhere in the relevant notes to the consolidated financial statements, the following 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	
	2011 US$'000	2010 US$'000
Office lease rental	826	872
Disposal of subsidiaries	(5)	(1)
Commodities options and swap contracts	1,064	–

Compensation of key management personnel

	Group	
	2011 US$'000	2010 US$'000
Salaries, bonuses and other benefits	5,347	4,068
Directors' fees	315	286
Net employee benefit expense relating to defined benefit plans	234	328
Central Provident Fund contributions	39	19
	5,935	4,701
Comprise amounts paid to:		
– Directors of the Company	1,442	1,117
– Other key management personnel	4,493	3,584
	5,935	4,701

39. 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	
	2011 US$'000	2010 US$'000
Sales	388,197	66,700
Purchases	(228,886)	–

(b) *Capital commitments*

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

	Group	
	2011 US$'000	2010 US$'000
Capital commitments in respect of property, plant and equipment	24,439	23,229

(c) *Operating lease commitments*

As lessee

In addition to the land use rights disclosed in Note 14, the Group has entered into commercial leases to lease land and buildings. These non-cancellable operating leases have remaining lease terms of between one to three years. There are no restrictions placed upon the lessee by entering into these leases. Operating lease payments recognised in profit or loss are US$0.7 million (2010: US$0.8 million) (Note 7).

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

	Group	
	2011 US$'000	2010 US$'000
Within one year	713	759
After one year but not more than five years	120	826
	833	1,585

39. 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:

	2011		2010	
	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	2,819	2,521	2,844	2,505
Later than one year but not more than five years	1,543	1,403	2,493	2,018
Total minimum lease payments	4,362	3,924	5,337	4,523
Less: Amount representing finance charges	(438)	–	(814)	–
Present value of minimum lease payments	3,924	3,924	4,523	4,523
Company				
Not later than one year	18	15	18	14
Later than one year but not more than five years	28	23	46	38
Total minimum lease payments	46	38	64	52
Less: Amount representing finance charges	(8)	–	(12)	–
Present value of minimum lease payments	38	38	52	52

(e) *Contingent liabilities*

In 2011, 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.

A subsidiary has guaranteed US$1.0 million (2010: US$1.0 million) in respect of plasma farmers' loans repayable to the bank at the time when the plasma plantations are converted. These loans are being repaid by the plasma farmers on an instalment basis through a withholding mechanism on sales of the plasma crops to the Group.

40. CLASSES OF FINANCIAL ASSETS AND LIABILITIES

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

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Assets				
Loans and receivables				
Loan to subsidiary	–	–	6,000	–
Trade receivables	29,880	10,501	11,683	847
Other receivables	3,833	3,152	1,285	1,013
Cash and bank balances	210,406	209,031	88,269	83,587
	244,119	222,684	107,237	85,447
At fair value through profit or loss				
Derivative financial assets	6,927	12,801	–	11,536
Cash flow hedges				
Derivative financial assets	10,156	–	–	–
Liabilities				
At amortised cost				
Trade payables	16,633	15,023	10,788	3,403
Other payables and accruals	29,225	21,020	6,819	2,743
Loans and borrowings from financial institutions	211,243	164,724	38	52
Rupiah bonds payable	48,369	53,494	–	–
Liability component of convertible bonds	90,017	87,462	90,017	87,462
	395,487	341,723	107,662	93,660
At fair value through profit or loss				
Derivative financial liabilities	6,630	10,816	657	11,671
Cash flow hedges				
Derivative financial liabilities	6,252	2,309	–	–

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

	Quoted prices in active market for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Group				
2011				
Financial assets				
Derivative financial assets	646	16,437	–	17,083
Financial liabilities				
Derivative financial liabilities	314	12,568	–	12,882
2010				
Financial assets				
Derivative financial assets	–	12,801	–	12,801
Financial liabilities				
Derivative financial liabilities	–	13,125	–	13,125

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

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

	Quoted prices in active market for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Company				
2011				
Financial assets				
Derivative financial assets	–	–	–	–
Financial liabilities				
Derivative financial liabilities	–	657	–	657
2010				
Financial assets				
Derivative financial assets	–	11,536	–	11,536
Financial liabilities				
Derivative financial liabilities	–	11,671	–	11,671

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

Loan to subsidiary (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.

