Fruitful Ambitions

FIRST RESOURCES LIMITED
ANNUAL REPORT 2013

Contents

Established in 1992 and listed on the Singapore Exchange since 2007, First Resources is one of the fastest-growing palm oil producers in the region, managing more than 170,000 hectares of oil palm plantations in the Riau, East Kalimantan and West Kalimantan provinces of Indonesia.

The Group is primarily involved in cultivating oil palms, harvesting the fresh fruit bunches and milling them into crude palm oil and palm kernel. With our integrated processing facilities, the Group is able to maximise the value of our upstream plantation assets by processing the crude palm oil into higher value products such as biodiesel, refined, bleached and deodorised olein and stearin, and crushing the palm kernel into palm kernel oil and palm kernel expeller.

The Group's disciplined planting programme has resulted in a young plantation profile, with more than fifty percent of our plantations either in their young or immature ages. This favorable age profile positions the Group well for strong production growth over the next few years as these plantations mature into prime yielding ages.

We are committed to conducting our business sustainably and this involves caring for the environment, the community and our employees. The Group embeds these priorities into our operations and constantly benchmarks our practices and policies against local and international sustainability standards.

INVESTING IN GROWTH

Keeping our core

Having identified our strength as an efficient operator of high-quality plantations, we remain focused on expanding our business in this high-margin segment of the palm oil value chain. As an upstream plantation operator, we will be a beneficiary of strong palm oil prices.

Our Presence

Oil Palm Plantations

- Total Planted Area 170,596 hectares
- Nucleus Area 148,727 hectares
- Plasma Area 21,869 hectares

Palm Oil Mills

- Number of Mills 12
- Capacity 675 tonnes/hour
- Capacity 4.05 million tonnes/annum

Processing Plants

- Refining Capacity 850,000 tonnes/annum
- Kernel Crushing Capacity 105,000 tonnes/annum

OFFICE

OIL PALM PLANTATION/ LAND BANK

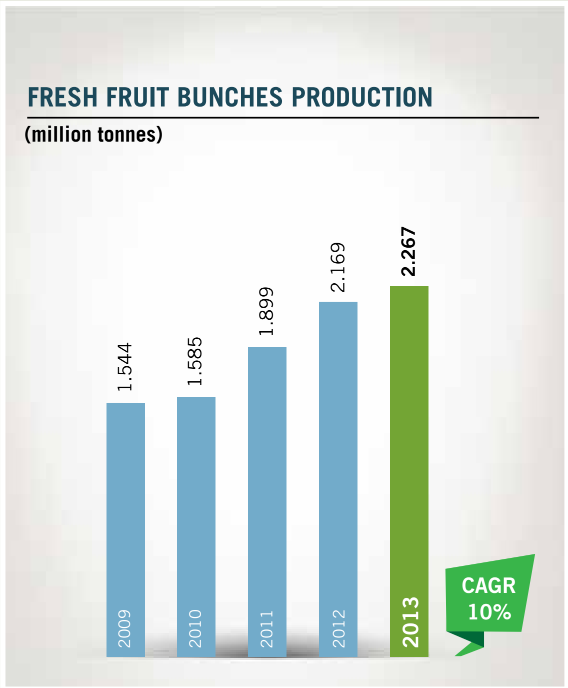
OIL PALM PLANTATION WITH MILL

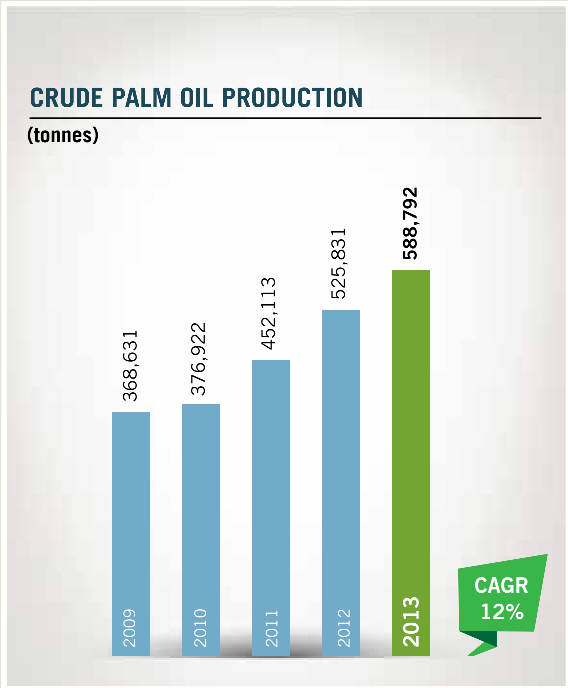
PROCESSING PLANTS

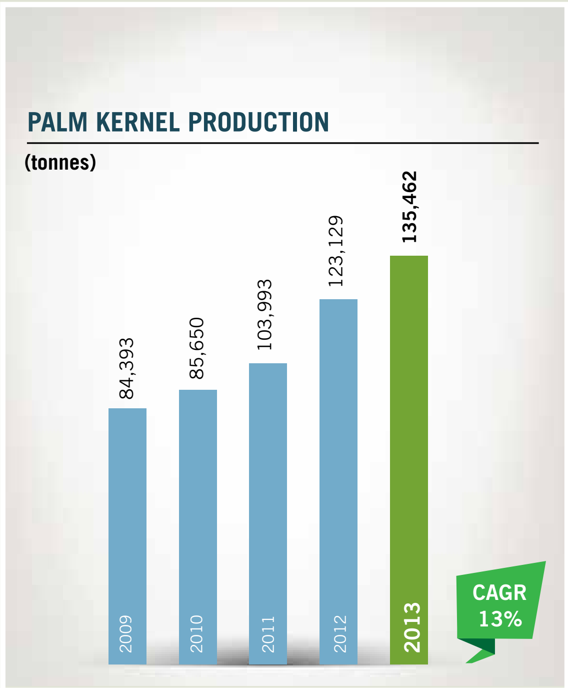
RUBBER PLANTATION/ LAND BANK

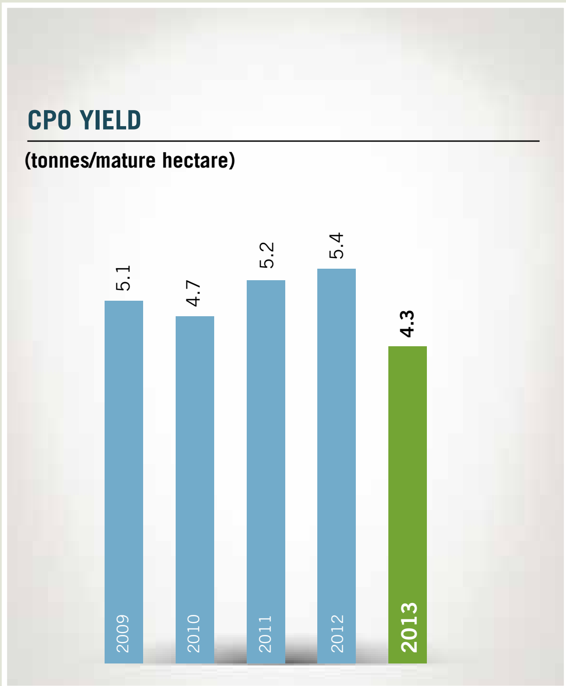
Operational Highlights

FINANCIAL YEAR	2009	2010	2011	2012	2013
OIL PALM PLANTATION AREA (Hectares)					
Total Planted Area	**108,917**	**120,830**	**132,251**	**146,403**	**170,596**
Mature	71,927	78,627	85,699	98,181	120,978
Immature	36,990	42,203	46,552	48,222	49,618
Nucleus Planted Area	**96,858**	**107,664**	**113,143**	**125,805**	**148,727**
Mature	63,684	69,404	74,704	85,888	104,493
Immature	33,174	38,260	38,439	39,917	44,234
Plasma Planted Area	**12,059**	**13,166**	**19,108**	**20,598**	**21,869**
Mature	8,243	9,223	10,995	12,293	16,485
Immature	3,816	3,943	8,113	8,305	5,384
Planted Area by Location					
Riau	98,966	101,181	103,128	108,168	114,468
West Kalimantan	9,951	19,649	29,123	34,492	47,221
East Kalimantan	-	-	-	3,743	8,907
PRODUCTION VOLUME (Tonnes)					
Fresh Fruit Bunches ("FFB")	**1,544,332**	**1,584,910**	**1,898,565**	**2,168,983**	**2,266,866**
Nucleus	1,393,384	1,447,595	1,725,374	1,924,743	2,049,095
Plasma	150,948	137,315	173,191	244,240	217,771
Crude Palm Oil ("CPO")	**368,631**	**376,922**	**452,113**	**525,831**	**588,792**
Palm Kernel ("PK")	**84,393**	**85,650**	**103,993**	**123,129**	**135,462**
PRODUCTIVITY					
FFB Yield per Mature Hectare (tonnes)	**21.5**	**20.2**	**22.2**	**23.0**	**18.7**
CPO Yield per Mature Hectare (tonnes)	**5.1**	**4.7**	**5.2**	**5.4**	**4.3**
CPO Extraction Rate (%)	**23.7**	**23.6**	**23.6**	**23.3**	**23.1**
PK Extraction Rate (%)	**5.4**	**5.4**	**5.4**	**5.5**	**5.3**