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

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

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

	2011		2010	
	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	53,494	55,016
Liability and equity components of convertible bonds	103,779	132,971	101,433	143,950
Company				
Financial liabilities				
Liability and equity components of convertible bonds	103,779	132,971	101,433	143,950

Determination of fair value

Rupiah bonds payable (Note 30)

The fair value is estimated by reference to the latest transacted price, 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 the reporting period.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

(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 (2010: 50 basis points) higher/lower, ceteris paribus, profit before tax for the financial year ended 31 December 2011 would have been US$15,000 (2010: US$244,000) 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 and 30 respectively.

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

(b) Foreign currency risk (cont'd)

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			
	2011		2010	
	Profit before tax	Equity	Profit before tax	Equity
	US$'000	US$'000	US$'000	US$'000
IDR against USD				
– strengthened 10% (2010: 10%)	(3,219)	54,240	(2,752)	40,381
– weakened 10% (2010: 10%)	4,007	(53,650)	4,746	(38,886)
SGD against USD				
– strengthened 5% (2010: 5%)	2,414	2,004	647	537
– weakened 5% (2010: 5%)	(2,414)	(2,004)	(1,413)	(1,172)
MYR against USD				
– strengthened 10% (2010: 10%)	(5,639)	3,404	–	(626)
– weakened 10% (2010: 10%)	4,381	(4,439)	–	627

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

(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 financial years ended 31 December 2011 and 2010, had the average selling prices of palm based products been 10% higher/lower, ceteris paribus, profit before tax in 2011 would have been US$49.5 million (2010: US$33.0 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			
	2011		2010	
	Profit before tax	Equity	Profit before tax	Equity
	US$'000	US$'000	US$'000	US$'000
Increase in prices of palm based products	(8,297)	(18,772)	–	(3,306)
Decrease in prices of palm based products	7,466	18,148	–	3,306

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

(d) Credit risk

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

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

The Group trades only with recognised and creditworthy third parties 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.

<u>Exposure to credit risk</u>

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

– the carrying amount of each class of financial assets recognised in the balance sheets; and

– an amount of US$1.0 million (2010: US$1.0 million) relating to a financial guarantee provided by a subsidiary for repayment of plasma farmers' loans to a bank.

<u>Credit risk concentration profile</u>

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

At the end of the reporting period, 77.0% (2010: 91.6%) of the Group's trade receivables were due from two customers.

<u>Financial assets that are neither past due nor impaired</u>

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.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 21 (Trade receivables).

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

(e) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting 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				
2011				
Trade and other payables	45,858	–	–	45,858
Loans and borrowings from financial institutions	60,864	188,817	48,738	298,419
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
	167,965	309,898	48,738	526,601
2010				
Trade and other payables	36,043	–	–	36,043
Loans and borrowings from financial institutions	27,163	176,851	19,546	223,560
Rupiah bonds payable	6,303	59,787	–	66,090
Convertible bonds payable	6,464	121,960	–	128,424
Derivative financial liabilities:				
– Cross currency swap (gross receipts)	(6,466)	(61,491)	–	(67,957)
– Cross currency swap (gross payments)	3,997	57,053	–	61,050
– Other derivatives	1,501	965	–	2,466
	75,005	355,125	19,546	449,676

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

(e) Liquidity risk (cont'd)

	One year or less	One to five years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000
Company				
2011				
Trade and other payables	17,607	–	–	17,607
Loans and borrowings from financial institutions	17	24	–	41
Convertible bonds payable	6,384	115,311	–	121,695
Derivative financial liabilities	659	–	–	659
	24,667	115,335	–	140,002
2010				
Trade and other payables	6,146	–	–	6,146
Loans and borrowings from financial institutions	17	42	–	59
Convertible bonds payable	6,464	121,960	–	128,424
Derivative financial liabilities	135	–	–	135
	12,762	122,002	–	134,764

43. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2011 and 2010.

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

	Group	
	2011 US$'000	**2010 US$'000**
Loans and borrowings from financial institutions (Note 29)	211,243	164,724
Rupiah bonds payable (Note 30)	48,369	53,494
Liability component of convertible bonds (Note 31)	90,017	87,462
Gross debt	349,629	305,680
EBITDA	294,717	203,720
Debt/EBITDA	1.19 times	1.50 times

44. 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.

44. 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

44. SEGMENT INFORMATION (CONT'D)

	Plantations and palm oil mills US$'000	Refinery and processing US$'000	Elimination US$'000	Total US$'000
2010				
Sales:				
External customers	313,942	15,935	–	329,877
Inter-segment	17,354	–	(17,354)	–
Total sales	331,296	15,935	(17,354)	329,877
Results:				
EBITDA	206,027	(2,307)	–	203,720
Depreciation and amortisation	(13,972)	(2,291)	–	(16,263)
Gains arising from changes in fair value of biological assets	49,531	–	–	49,531
Profit from operations	241,586	(4,598)	–	236,988
Losses on foreign exchange				(1,978)
Gains on derivative financial instruments				6,957
Net financial expenses				(30,773)
Other non-operating income				1,314
Profit before tax				212,508

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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Singapore	336,527	46,113	19,763	323
Indonesia	158,092	283,764	1,157,302	960,516
	494,619	329,877	1,177,065	960,839

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 a major customer

Sales to one major customer amounted to US$125.3 million (2010: US$246.8 million) from the plantations and palm oil mills segment and US$13.2 million (2010: US$9.5 million) from the refinery and processing segment.

45. DIVIDENDS

	Group and Company	
	2011 US$'000	2010 US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2010: 1.90 Singapore cents (2009: 1.18 Singapore cents) per share	22,424	12,389
– Interim tax exempt (one-tier) dividend for 2011: 1.00 Singapore cents (2010: 1.00 Singapore cents) per share	12,096	10,864
	34,520	23,253
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 2011: 2.50 Singapore cents (2010: 1.90 Singapore cents) per share	29,467*	22,424

* based on USD/SGD exchange rate of 1.2543.

46. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to 31 December 2011, the Company announced that it has issued and allotted 12,420,350 ordinary shares at S$1.24735 per share, pursuant to the conversion of US$10.7 million of its convertible bonds. Consequent to the above issue and allotment of new shares, the Company's total number of issued shares now stands at 1,482,620,741.

47. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 26 March 2012.

SHARE CAPITAL

Number of issued shares : 1,482,620,741
Class of shares : Ordinary share
Voting rights : One vote per share

The Company does not have any treasury shares as at 21 March 2012.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 – 999	8	0.39	2,328	0.00
1,000 – 10,000	1,636	79.84	7,852,417	0.53
10,001 – 1,000,000	387	18.89	20,760,106	1.40
1,000,001 and above	18	0.88	1,454,005,890	98.07
	2,049	100.00	1,482,620,741	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Eight Capital Inc.	708,800,130	47.81
2.	HSBC (Singapore) Nominees Pte Ltd	324,408,171	21.88
3.	DB Nominees (S) Pte Ltd	103,371,659	6.97
4.	DBSN Services Pte Ltd	75,861,437	5.12
5.	Citibank Nominees Singapore Pte Ltd	60,155,386	4.06
6.	DBS Nominees Pte Ltd	57,364,224	3.87
7.	Raffles Nominees (Pte) Ltd	47,312,439	3.19
8.	United Overseas Bank Nominees Pte Ltd	19,787,104	1.33
9.	Advance Synergy Capital Ltd	17,800,000	1.20
10.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	13,908,672	0.94
11.	DBS Vickers Securities (S) Pte Ltd	9,064,000	0.61
12.	BNP Paribas Securities Services	6,389,926	0.43
13.	UOB Kay Hian Pte Ltd	2,820,000	0.19
14.	Bank of Singapore Nominees Pte Ltd	1,684,000	0.11
15.	Merrill Lynch (Singapore) Pte Ltd	1,582,622	0.11
16.	Phillip Securities Pte Ltd	1,328,000	0.09
17.	Maybank Kim Eng Securities Pte Ltd	1,218,120	0.08
18.	Ng Mei Hwee Warni	1,150,000	0.08
19.	Lee Soon Hian	1,000,000	0.07
20.	Amfraser Securities Pte Ltd	635,000	0.04
		1,455,640,890	98.18