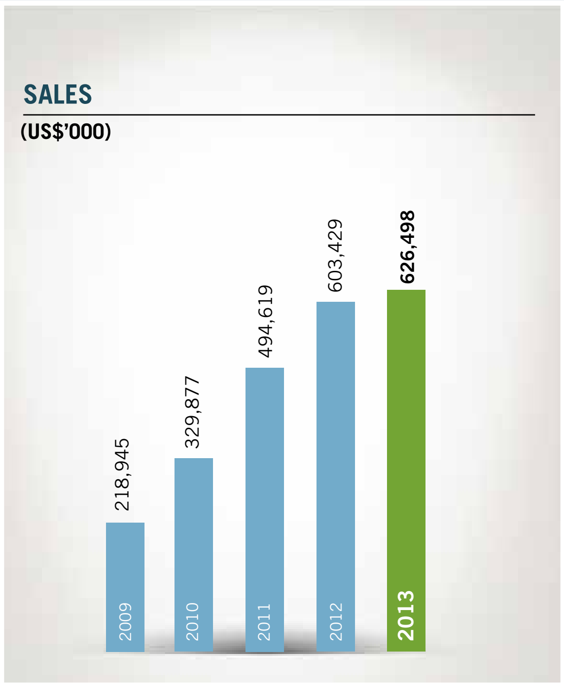


Note:
CAGR = Compounded Annual Growth Rate

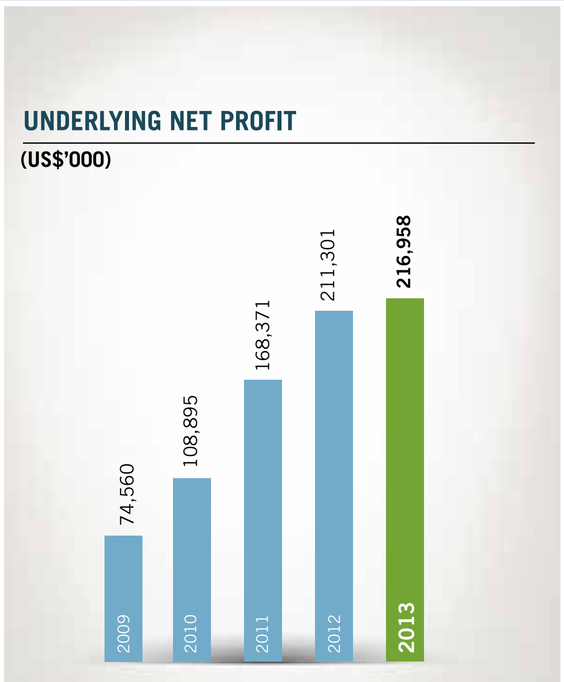
Financial Highlights

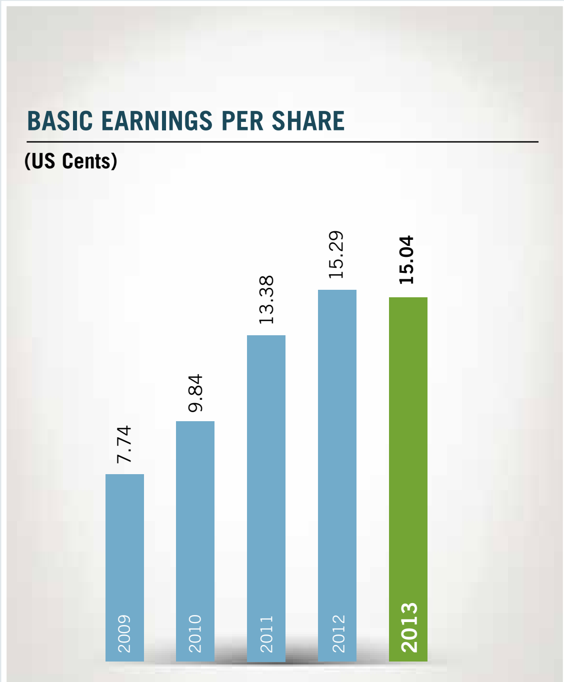
FINANCIAL YEAR	2009	2010	2011	2012	2013
INCOME STATEMENT (US$'000)					
Sales	218,945	329,877	494,619	603,429	**626,498**
Gross profit	130,500	212,239	345,874	382,240	**381,743**
Gains arising from changes in fair value of biological assets	44,286	49,531	39,217	35,795	**29,564**
Profit from operations	156,416	236,988	310,398	333,528	**340,834**
EBITDA (1)	121,877	203,720	294,717	322,750	**338,916**
Profit before tax	163,707	212,508	281,687	326,327	**313,564**
Net profit attributable to owners of the Company	112,505	143,084	196,416	237,060	**238,242**
Underlying net profit (2)	74,560	108,895	168,371	211,301	**216,958**
BALANCE SHEET (US$'000)					
Total assets	1,012,618	1,235,088	1,500,074	1,930,900	**1,780,274**
Total liabilities	419,827	490,171	571,721	773,328	**740,149**
Total equity	592,791	744,917	928,353	1,157,572	**1,040,125**
Equity attributable to owners of the Company	563,678	710,453	884,693	1,106,392	**993,479**
FINANCIAL STATISTICS					
Gross profit margin (%)	59.6	64.3	69.9	63.3	**60.9**
EBITDA margin (%)	55.7	61.8	59.6	53.5	**54.1**
Underlying net profit margin (%) (3)	34.1	33.0	34.0	35.0	**34.6**
Basic earnings per share (US Cents) (4)	7.74	9.84	13.38	15.29	**15.04**
Net debt to equity (times) (5)	0.18	0.13	0.15	0.12	**0.21**
EBITDA to interest coverage (times) (6)	5.3	6.9	9.9	12.5	**16.5**
Net asset value per share (US$) (7)	0.39	0.49	0.60	0.70	**0.63**

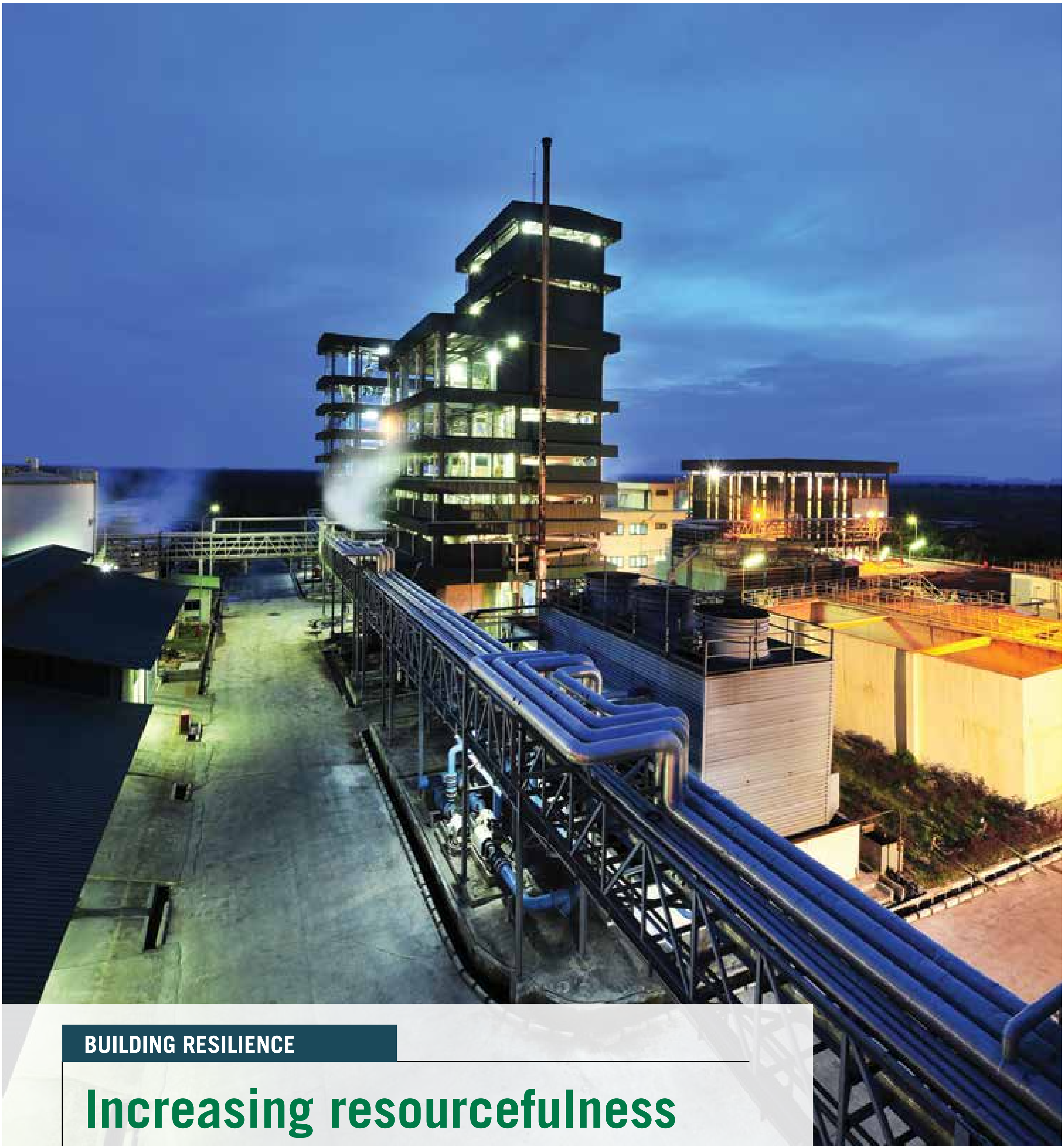
Notes:
(1) EBITDA = Profit from operations before depreciation, amortisation and gains arising from changes in fair value of biological assets
(2) Underlying net profit = Net profit attributable to owners of the Company adjusted to exclude net gains arising from changes in fair value of biological assets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


SALES
(US$'000)
218,945
329,877
494,619
603,429
626,498
2009
2010
2011
2012
2013


EBITDA
(US$'000)
121,877
203,720
294,717
322,750
338,916
2009
2010
2011
2012
2013


UNDERLYING NET PROFIT
(US$'000)
74,560
108,895
168,371
211,301
216,958
2009
2010
2011
2012
2013


BASIC EARNINGS PER SHARE
(US Cents)
7.74
9.84
13.38
15.29
15.04
2009
2010
2011
2012
2013



BUILDING RESILIENCE

Increasing resourcefulness

To increase our resilience and competitiveness, we have enhanced our competencies to maximise value extraction along the palm oil value chain. With both upstream and downstream capabilities, we are better positioned to fully capitalise on market trends.

Dear Shareholders,

In 2013, our industry witnessed one of its most challenging years since the financial crisis. Not only were palm oil prices depressed for most of the year, the oil palm plantation sector had a lean production year as well.

Production yields for most palm trees in their prime productive ages recorded a significant year-on-year decline in 2013. The industry was therefore hit by a double whammy of low price and low volume.

If anything, 2013 demonstrates the immense difficulty of forecasting palm oil prices. Ironically, it was precisely the reverse expectation of a high production year, coupled with inventory levels carried forward from the previous year that pressured palm prices through the course of 2013. And when the general mood among price forecasters was consensually downcast, production data-points for the industry were being released which challenged the high-production presumption. Subsequently, in the fourth quarter, the Indonesian government announced a wise and bold push for greater absorption of palm-based biodiesel. All demand-side projections had to be shredded and replaced with new recalibrations of sharper growth trajectories.

Our FY2013 financial results should be read against such a backdrop. We are pleased that our FY2013 results showed modest growths in revenue, EBITDA, net income and dividend payout to shareholders. Our continued strong cost focus and prudent approach to managing price risk have helped us sail through 2013 relatively unscathed. And at the same time, we have laid foundations for future growth which will generate greater shareholder value in the long term.

Performance Review

On the operational level, the Group kept up efforts to increase production volumes of fresh fruit bunches ("FFB") and crude palm oil ("CPO"), which rose 4.5% to 2.3 million tonnes and 12.0% to 588,792 tonnes respectively. The modest growth in FFB production was due to the increase in mature hectarage and contribution from acquired plantations.

In terms of productivity, there was an 18.7% decline in FFB yield from 23.0 tonnes per hectare in FY2012 to 18.7 tonnes per hectare in FY2013, largely due to biological tree stress and the combined dilutive effect from newly mature and acquired plantations. Meanwhile, CPO extraction rate fell slightly from 23.3% to 23.1% over the same period. Consequently, our CPO yield dipped from 5.4 tonnes per hectare to 4.3 tonnes per hectare. The Group will continue with our efforts to improve yields and increase operational synergies between our plantations and palm oil mills in order to achieve optimum efficiency.

The realisation of forward sales and higher sales volumes, partially offset by lower average selling prices, enabled the Group to achieve a 3.8% year-on-year growth in revenue to US$626.5 million.

Net profit attributable to shareholders remained stable at US$238.2 million. After excluding the net gains arising from changes in fair value of biological assets, the Group's

underlying net profit rose 2.7% to US$217.0 million in FY2013. EBITDA increased 5.0% from US$322.8 million in FY2012 to US$338.9 million in FY2013 and EBITDA margin remained stable at 54%, which attests to the high-margin upstream segment that First Resources operates in.

Our favoured performance metric is EBITDA per hectare of mature nucleus because it represents the cash earnings generated by each productive nucleus hectare that we worked on. Based on this measure, our Plantations and Palm Oil Mills segment, which remains our main earnings driver, contributed US$3,007 of EBITDA per hectare as compared to US$3,601 achieved in FY2012. Although lower than last year, the high EBITDA per hectare is still a reflection of our operational efficiencies and prudent approach to managing price risk. It also demonstrates the attractiveness of a well-managed oil palm plantation business, especially when compared against current replacement cost of US$6,000 to US$8,000 per hectare.

The Group's cash cost of production per tonne of nucleus CPO, on an ex-mill basis, rose from US$240 in FY2012 to US$255 in FY2013 primarily due to inflationary pressure from increases in minimum wages in Indonesia. The depreciation of the Indonesian Rupiah ("IDR") against the United States Dollar ("US Dollar") in the second half of the year had helped ease some of the cost pressures from the wage increases. Given the expected yearly increase in minimum wages, we need to be unceasing in our focus to improve our yields, so as to negate such cost pressures.

Investment Updates in 2013 and Beyond

We have capitalised on this low-price period to make several strategic investments, such as the acquisition of Lynhurst Investment Pte. Ltd. ("Lynhurst") and its subsidiary in February 2013. Although such acquisitions have the effect of diluting our group yields in the short and medium term, we are confident of extracting greater yields and value from acquired assets after a rehabilitation period of circa three years.

We also continue to execute organic growth in the form of new plantings. New plantings of oil palm amounted to 15,559 hectares in FY2013. As a result of organic and inorganic growth, the Group's total planted area under management increased by 16.5% to 170,596 hectares by the end of FY2013. We also grew our rubber plantation assets via organic planting to 3,157 hectares.

In terms of our milling capacity, we added our 12th palm oil mill when we acquired Lynhurst. This year, we have commenced the construction of our 13th and 14th palm oil mills, which are expected to be completed in 2015. These new mills are being constructed in anticipation of production growth at two of our young estates.

The completion of the kernel crushing plant and refinery in 2013 marked the end of the final phase of construction at our Integrated Processing Complex in Riau. The Complex adds value to our existing plantation assets and gives us the flexibility to reap the benefits from downstream activities. The new kernel crushing plant has enabled the Group to expand our product offerings to include palm kernel oil and palm kernel expeller, while the new refinery has lifted our total annual refining capacity to 850,000 tonnes which will accommodate the expected growth in our CPO production over the next few years.

Growth Strategy

The Group remains committed to our growth strategy which focuses on our three core competencies:

- Expanding our plantation assets to ensure sustainable production growth at our plantations;
- Stringent cost control throughout our operations; and
- Broadening our processing capabilities to build an integrated set of operations.

We believe the Group will reach our goal of managing 200,000 hectares of oil palms within the next few years, thereby having the asset base with annual production capacity of one million tonnes of CPO. This will provide a solid foundation for the Group to build the next leg of our growth plan which will focus on extracting further value from this upstream base.

Sustainability Development

The Group's sustainability initiatives are embedded into every aspect of our operations. As our business expands, we are strengthening our sustainability framework through regular reviews against industry best practices and sustainability standards upheld by local and international bodies.

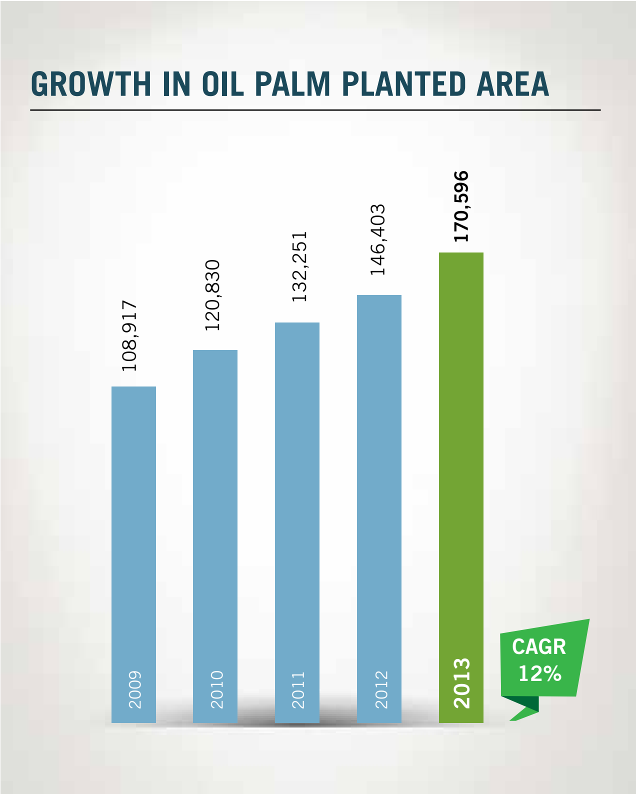
In 2013, we continued our sustainability efforts to promote environmental conservation and biodiversity, ensure employee well-being, and nurture community growth. One area worth highlighting is that we are also putting in efforts to raise the sustainability standards and awareness of the communities where we operate in. To date, the Group has successfully helped five of our plasma estates attain their sustainability certifications.

Outlook

We are optimistic that 2014 will be a better year for palm oil growers. Palm oil demand is expected to be strong, mainly due to the biodiesel mandate in Indonesia. And barring any weather disruption, we anticipate better production volumes from our estates as well as across the industry, as prime-yielding trees recover from their biological tree stress experienced in 2013. Truly, we hope 2014 will be the reverse of 2013 in that we see higher prices and higher volumes.

Appreciation

In reflection of the Group's continued strong performance, the Board is pleased to recommend a final dividend of 3.25 Singapore cents per share, which combined with the interim dividend of 1.25 Singapore cents per share, will bring the total dividend for FY2013 to 4.50 Singapore cents per share. This is the largest dividend payout the Group has declared since our listing.



To achieve better returns for shareholders, the Board, management and all our employees will continue to work hard to bring the Group towards our long term goals, which will allow us to capitalise on the strong growth indicators that we are seeing in the market.

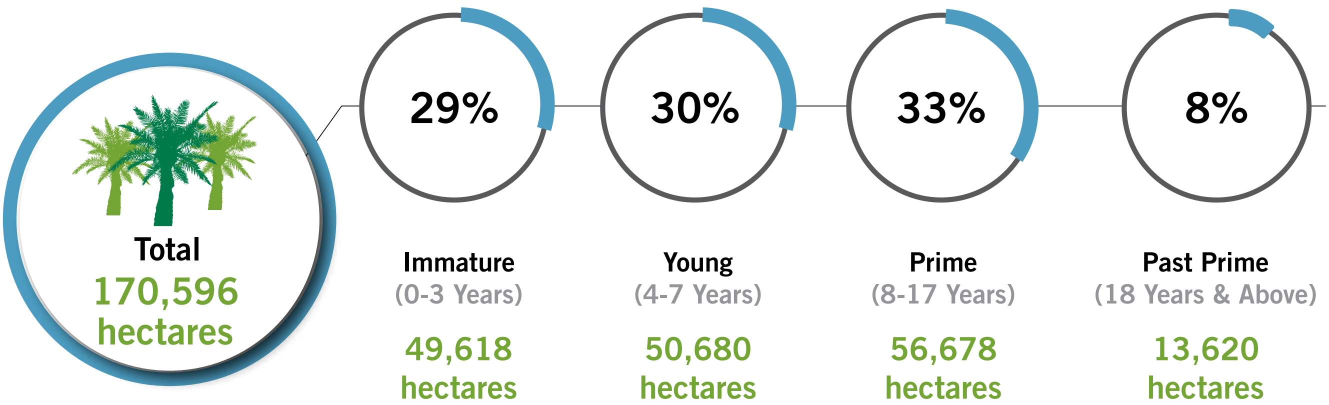
Lastly, we want to thank everyone, including our Board of Directors and employees, who has made it possible for First Resources to enjoy a relatively successful year despite the industry backdrop. We also wish to convey our gratitude to our business partners and customers, as well as our shareholders for your ongoing support over the years.

Lim Ming Seong
Chairman and Independent Director

Ciliandra Fangiono
Executive Director and Chief Executive Officer

Sustaining Growth in Production Volumes

OIL PALM PLANTATION AGE PROFILE (% OF TOTAL)



Plantations and Palm Oil Mills

2013 was a particularly challenging year for First Resources as our trees went through a period of biological tree stress. The decline in production started at the end of 2012 and continued to impact both our nucleus and plasma estates in 2013.

Despite the challenges, the Group's mature plantations produced 2,266,866 tonnes of FFB in FY2013, a modest 4.5% increase over the previous year. Of this, the nucleus estates produced 2,049,095 tonnes of FFB, a 6.5% increase over FY2012, while in contrast the plasma estates registered a 10.8% decline to produce 217,771 tonnes of FFB. Although the nucleus estates have exhibited signs of recovery towards the second half of the year, the plasma estates continued to suffer a decline in production. Overall growth in production volumes was largely attributed to contributions from acquired plantations and newly mature plantations.

As a result of tree stress and the combined dilutive effect from the newly mature and acquired plantations, the overall FFB yield per mature hectare came in at 18.7 tonnes as compared to 23.0 tonnes in the preceding year. Analysed separately, the Group's nucleus estates yielded 19.6 tonnes per hectare (FY2012: 23.5 tonnes) while our plasma estates recorded a FFB yield of 13.2 tonnes per hectare (FY2012: 19.9 tonnes).

In FY2013, a substantial proportion of the FFB processed by the Group's palm oil mills came from our nucleus and plasma estates. In line with the volume growth of processed FFB, CPO production grew 12.0% to 588,792 tonnes. CPO extraction rate remained relatively high at 23.1% compared to 23.3% in FY2012. With a FFB yield of 18.7 tonnes and a CPO extraction rate of 23.1%, CPO yield per mature hectare came in at 4.3 tonnes as compared to 5.4 tonnes in the previous year.

In tandem with the increase in FFB processed, the Group's palm kernel production also registered a 10.0% growth to 135,462 tonnes, with a palm kernel extraction rate of 5.3%.