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 21 March 2012)

	Direct Interest	%	Deemed Interest	%
Eight Capital Inc.	970,800,130	65.48	30,000,000[(1)]	2.02
Lizant Investments Ltd.	–	–	1,000,800,130[(2)]	67.50
Ciliandra Fangiono	–	–	1,000,800,130[(3)]	67.50
Wirastuty Fangiono	–	–	1,000,800,130[(3)]	67.50
Cik Sigih Fangiono	–	–	1,000,800,130[(3)]	67.50
Wirasneny Fangiono	–	–	1,000,800,130[(3)]	67.50
Ciliandrew Fangiono	–	–	1,000,800,130[(3)]	67.50
Wirashery Fangiono	–	–	1,000,800,130[(3)]	67.50
Infinite Capital Fund Limited	100,000,000	6.74	–	–
King Fortune International Inc.	–	–	100,000,000[(4)]	6.74
DB International Trust (Singapore) Limited	–	–	100,000,000[(5)]	6.74
FMR LLC, FIL Limited and Edward C. Johnson 3d	–	–	76,264,000[(6)]	5.14

Notes:

(1) Eight Capital Inc. ("Eight Capital") is deemed to be interested in the shares held by Credit Suisse Securities (Europe) Limited.

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

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

(4) 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.

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

(6) FMR LLC, FIL Limited and Edward C. Johnson 3d are deemed to be interested in the shares held by a group of registered holders.

SHARES HELD BY THE PUBLIC

Approximately 20.6% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual which requires at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

BONDHOLDERS OF 5.625% CONVERTIBLE BONDS DUE 2014

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

As at 21 March 2012, the principal amount of Convertible Bonds outstanding is US$87,800,000.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of First Resources Limited ("the Company") will be held at Suntec Singapore International Convention and Exhibition Centre, Meeting Room 203, Level 2, Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 27 April 2012 at 2.00 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 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 2.50 Singapore cents (S$0.025) (one-tier, tax-exempt) per ordinary share for the year ended 31 December 2011 (2010: S$0.019). **(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 Lim Ming Seong **(Resolution 3)**
   Mr Ciliandra Fangiono **(Resolution 4)**
   Ms Ng Shin Ein **(Resolution 5)**

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

   Mr Ciliandra Fangiono will, upon re-election as a Director of the Company, remain as member of the Nominating Committee and will be considered non-independent.

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

4. To approve the payment of Directors' fees of S$395,000 for the year ended 31 December 2011 (2010: S$390,000). **(Resolution 6)**

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

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

AS SPECIAL BUSINESS

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

7. **Authority to issue shares**

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

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

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

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

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

provided that:

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

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

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

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

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

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 8)**

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 9)**

By Order of the Board

Tan San-Ju
Secretary

Singapore, 11 April 2012

EXPLANATORY NOTES:

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

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(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 2011 are set out in greater detail in the Circular dated 11 April 2012 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 Suntec Singapore International Convention and Exhibition Centre, Meeting Room 203, Level 2, Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 27 April 2012 at 2.00 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 2011		
2	Payment of proposed final dividend		
3	Re-election of Mr Lim Ming Seong as a Director		
4	Re-election of Mr Ciliandra Fangiono as a Director		
5	Re-election of Ms Ng Shin Ein as a Director		
6	Approval of Directors' fees amounting to S$395,000		
7	Re-appointment of Messrs Ernst & Young LLP as Auditors		
8	Authority to issue new shares		
9	Renewal of Share Purchase Mandate		

Date this ______________ day of ______________ 2012

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 not more than 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.

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
- Non-Executive 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

AUDITORS

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

STOCK EXCHANGE LISTING

Singapore Exchange Securities Trading Limited

FIRST RESOURCES LIMITED
Company Registration Number : 200415931M

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

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Fax: +65 6333 6711
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