During the year, the Group has benefitted from the weakness in the IDR relative to the US Dollar. Although faced with inflationary pressure from the yearly increase in Indonesia's minimum wage levels, the impact of these increases has been partially mitigated by the depreciation of the IDR against the US Dollar. As a result, our cash cost of CPO nucleus production was kept low at US$255 per tonne on an ex-mill basis, as compared to US$240 per tonne in FY2012.

Refinery and Processing

The construction of the Group's Integrated Processing Complex located in Riau was fully completed in 2013. This includes our first kernel crushing plant and a new refinery which were commissioned in June and December respectively.

The new kernel crushing plant adds palm kernel oil and palm kernel expeller to our product offerings and has started contributing positively to the Group's sales in 2013.

The commissioning of the new refinery lifted our combined annual refining capacity to 850,000 tonnes, which will comfortably accommodate the expected growth in the Group's CPO production over the next few years. Together with the private jetty and storage facilities that were completed in 2012, these strategic investments will add value to the Group's operations in the long run.

In FY2013, a total of 252,121 tonnes of processed palm based products were sold to the local and export markets. The 12.7% growth in sales volumes was driven by the ramping up of processing activities at the Group's biodiesel, refinery, fractionation and kernel crushing plants.

Expanding Upstream Assets

Through new plantings and acquired plantations during the year, the Group increased the total planted area under management by 16.5% to 170,596 hectares. With the addition of our 12th palm oil mill acquired through the Lynhurst acquisition, total milling capacity of the Group has increased to 4.05 million tonnes per annum.

Going forward, the Group will continue to focus on expanding our upstream plantation assets organically through new plantings. In anticipation of the growth in FFB production, the Group has also commenced construction of the 13th and 14th palm oil mills located in Riau and West Kalimantan. These new mills will be completed in 2015.

First Resources' mature plantations produced 2.2 million tonnes of FFB in FY2013, a 4.5% year-on-year increase.

First Resources continues to maintain a young plantation profile through our disciplined planting programmes. As our old palm trees are still delivering good yields, the Group does not expect to carry out any immediate replanting programme.

As part of our long term diversification strategy, the Group has continued to develop rubber plantations. During the year, the Group added 2,322 hectares of new rubber plantings in East Kalimantan, bringing the total planted area under management for rubber to 3,157 hectares.

Resilient Financial Performance

Despite a more challenging operating environment in FY2013, First Resources achieved a healthy set of results and posted a net profit of US$238.2 million for the 12 months ended 31 December 2013 on the back of a 3.8% increase in sales to US$626.5 million. Excluding the net gains arising from changes in fair value of the Group's biological assets, underlying net profit rose 2.7% to US$217.0 million.

Sales, Cost of Sales and Gross Profit

Sales volumes of CPO and palm kernel from the Plantations and Palm Oil Mills segment grew 21.2% and 10.7% to 625,202 tonnes and 136,966 tonnes respectively. Sales volume from the Refinery and Processing segment grew 12.7% to 252,121 tonnes, mainly due to the ramping up of processing activities at its biodiesel, refinery, fractionation and kernel crushing plants in the last quarter of the financial year.

The average selling prices for both business segments were impacted by lower market prices during the year. Based on weighted average domestic and export sales made in FY2013, the Group achieved average selling prices of US$861 per tonne for CPO and US$329 per tonne for palm kernel, compared to US$882 and US$399 respectively in FY2012. Although lower than last year, our achieved average selling prices were still higher than general market prices due to our prudent approach to managing price risk. In FY2013, 72.9% of the Group's total sales volumes of crude and refined palm oil products were exported compared to 73.8% in FY2012.

Cost of sales comprising mainly harvesting costs, plantation maintenance costs, purchases of FFB and other palm oil products from plasma farmers or third parties, plantation general expenses and processing costs, increased 10.7% to US$244.8 million in FY2013. This was mainly attributed to the higher production and sales volumes, an increase in third-party FFB purchases, and a shift in the product mix of refined products sold from refined, bleached and deodorised palm olein to biodiesel, which typically generates higher production cost. The increase in cost of sales was partially offset by a decline in purchases of palm oil products as compared to FY2012.

The Group's gross profit remained flat at US$381.7 million in FY2013, while gross profit margin stood at 60.9% compared to 63.3% in the previous year.

Although lower than last year, our achieved average selling prices were still higher than general market prices due to our prudent approach to managing price risk. In FY2013, 72.9% of the Group's total sales volumes of crude and refined palm oil products were exported compared to 73.8% in FY2012.

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 assessed 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 forecast market prices of the palm oil products. Any resultant gains or losses arising from changes in fair value are recognised in the income statement.

The Group recognised gains arising from changes in fair value of biological assets amounting to US$29.6 million in FY2013 compared to US$35.8 million in FY2012. The gains arose mainly from the increase in the Group's plantation hectarage as compared to the previous year.

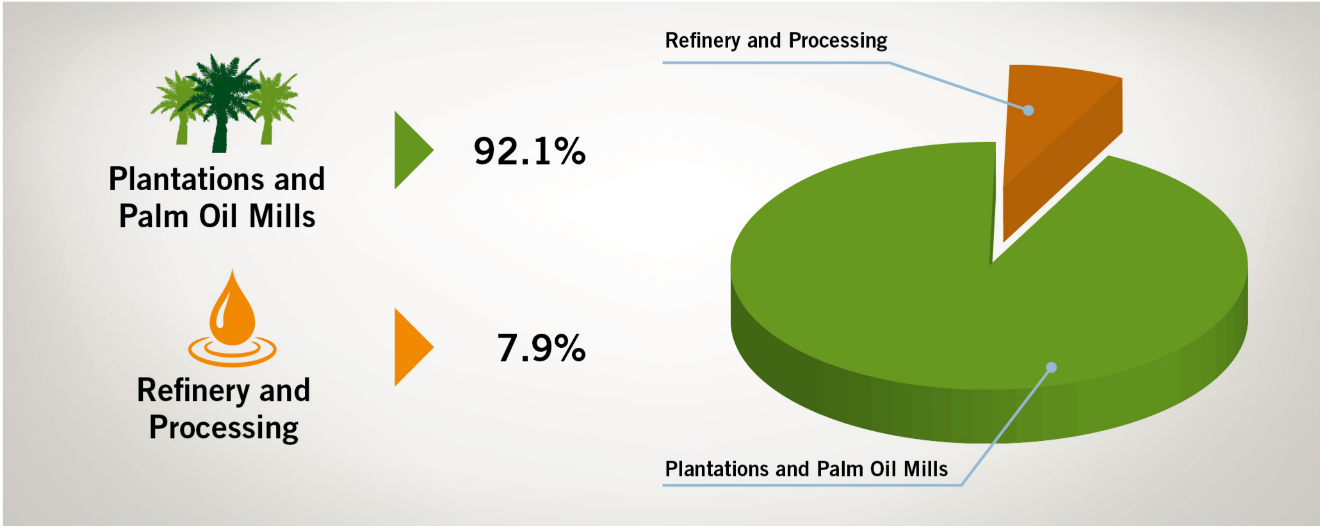
Operating Expenses

Total operating expenses decreased by 16.6% to US$70.5 million in FY2013, mainly due to the lower export taxes in view of the lower prevailing market prices of palm oil products in 2013.

Net Financial Expenses

Net financial expenses totaled US$18.3 million in FY2013, a decrease of 4.4% from FY2012. This was due to the Group's lower effective cost of borrowings following the issuances of the Islamic medium term notes in 2012 and 2013.

SEGMENTAL EBITDA (% OF TOTAL)



EBITDA

The Group's EBITDA in FY2013 grew 5.0% to US$338.9 million on the back of higher sales volumes of palm based products, while EBITDA margin increased to 54.1% from 53.5% in FY2012. The Plantations and Palm Oil Mills segment remains the main earnings driver, contributing 92.1% to the Group's EBITDA in FY2013.

Balance Sheet

The Group's total assets decreased from US$1,930.9 million as at 31 December 2012 to US$1,780.3 million as at 31 December 2013. Owing to the weakening of IDR against US Dollar by 21% during the year, non-current assets decreased by a marginal US$0.2 million to US$1,370.0 million. The decline was partially offset by the Group's capital expenditure on biological assets and property, plant and equipment, as well as the goodwill arising from the acquisition of Lynhurst and its subsidiary in the first quarter of 2013. Current assets decreased 26.8% to US$410.2 million, mainly due to the reduction in cash and bank balances at the end of the financial year.

Total liabilities of the Group decreased by 4.3% to US$740.1 million as at 31 December 2013, mainly due to the reduction in the Group's borrowings. Gross borrowings decreased by US$48.4 million to US$489.7 million as at 31 December 2013 as a result of the early repayment of bank loans, partially offset by the third issuance of Islamic medium term notes in the second quarter of 2013. Taking into consideration the reduction in cash and bank balances, net borrowings increased from US$133.4 million as at 31 December 2012 to US$217.6 million as at 31 December 2013. However, the Group continued to maintain its low gearing with a net debt to total equity ratio of 0.21x as compared to 0.12x as at 31 December 2012.

Cash Flows

The Group continues to be vigilant in maintaining operational efficiencies and its stringent cost management to achieve healthy cashflow balances required for the sound operation of its business. In FY2013, the Group generated a healthy net cash of US$200.0 million from its operating activities as compared to US$196.5 million in the previous year.

Net cash used in investing activities was US$235.5 million in FY2013 as compared to US$230.2 million in FY2012. The cash was primarily used for the Group's continued capital expenditure on developing oil palm plantations and property, plant and equipment, as well as the acquisition of Lynhurst and its subsidiary in 2013.

The Group used US$109.4 million in its financing activities in FY2013 as compared to net cash generated from financing activities of US$230.6 million in FY2012. This included net repayment of bank loans amounting to US$232.8 million, partially offset by US$197.2 million of net proceeds received from the third issuance of Islamic medium term notes in 2013.

Overall, the Group registered a decrease in cash and cash equivalents of US$144.9 million in FY2013, bringing its cash and bank balances to US$272.2 million as at 31 December 2013.

Lim Ming Seong
Chairman and Independent Director

Ciliandra Fangiono
Executive Director and Chief Executive Officer

Ong Beng Kee
Independent Director

Ng Shin Ein
Independent Director

Teng Cheong Kwee
Independent Director

Hee Theng Fong
Independent Director

Lim Ming Seong

Chairman and
Independent Director

Mr Lim Ming Seong was appointed to the Board in October 2007 and was last re-elected as a Director in April 2012. Mr Lim is also the Chairman of CSE Global Ltd and sits on the board of StarHub Ltd. 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.

Present Directorship / Chairmanship in Listed Companies

CSE Global Ltd

StarHub Ltd

Principal Commitments

Nil

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years

Servelec Group Limited

Ciliandra Fangiono

Executive Director and
Chief Executive Officer

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

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

Present Directorship / Chairmanship in Listed Companies

Nil

Principal Commitments

First Resources Limited

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years

Nil

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.

Present Directorship / Chairmanship in Listed Companies

Nil

Principal Commitments

Quarry Lane Sdn Bhd

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years

Nil

Ng Shin Ein
Independent Director

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

Present Directorship / Chairmanship in Listed Companies

Yanlord Land Group Limited

Eu Yan Sang International Ltd

Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

UPP Holdings Limited

Principal Commitments

Blue Ocean Associates Pte Ltd

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years

Nil

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 2013. 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.

Present Directorship / Chairmanship in Listed Companies

STATS ChipPac Ltd.

AEI Corporation Ltd.

Techcomp (Holdings) Limited

Memtech International Ltd.

AVIC International Maritime Holdings Limited

Junma Tyre Cord Company Limited

Principal Commitments

Nil

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years

Sinomem Technology Limited

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 2013. He is a consultant 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), the Asia-Pacific Regional Group (APRAG) and Kuala Lumpur Centre for Arbitration (KLRCA). 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.

Present Directorship / Chairmanship in Listed Companies

Datapulse Technology Limited

YHI International Limited

Delong Holdings Limited

Tye Soon Limited

F & H Media & Internet Fund Ltd

Principal Commitments

Nil

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years

Sinomem Technology Limited

ENVISIONING THE FUTURE

Empowering the next generation

Committed to conducting our business sustainably, we set out to transform the communities where we operate in. We are devoted to our community development work which centres on education, infrastructure as well as livelihood preservation and improvement.

"The Group's sustainability initiatives are embedded into every aspect of our operations. As we grow, we are constantly strengthening our sustainability framework."

A Holistic Approach to Sustainability

As a plantation operator, our activities are deeply intertwined with the environment and communities where we operate in. It is therefore one of our key missions to conduct our operations in a sustainable manner so that our business can be viable over the long term.

The Group's sustainability framework is multi-faceted with the main objectives of minimising our business impact to the environment, empowering the communities around us and being a responsible employer of choice, while maximising long-term shareholder value.

Our strategy focuses on implementing best practices holistically across our operations, covering the environment, community and workplace, and constantly strengthening our sustainability framework through regular benchmarking against industry standards.

We have outlined some of our sustainability programmes and policies in this section. To give stakeholders a better appreciation of our sustainability initiatives, we have published a separate sustainability report where we presented our strategies, targets and progress towards sustainable palm oil production. The report is available at www.first-resources.com.

Minimising Environmental Impact

Environmental best practices are incorporated throughout the value chain of our operations. Some of our policies and initiatives include:

- Increasing productivity to optimise the use of resources such as land, fertilisers, water and fuel.
- Preserving High Conservation Value ("HCV") areas by identifying HCV areas prior to establishing new plantations.
- Adhering to a zero-burning policy where only mechanical methods are used for land clearing (see page 23 for more information).
- Adopting a zero-waste management policy by reusing, recovering and recycling all our production waste.
- Developing an integrated pest management system to minimise the use of synthetic pesticides.

In 2013, we collaborated with local agencies, working closely with them to cultivate conservation values in the local communities. Some of the joint initiatives include managing HCV land, raising local understanding of protected flora and fauna, as well as training communities in fire management skills.

As part of our community development efforts, we offered free healthcare and medical check-ups to infants, expectant mothers and the elderly. This was one of our many initiatives under the Be Healthy with FR programme.

Empowering the Community

We believe that palm oil cultivation is an effective way of improving the livelihood of current and future generations of residents in rural parts of Indonesia. Our community development efforts include:

- Creating employment opportunities for both males and females of the households.
- Providing education for future generations.
- Improving infrastructure such as roads, bridges, places of worship and healthcare.
- Establishing plasma plantations for the benefit of smallholders and enabling them to derive sustainable income from their plantations.

Being a Responsible Employer

We employ more than 18,000 workers in Indonesia and we are committed to being a responsible employer through:

- Adhering to Indonesia's minimum wage levels.
- Observing the minimum working age by not employing underage workers.
- Ensuring workers' health and safety through providing them a safe working environment and adequate working equipment.
- Covering all full-time employees with health and accident insurance.
- Improving employees' welfare by providing housing, recreational facilities and amenities such as medical care.

Benchmarking our Sustainability Practices

In 2013, we made good progress in our pursuit of several sustainability certifications, which served as an affirmation of our sustainability standards.

Three of our subsidiaries representing 18,230 hectares of our plantations and three palm oil mills, were successfully certified under the Indonesian Sustainable Palm Oil system ("ISPO"). ISPO is a mandatory certification system regulated by Indonesia's Ministry of Agriculture aimed at improving the competitiveness of Indonesian palm oil in the global market, complying with relevant national laws and regulations, and meeting Indonesia's commitment to reduce greenhouse gas emissions and to focus on environmental issues. We have planned for another four of our subsidiaries to be assessed under the ISPO in 2014.

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

We have also obtained the International Sustainability and Carbon Certification ("ISCC") for our refinery located within our Integrated Processing Complex, demonstrating the plant's compliance with the European Union's Renewable Energy Directives. ISCC was developed for the certification of biomass and bioenergy with orientations towards reduction of greenhouse gas emissions and non-development of land with high biodiversity value or high carbon stock. To date, 53,363 hectares of our plantations, six palm oil mills, our refineries and our bulking facilities have obtained the ISCC certification.

In addition to implementing best practices at our own nucleus estates, we are also committed to raising the sustainability standards of our plasma farmers, as smallholders account for more than 40% of Indonesia's palm oil production. The Group's efforts in this area saw positive results with five of our plasma estates representing 5,019 hectares attaining their ISCC certifications in 2013.

Zero-Burning Policy

First Resources adopts a strict zero-burning policy in our land clearing process. We deploy mechanical means to clear land for new plantings and this process involves felling and stacking of biomass. Our zero-burning policy is communicated to both employees and contractors and any non-compliance can result in termination of employment or contracts. A whistle blowing policy is in place to provide an avenue for employees or contractors to report any misconduct.

Fire Precautions and Monitoring

Fires are hazardous threats to our plantation assets which have an economic lifespan of more than 25 years. Our plantations are vulnerable to either fires that spontaneously erupt due to dry and hot weather conditions or fires that originate on neighbouring land or forests (whether spontaneously or due to intentional burning). The Group has therefore established precautionary measures to safeguard our plantations against such fire risks. These include:

- Maintaining and updating maps of fire-prone areas on a regular basis and putting up warning signs near these areas to alert employees and others.
- Conducting daily security patrols within our plantations, focusing on fire-prone areas detailed in the maps, worker housing areas and areas adjacent to villages. During dry seasons, vigilance is stepped up by increasing the frequency of patrols.
- Reminding workers during their daily briefings, to report any fire spotted within our plantations and its surrounding areas.
- Establishing watch towers for additional monitoring purposes.
- Maintaining a competent fire-management team and up-to-date fire-fighting equipment at each plantation and conducting regular fire drills.

Fire Management

In the event that a fire is detected on our plantation or its surrounding areas, our fire fighters will be mobilised to extinguish the fire. When necessary, additional help will be sought from the local fire department to bring the fire under control. In cases of major fires, excavators will also be used to uproot trees around the affected area to ring-fence and prevent the fire from spreading. Grass and shrubs around the area will also be cleared.

Any occurrence of fire will be documented and further investigations will be conducted to determine the origin and cause of fire. This is part of our wider effort towards better prevention and management of land and forest fires.

In 2013, we reinforced our firefighting capabilities by providing refresher courses to our plantation workers.

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

Audit Committee
Teng Cheong Kwee (Chairman)
Ong Beng Kee
Hee Theng Fong

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

Nominating Committee
Lim Ming Seong (Chairman)
Ciliandra Fangiono
Ng Shin Ein

Company Secretaries
Cheng Soon Keong
Lynn Wan Tiew Leng

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

Place & Date of Incorporation
Singapore, 9 December 2004

Company Registration Number
200415931M

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

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

Stock Exchange Listing
Singapore Exchange Securities Trading Limited

First Resources Limited (the "Company") is committed to maintaining high standards of corporate governance through transparency and effective disclosures. Starting from 2013, the Company has revised its policies and practices to comply with the requirements of the Code of Corporate Governance 2012 (the "2012 CG 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*	Independent Director	Member	-	-

** Mr Ray Nugraha Yoshuara retired as a director at the Annual General Meeting held on 22 April 2013.*

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 as and when warranted by matters requiring the Board's attention. 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 Board Committee meetings during the financial year ended 31 December 2013 is set out as follows:

	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Number of Meetings							
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lim Ming Seong	4	4	-	-	2	2	-	-
Ciliandra Fangiono	4	4	-	-	2	2	-	-
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	3	-	-	2	2	2	2
Ray Nugraha Yoshuara*	4	1	4	1	-	-	-	-

** Mr Ray Nugraha Yoshuara retired as a director at the Annual General Meeting held on 22 April 2013.*

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 (if and when appointed) 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. On an on-going basis, the Directors are also briefed by the Company Secretary and external professionals on updates to relevant regulations and governance requirements, accounting standards and industry regulations. In addition, the Chief Executive Officer ("CEO") regularly updates the Board on the business activities and strategies of the Group during Board meetings. The Directors may also attend other appropriate courses and seminars at the Company's expense. At the conclusion of each Board meeting, the Non-Executive Directors would also meet without the presence of Management.

BOARD COMPOSITION AND GUIDANCE

The Board comprises six Directors of which five are independent Directors.

The independence of each Director is reviewed annually by the Nominating Committee. During 2013, the definition of independence was revised to align with the 2012 CG Code. The Independent Directors (within the definition of the 2012 CG Code) are Mr Lim Ming Seong, Mr Teng Cheong Kwee, Mr Hee Theng Fong, Ms Ng Shin Ein and Mr Ong Beng Kee. The Independent Directors have no relationship with the Company, its related companies, its shareholder with shareholding of 10% or more or their officers that could interfere or reasonably be perceived to interfere, with the exercise of their independent judgment in the best interests of the Group. None of these Directors have served the Company for a period exceeding nine years.

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.

Profiles and key information of the individual Directors, including their directorships and chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, are disclosed on pages 18 and 19 of this Annual Report.

The Board also reviews its size and composition regularly to ensure that there is an appropriate mix of expertise and experience. 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 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 and shareholders' 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 guided by its terms of reference which sets out its responsibilities. The terms of reference had been amended to be in line with the 2012 CG Code. These include:

(a) Reviewing of board succession plans for directors, in particular, the Chairman and for the CEO;

(b) Evaluating the performance of the Board, its Board Committees and proposing objective performance criteria for Board's approval;

(c) Establishing procedures for and making recommendations to the Board on all Board appointments and re-appointments (as well as alternate director, if applicable);

(d) Determining annually if a Director is independent; and

(e) Evaluating if a Director has multiple board representations and if he is able to and has been adequately carrying out his duties as a Director.

The Nominating Committee has assessed that although some Directors have other board representations, they have devoted sufficient time and attention to their role as Directors and to the affairs of the Group. The Nominating Committee believes that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors should be best assessed through qualitative factors such as their attendance and time commitment to the affairs of the Company. The Nominating Committee would continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The Board affirms and supports the view of the Nominating Committee.

In assessing the independence of the Directors, the Nominating Committee has examined the relationships identified by the 2012 CG 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 as stated in the guidelines of the 2012 CG Code 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. The Nominating Committee will, on an annual basis, 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. In recommending a Director for re-election to the Board, the Nominating Committee will consider, amongst other things, the individual's competencies, commitment and contribution to the Board. The Nominating Committee has recommended the nomination of Mr Lim Ming Seong and Ms Ng Shin Ein for re-election at the forthcoming Annual General Meeting ("AGM"). Mr Ong Beng Kee who has attained the age of 70 will also retire pursuant to Section 153(6) of the Companies Act, Cap. 50 and the Nominating Committee has also recommended Mr Ong Beng Kee for re-appointment at the forthcoming AGM. The Board has accepted these recommendations.

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

Name	Date of initial appointment	Date of last re-election
Lim Ming Seong	1 October 2007	27 April 2012
Ciliandra Fangiono	18 April 2007	27 April 2012
Teng Cheong Kwee	1 October 2007	22 April 2013
Ong Beng Kee	1 May 2010	28 April 2011
Hee Theng Fong	1 October 2007	22 April 2013
Ng Shin Ein	1 October 2007	27 April 2012

BOARD PERFORMANCE

The Nominating Committee undertakes a process to assess the effectiveness of the Board as a whole. 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.

For 2013, the Nominating Committee had extracted salient recommendations from the 2012 CG Code and incorporated these recommendations into the Board evaluation form. The evaluation process focused on factors such as board composition, board information, board process, board accountability, communication with top management and standards of conduct.

While the 2012 CG Code recommends that the Directors be assessed individually, the Nominating Committee felt that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each board member contributes in different ways.

ACCESS TO INFORMATION

Management 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 and Board Committee 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 assists the Chairman of the Board and the Chairman of each of the Board Committee and Management in the development of agendas for the various Board and Board Committee meetings.

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 Remuneration Committee is guided by its terms of reference that had been amended to be in line with the 2012 CG Code.

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

LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

The following table shows a breakdown (in percentage) of our Directors' remuneration paid in the year ended 31 December 2013:

Name	Directors' Fee	Fixed Salary	Variable Bonus	Others	Total Remuneration
Executive Director:					
Ciliandra Fangiono	-	39%	61%	-	S$2,154,000
Non-Executive Directors:					
Lim Ming Seong	100%	-	-	-	S$75,000
Teng Cheong Kwee	100%	-	-	-	S$70,000
Ong Beng Kee	88%	-	-	12%	S$68,000
Hee Theng Fong	100%	-	-	-	S$65,000
Ng Shin Ein	100%	-	-	-	S$65,000
Ray Nugraha Yoshuara*	100%	-	-	-	S$60,000

** Mr Ray Nugraha Yoshuara retired as a director at the Annual General Meeting held on 22 April 2013.*

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, as well as the pay and employment conditions within the industry.

The remuneration package for the CEO and other key executives consists of both fixed and variable components. The variable component is determined based on the performance of the individual employee and the Group's performance in the relevant financial year.

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 2013:

Name	Fixed Salary	Variable Bonus	Remuneration Band
Executive A	43%	57%	S$1,500,000 – S$1,750,000
Executive B	51%	49%	S$250,000 – S$500,000
Executive C	54%	46%	S$250,000 – S$500,000
Executive D	68%	32%	S$250,000 – S$500,000
Executive E	81%	19%	S$250,000 – S$500,000

The aggregate total remuneration of the top five key executives (who are not Directors of the Company) paid in the year ended 31 December 2013 amounted to S$3,082,000.

The Company believes that it may not be in the best interest of the Company to disclose the remuneration of key management executives as recommended by the 2012 CG Code, as such disclosure may affect its ability to retain and nurture talent. In view of the competitive environment and nature of industry that the Group operates in, 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.

Mr Cik Sigih Fangiono, the Deputy CEO, is the brother of Mr Ciliandra Fangiono, and his remuneration is between the band of S$1,550,000 – S$1,600,000. Ms Serene Lim is the wife of Mr Ciliandra Fangiono, and her remuneration is between the band of S$50,000 – S$100,000.

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 provided to the Directors in advance of the meetings.

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

AUDIT COMMITTEE

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

Mr Ray Nugraha Yoshuara retired as director on 22 April 2013 and consequently as a member of the Audit Committee.

The Audit Committee is guided by its terms of reference, which had been amended to be in line with the 2012 CG Code.

The Audit Committee performs the following principal duties:

- 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, compliance and information technology 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.

During the year, the Audit Committee was briefed on the new accounting standards that would impact the Group's consolidated financial statements by the external auditors at the Audit Committee meetings.

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 aggregate amount and 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 external auditors have also affirmed their independence in their report to the Audit Committee.

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

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

RISK MANAGEMENT

The Company has put in place a Risk Management Framework to enhance its risk management process. The Company has also identified and reviewed its key risks to assess the adequacy and effectiveness of the Company's risk management and internal control systems, specifically on financial, operational, compliance and information technology risks. The Board, through the Audit Committee, will continuously identify, review and monitor the key risks, control measures and management actions as part of the risk management process.

Some of these risks are discussed in Note 40 "Financial Risk Management Objectives and Policies" in the Financial Statements of this Annual Report.

INTERNAL CONTROLS

The Company's internal auditors conducts independent reviews of the adequacy and effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology 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 auditors in this respect.

In the course of the statutory audit, the Company's external auditors will highlight any material internal control weaknesses which have come to their attention in carrying out their audit, which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the Audit Committee.

The Board has received assurance from the CEO and Head of Corporate Finance:

- that the financial records have been properly maintained and the financial statements for the year ended 31 December 2013 give a true and fair view of the Company's operations and finances; and
- regarding the effectiveness of the Company's risk management and internal control systems.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors and reviews performed by Management, as well as the assurance from the CEO and Head of Corporate Finance, the Board, with the concurrence of the Audit Committee, is of the view that the Company's internal controls addressing key financial, operational, compliance and information technology risks were adequate to meet the needs of the Group in its current business environment as at 31 December 2013.

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

INTERNAL AUDIT

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

The internal audit function adopts a risk-based approach in formulating the annual audit plan which aligns its activities to the key risks across the Group's business. The reviews performed by the internal auditors are aimed at assisting the Board in evaluating the adequacy and effectiveness of risk management, controls and governance processes. To ensure that audits are performed effectively, the Group employs suitably qualified professional staff with the relevant experience.

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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.

The Board noted that with effect from 1 August 2015, the Company is required by the SGX-ST Listing Rules to conduct the voting of all resolutions put to general meetings by poll. Until such time, voting at general meetings will be by show of hands unless a poll is demanded during the general meeting.

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

DEALING IN SECURITIES

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

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

INTERESTED PERSON TRANSACTIONS

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

Details of interested person transactions for the financial year ended 31 December 2013 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
Associates of Eight Capital Inc.	15,238	Not Applicable
Associates of Ciliandra Fangiono	214	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 2012.

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 2013.

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

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	–	–
Ng Shin Ein	38,000	38,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2014.

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 2013.

(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 2013.

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, compliance and information technology controls and risk management via reviews carried out by the internal auditors, and taking into consideration the external auditors' findings arising from their annual audit;
- reviews the nature and extent of non-audit services provided by the external auditors yearly to determine their independence;
- recommends to the Board of Directors the appointment and re-appointment of external auditors, approves the compensation and terms of engagement of the external auditors;
- meets with the external auditors without the presence of the Company's Management annually;
- reviews the effectiveness of the internal audit function;
- reviews interested person transactions, if any;
- reviews potential conflicts of interest, if any;
- reviews all hedging policies to be implemented, if any;
- investigates any matter within its terms of reference; and
- reviews the risk management structure and any oversight of risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board of Directors.

AUDIT COMMITTEE (CONT'D)

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

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

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

AUDITOR

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

On behalf of the Board of Directors,

Lim Ming Seong
Chairman

Ciliandra Fangiono
Chief Executive Officer

Singapore
18 March 2014

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 2013 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the Board of Directors,

Lim Ming Seong
Chairman

Ciliandra Fangiono
Chief Executive Officer

Singapore
18 March 2014

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 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 subsidiaries 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 Chartered Accountants

Singapore
18 March 2014

Consolidated Income Statement

For the financial year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Sales	4	626,498	603,429
Cost of sales	5	(244,755)	(221,189)
Gross profit		381,743	382,240
Gains arising from changes in fair value of biological assets	11	29,564	35,795
Selling and distribution costs	6	(37,246)	(50,704)
General and administrative expenses	7	(31,638)	(32,262)
Other operating expenses		(1,589)	(1,541)
Profit from operations		340,834	333,528
(Losses)/gains on foreign exchange		(6,368)	8,054
(Losses)/gains on derivative financial instruments		(2,602)	1,579
Net financial expenses	8	(18,332)	(19,174)
Other non-operating income		32	2,340
Profit before tax		313,564	326,327
Tax expense	9	(67,454)	(78,134)
Profit for the year		246,110	248,193
Profit attributable to:			
Owners of the Company		238,242	237,060
Non-controlling interests		7,868	11,133
		246,110	248,193
Earnings per share attributable to owners of the Company (US Cents)			
- Basic	10	15.04	15.29
- Diluted	10	15.04	15.29

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 2013

	2013 US$'000	2012 US$'000
Profit for the year	246,110	248,193
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurement gains on defined benefits plan	2,245	–
Income tax effect	(561)	–
	1,684	–
Items that may be reclassified subsequently to profit or loss		
Fair value (losses)/gains on cash flow hedges	(38,291)	23,263
Fair value losses/(gains) on cash flow hedges transferred to the income statement	11,144	(17,777)
Foreign currency translation	(304,317)	(66,115)
Income tax effect	16,644	(1,752)
	(314,820)	(62,381)
Other comprehensive income for the year, net of tax	(313,136)	(62,381)
Total comprehensive income for the year	(67,026)	185,812
Total comprehensive income attributable to:		
Owners of the Company	(61,911)	177,722
Non-controlling interests	(5,115)	8,090
	(67,026)	185,812

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

Balance Sheets

As at 31 December 2013

	Note	Group 2013 US$'000	Group 2012 US$'000	Company 2013 US$'000	Company 2012 US$'000
Non-current assets					
Biological assets	11	869,309	844,023	–	–
Plasma plantation receivables	12	27,757	44,264	–	–
Property, plant and equipment	13	303,083	321,217	9,972	11,071
Land use rights	14	43,464	40,775	–	–
Investment in subsidiaries	15	–	–	452,291	297,617
Goodwill	16	73,277	32,530	–	–
Other intangible assets	17	29,067	74,304	451	287
Tax recoverable		7,741	6,727	–	–
Deferred tax assets	9	14,220	2,577	–	–
Loans to subsidiaries	18	–	–	438,729	193,330
Derivative financial assets	19	–	1,136	–	657
Other non-current assets		2,110	2,627	–	–
Total non-current assets		1,370,028	1,370,180	901,443	502,962
Current assets					
Inventories	20	59,211	57,929	–	–
Loan to subsidiary	18	–	–	600	750
Trade receivables	21	34,922	24,903	2,499	5,037
Other receivables	22	6,998	10,127	987	3,127
Derivative financial assets	19	3,987	25,812	–	14
Advances for purchase of property, plant and equipment	23	5,666	8,480	23	–
Other advances and prepayments	23	3,280	18,604	103	10,778
Prepaid taxes		24,030	10,127	–	–
Advance subscription for shares in subsidiary	24	–	–	–	82,778
Restricted cash balances	25	32,675	12,944	27,999	10
Cash and cash equivalents	25	239,477	391,794	8,684	130,074
Total current assets		410,246	560,720	40,895	232,568
Total assets		1,780,274	1,930,900	942,338	735,530

Balance Sheets

As at 31 December 2013

	Note	Group 2013 US$'000	Group 2012 US$'000	Company 2013 US$'000	Company 2012 US$'000
Current liabilities					
Trade payables	26	24,498	20,879	1	129
Other payables and accruals	27	35,462	38,430	10,159	6,974
Advances from customers	28	1,360	6,302	–	–
Loans and borrowings from financial institutions	29	2,608	40,202	7	17
Derivative financial liabilities	19	1,210	2,804	–	42
Provision for tax		15,312	22,080	–	1
Total current liabilities		80,450	130,697	10,167	7,163
Non-current liabilities					
Loans and borrowings from financial institutions	29	2,733	174,127	–	7
Islamic medium term notes	30	484,388	323,839	484,388	323,839
Derivative financial liabilities	19	48,061	1,366	48,061	1,366
Provision for post-employment benefits	31	11,623	13,041	–	–
Deferred tax liabilities	9	112,894	130,258	402	844
Total non-current liabilities		659,699	642,631	532,851	326,056
Total liabilities		740,149	773,328	543,018	333,219
Net assets		1,040,125	1,157,572	399,320	402,311
Equity					
Share capital	32	394,913	394,913	394,913	394,913
Differences arising from restructuring transactions involving entities under common control	33	35,016	35,016	–	–
Other reserves	34	(348,922)	(47,085)	(7,645)	2,150
Retained earnings		912,472	723,548	12,052	5,248
Equity attributable to owners of the Company		993,479	1,106,392	399,320	402,311
Non-controlling interests		46,646	51,180	–	–
Total equity		1,040,125	1,157,572	399,320	402,311

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 2013

	Attributable to owners of the Company						
	Share capital	Differences arising from restructuring transactions involving entities under common control	Other reserves	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	US$'000 (Note 32)	US$'000 (Note 33)	US$'000 (Note 34)	US$'000	US$'000	US$'000	US$'000
Group							
2013							
At 1 January 2013	394,913	35,016	(47,085)	723,548	1,106,392	51,180	1,157,572
Profit for the year	–	–	–	238,242	238,242	7,868	246,110
Other comprehensive income							
Remeasurement gains on defined benefits plan	–	–	–	1,684	1,684	–	1,684
Net change in fair value of cash flow hedges	–	–	(24,672)	–	(24,672)	215	(24,457)
Foreign currency translation	–	–	(277,165)	–	(277,165)	(13,198)	(290,363)
Other comprehensive income for the year, net of tax	–	–	(301,837)	1,684	(300,153)	(12,983)	(313,136)
Total comprehensive income for the year	–	–	(301,837)	239,926	(61,911)	(5,115)	(67,026)
Contributions by and distributions to owners							
Dividends paid	–	–	–	(51,002)	(51,002)	–	(51,002)
Changes in ownership interests in subsidiaries							
Equity contribution by non-controlling interests	–	–	–	–	–	179	179
Acquisition of subsidiaries	–	–	–	–	–	402	402
Total transactions with owners in their capacity as owners	–	–	–	(51,002)	(51,002)	581	(50,421)
At 31 December 2013	394,913	35,016	(348,922)	912,472	993,479	46,646	1,040,125

Statements of Changes in Equity

For the financial year ended 31 December 2013

	Attributable to owners of the Company							
	Share capital	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$'000 (Note 32)	US$'000 (Note 33)	US$'000 (Note 34)	US$'000	US$'000	US$'000	US$'000	US$'000
Group								
2012								
At 1 January 2012	290,312	35,016	12,253	13,762	533,350	884,693	43,660	928,353
Profit for the year	–	–	–	–	237,060	237,060	11,133	248,193
Other comprehensive income								
Net change in fair value of cash flow hedges	–	–	3,677	–	–	3,677	57	3,734
Foreign currency translation	–	–	(63,015)	–	–	(63,015)	(3,100)	(66,115)
Other comprehensive income for the year, net of tax	–	–	(59,338)	–	–	(59,338)	(3,043)	(62,381)
Total comprehensive income for the year	–	–	(59,338)	–	237,060	177,722	8,090	185,812
Contributions by and distributions to owners								
Dividends paid	–	–	–	–	(46,918)	(46,918)	(600)	(47,518)
Issue of shares upon conversion of convertible bonds	104,601	–	–	(13,706)	–	90,895	–	90,895
Gain on redemption of convertible bonds	–	–	–	(56)	56	–	–	–
Change in ownership interests in subsidiaries								
Equity contribution by non-controlling interests	–	–	–	–	–	–	103	103
Acquisition of additional interest in subsidiary	–	–	–	–	–	–	(73)	(73)
Total transactions with owners in their capacity as owners	104,601	–	–	(13,762)	(46,862)	43,977	(570)	43,407
At 31 December 2012	394,913	35,016	(47,085)	–	723,548	1,106,392	51,180	1,157,572

Statements of Changes in Equity

For the financial year ended 31 December 2013

	Share capital US$'000 (Note 32)	Other reserves US$'000 (Note 34)	Equity component of convertible bonds US$'000	Retained earnings US$'000	Total equity US$'000
Company					
2013					
At 1 January 2013	394,913	2,150	–	5,248	402,311
Profit for the year	–	–	–	57,806	57,806
<u>Other comprehensive income</u>					
Net change in fair value of cash flow hedges	–	(9,795)	–	–	(9,795)
Total comprehensive income for the year	–	(9,795)	–	57,806	48,011
<u>Contributions by and distributions to owners</u>					
Dividends paid (Note 43)	–	–	–	(51,002)	(51,002)
Total transactions with owners in their capacity as owners	–	–	–	(51,002)	(51,002)
At 31 December 2013	394,913	(7,645)	–	12,052	399,320
2012					
At 1 January 2012	290,312	10,715	13,762	47,017	361,806
Profit for the year	–	–	–	5,093	5,093
<u>Other comprehensive income</u>					
Net change in fair value of cash flow hedge	–	(8,565)	–	–	(8,565)
Total comprehensive income for the year	–	(8,565)	–	5,093	(3,472)
<u>Contributions by and distributions to owners</u>					
Dividends paid (Note 43)	–	–	–	(46,918)	(46,918)
Issue of shares upon conversion of convertible bonds	104,601	–	(13,706)	–	90,895
Gain on redemption of convertible bonds	–	–	(56)	56	–
Total transactions with owners in their capacity as owners	104,601		(13,762)	(46,862)	43,977
At 31 December 2012	394,913	2,150	–	5,248	402,311

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 2013

	2013 US$'000	2012 US$'000
Cash flows from operating activities		
Profit before tax	313,564	326,327
Adjustments for:		
Depreciation of property, plant and equipment	25,851	23,536
Amortisation of land use rights and intangible assets	1,795	1,771
Financial expenses	21,857	21,514
Interest income	(3,525)	(2,340)
Losses/(gains) on derivative financial instruments	2,602	(1,579)
Gains arising from changes in fair value of biological assets	(29,564)	(35,795)
Operating cash flows before changes in working capital	332,580	333,434
Changes in working capital:		
Inventories	(9,821)	(18,523)
Trade receivables	(12,864)	4,977
Other receivables	(15,452)	(6,294)
Advances and prepayments	13,968	(11,963)
Prepaid taxes	(10,949)	(7,473)
Other non-current assets	165	(1,573)
Trade payables	6,646	3,624
Other payables and accruals	(4,777)	4,478
Advances from customers	(5,264)	(1,094)
Provision for post-employment benefits	3,734	4,324
Unrealised translation differences	(14,899)	(11,756)
Cash flows generated from operations	283,067	292,161
Financial expenses paid	(21,234)	(25,044)
Interest income received	3,417	2,340
Tax paid	(65,260)	(72,974)
Net cash generated from operating activities	199,990	196,483

Consolidated Cash Flow Statement

For the financial year ended 31 December 2013

	2013 US$'000	2012 US$'000
Cash flows from investing activities		
Capital expenditure on biological assets (Note 11)	(116,678)	(88,950)
Capital expenditure on property, plant and equipment (Note 13)	(64,323)	(85,867)
Decrease in advances for purchase of property, plant and equipment	1,242	1,875
Decrease in plasma plantation receivables	15,157	9,809
Acquisition of land use rights	(823)	(1,313)
Acquisition of other intangible assets	(324)	(34,395)
Net cash outflow on acquisition of subsidiaries (Note 15(a))	(69,756)	(31,239)
Acquisition of additional interest in subsidiary	–	(73)
Net cash used in investing activities	(235,505)	(230,153)
Cash flows from financing activities		
Settlement of derivative financial instruments, net	–	(4,098)
Redemption of Rupiah bonds payable	–	(46,906)
Redemption of convertible bonds	–	(409)
Proceeds from bank loans	17,928	46,212
Repayment of bank loans	(250,688)	(33,206)
Proceeds from issuance of Islamic medium term notes, net	197,237	316,508
Payment of obligations under finance leases	(3,307)	(3,017)
(Increase)/decrease in restricted cash balances	(19,731)	2,979
Dividends paid	(51,002)	(47,518)
Proceeds from equity contribution by non-controlling interests	179	103
Net cash (used in)/from financing activities	(109,384)	230,648
Net (decrease)/increase in cash and cash equivalents	(144,899)	196,978
Effect of exchange rate changes on cash and cash equivalents	(7,418)	333
Cash and cash equivalents, at the beginning of the financial year	391,794	194,483
Cash and cash equivalents, at the end of the financial year (Note 25)	239,477	391,794

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

1. GENERAL

(a) Corporate information

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

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

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

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

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

(b) Subsidiaries

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

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2013 %	2012 %
Direct Ownership:				
PT Ciliandra Perkasa ("PT CLP") [7]	Indonesia	Oil palm plantation	95.51	95.51
PT Meridan Sejati Surya Plantation ("PT MSSP") [7]	Indonesia	Oil palm plantation	93.56 [1]	93.56 [1]
PT Borneo Ketapang Permai ("PT BKP") [7]	Indonesia	Oil palm plantation	99.76 [2]	95.00 [2]
PT Adhitya Seraya Korita ("PT ASK") [7]	Indonesia	Palm oil refining and palm kernel crushing	95.00	95.00
First Resources Trading Pte. Ltd. ("FRTPL")	Singapore	Marketing and distribution of palm oil products	100.00	100.00
Lynhurst Investment Pte. Ltd. ("Lynhurst")	Singapore	Investment holding	100.00	–

1. **GENERAL (CONT'D)**

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2013 %	2012 %
Indirect Ownership:				
Subsidiaries of PT CLP				
PT Pancasurya Agrindo ("PT PSA") [7]	Indonesia	Oil palm plantation	95.32 [3]	95.32 [3]
PT Surya Intisari Raya ("PT SIR") [7]	Indonesia	Oil palm plantation	95.50	95.50
PT Perdana Intisawit Perkasa ("PT PISP") [7]	Indonesia	Oil palm plantation	95.50	95.50
PT Bumi Sawit Perkasa ("PT BSP") [7]	Indonesia	Oil palm plantation	95.44	95.44
PT Priatama Riau ("PT PTR") [7]	Indonesia	Oil palm plantation	95.33	95.33
PT Surya Dumai Agrindo ("PT SDA") [7]	Indonesia	Oil palm plantation	95.50	95.50
PT Panca Surya Garden ("PT PSG") [7]	Indonesia	Oil palm seed breeding	94.32	94.32
Subsidiaries of PT PSA				
PT Pancasurya Binasejahtera ("PT PSBS") [7]	Indonesia	Investment holding	95.31	95.31
PT Muriniwood Indah Industry ("PT MII") [7]	Indonesia	Oil palm plantation	95.31	95.31
PT Kalimantan Green Persada ("PT KGP") [9]	Indonesia	Investment holding	90.55	90.55
PT Gerbang Sawit Indah ("PT GSI") [8]	Indonesia	Oil palm plantation	95.31	95.31
PT Matthew Air Nusantara ("PT MAN") [7]	Indonesia	Aircraft ownership and management	95.41 [4]	95.41 [4]
PT Setia Agrindo Jaya ("PT SAJ") [8]	Indonesia	Oil palm plantation	46.70	–

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2013 %	2012 %
Indirect Ownership (cont'd):				
Subsidiaries of PT PSBS				
PT Subur Arummakmur ("PT SAM") (7)	Indonesia	Oil palm plantation	95.30	95.30
PT Arindo Trisejahtera ("PT ATS") (7)	Indonesia	Oil palm plantation	95.30	95.30
Subsidiaries of PT BKP				
PT Limpah Sejahtera ("PT LS") (7)	Indonesia	Oil palm plantation	94.78	94.99
PT Mitra Karya Sentosa ("PT MKS") (7)	Indonesia	Oil palm plantation	94.78	94.99
PT Umekah Saripratama ("PT USP") (7)	Indonesia	Oil palm plantation	94.78	94.99
PT Pulau Tiga Lestari Jaya ("PTLJ") (7)	Indonesia	Oil palm plantation	94.78	94.99
Subsidiaries of PT KGP				
PT Ketapang Agro Lestari ("PT KAL") (9)	Indonesia	Oil palm plantation	90.52	90.52
PT Borneo Persada Energy Jaya ("PT BPEJ") (9)	Indonesia	Oil palm plantation	90.46	90.46
PT Borneo Surya Mining Jaya ("PT BSMJ") (9)	Indonesia	Oil palm plantation	90.46	90.46
PT Borneo Damai Lestari ("PT BDL") (9)	Indonesia	Rubber plantation	90.46	90.46
PT Citra Agro Kencana ("PT CAK") (9)	Indonesia	Oil palm plantation	90.51	90.51
PT Borneo Persada Prima Jaya ("PT BPPJ") (9)	Indonesia	Rubber plantation	90.46	90.46

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest	
			2013 %	2012 %
Indirect Ownership (cont'd):				
Subsidiaries of PT KGP (cont'd)				
PT Maha Karya Bersama ("PT MKB") [9]	Indonesia	Oil palm plantation	85.84	85.84
PT Borneo Damai Lestari Raya ("PT BDLR") [9]	Indonesia	Rubber plantation	90.55 [5]	–
Subsidiaries of PT SAJ				
PT Citra Palma Kencana ("PT CPK") [8]	Indonesia	Oil palm plantation	46.70	–
PT Indo Manis Lestari ("PT IML") [8]	Indonesia	Oil palm plantation	46.70	–
PT Indogreen Jaya Abadi ("PT IJA") [8]	Indonesia	Oil palm plantation	46.70	–
PT Setia Agrindo Lestari ("PT SAL") [8]	Indonesia	Oil palm plantation	46.70	–
PT Setia Agrindo Mandiri ("PT SAGM") [8]	Indonesia	Oil palm plantation	46.70	–
Subsidiary of Lynhurst				
PT Swadaya Mukti Prakarsa ("PT SMP") [7]	Indonesia	Oil palm plantation	99.77 [6]	–

(1) *PT MSSP is 32.00% held by PT CLP and 63.00% held by the Company.*
(2) *PT BKP is 95.00% held by the Company and 5.00% held by PT SAM (2012: 95.00% held by the Company).*
(3) *PT PSA is 62.00% held by PT CLP and 38.00% held by PT ASK.*
(4) *PT MAN is 51.00% held by PT PSA and 49.00% held by PT CLP.*
(5) *PT BDLR is 99.90% held by PT KGP and 0.10% held by PT BDL.*
(6) *PT SMP is 95.00% held by Lynhurst and 5.00% held by PT PSA.*
(7) *Audited by member firm of Ernst & Young Global in Indonesia.*
(8) *Audited by KAP Selamat Sinuraya & Rekan in Indonesia.*
(9) *Audited by KAP Johan Malonda in Indonesia.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements are presented in United States Dollar ("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 which are effective for annual financial periods beginning as of 1 January 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

FRS 113 *Fair Value Measurement*

According to the transition provisions of FRS 113 *Fair Value Measurement*, FRS 113 has been applied prospectively by the Group on 1 January 2013.

Revised FRS 19 *Employee Benefits*

On 1 January 2013, the Group adopted the Revised FRS 19 *Employee Benefits*.

For defined benefit plans, the Revised FRS 19 requires all actuarial gains and losses to be recognised in other comprehensive income and unvested past service costs previously recognised over the average vesting period to be recognised immediately in profit or loss when incurred.

Prior to adoption of the Revised FRS 19, the Group recognised actuarial gains and losses as income or expense when the net cumulative unrecognised gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets (if any) and recognised unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised FRS 19, the Group changed its accounting policy to recognise all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

The Revised FRS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

Although the changes in accounting policies should have been applied retrospectively, the effects of adoption on the financial statements is not material and is reflected in other comprehensive income for the financial year ended 31 December 2013.

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual period beginning on or after
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32: *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36: *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to FRS 39: *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014

Management expects that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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;

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 from 1 January 2010 (cont'd)

– recognises any surplus or deficit in profit or loss; and

– reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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.

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 from 1 January 2010 (cont'd)

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

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.

Business combinations prior to 1 January 2010

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

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

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

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

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

Business combinations involving entities under common control

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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

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

2.7 Biological assets

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

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

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

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

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to 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 2.22. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

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

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

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

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

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

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

2.9 Land use rights

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

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

2.10 Plasma plantation receivables

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

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

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

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

2.11 Intangible assets

(a) Goodwill

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

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

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

2.11 Intangible assets (cont'd)

(a) Goodwill (cont'd)

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

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

(b) Other intangible assets

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

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 of disposal 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 of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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.

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 instruments

(a) 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:

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

Financial assets at fair value through profit or loss include financial assets held for trading. 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.

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(i) Financial assets at fair value through profit or loss (cont'd)

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in 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.

(ii) 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.

(iii) 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.

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Regular way purchase or sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. 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.

(ii) Financial liabilities at amortised cost

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

Derecognition

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

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

2.14 Financial instruments (cont'd)

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.15 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

When the asset becomes uncollectible, the carrying amount of the impaired financial asset 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.

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

2.15 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

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

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

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

2.16 Inventories

Inventories 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.

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 Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

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

2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due 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.

2.21 Hedge accounting

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

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

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

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

- hedges of a net investment in a foreign operation.

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

The Group does not have any fair value hedges or hedges of net investment in foreign operations in 2013 and 2012.

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

2.21 Hedge accounting (cont'd)

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

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 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.

2.23 Issuance costs on borrowings

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

2.24 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.

2.25 Treasury shares

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

2.26 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)

2.26 Employee benefits (cont'd)

(b) Defined benefit plans

The Group 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.

Defined benefit costs comprise the following:

– Service cost

– Net interest on the net defined benefit liability or asset

– Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

(c) Employee leave entitlement

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

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

2.27 Leases

(a) As lessee

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.

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.

2.28 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, 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 following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

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

2.29 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

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

2.29 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the 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.

2.30 Segment reporting

For management purposes, the Group is organised into operating segments based on their products. Management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.31 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.

2.32 Related parties

A related party is defined as follows:

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

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

(ii) has significant influence over the Company; or

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

(a) VAT relating to FFB

The Group has value added tax receivable relating to the production of FFB. With effect from 1 January 2007, FFB has been classified as a Certain Strategic Taxable Good and is therefore exempted from the imposition of VAT in Indonesia. As such, sale of FFB is no longer subject to VAT and input VAT components directly related to the production of FFB for sale should thus not be claimed but should instead be charged as an expense. Management is of the opinion that the production of CPO which uses FFB produced by the same legal entity does not involve any sale resulting in a transfer of title and is therefore not covered by this regulation. Consequently, all input VAT in the production of the FFB can be claimed and offset against the output VAT on CPO sold by the same legal entity. As at 31 December 2013, the gross input VAT relating to the production of FFB is US$10.3 million (2012: US$11.4 million).

(b) Determination of functional currency

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

3.2 Key sources of estimation uncertainty

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

(a) Biological assets

The Group carries its biological assets at fair value, with changes in fair value being recognised in profit or loss. The fair value of biological assets is determined by independent valuation experts using recognised valuation techniques. The determination of the fair value of the biological assets requires the use of estimates such as discount rate and projected CPO prices. The carrying amount and key assumptions used to determine the fair value of the biological assets are further disclosed in Note 11 and Note 39(d) respectively.

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

3.2 Key sources of estimation uncertainty (cont'd)

(b) Useful lives of property, plant and equipment

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

(c) Impairment of non-financial assets

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

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

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

(d) Impairment of loans and receivables

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

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

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

3.2 Key sources of estimation uncertainty (cont'd)

(e) Taxes

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

The carrying amount of provision for tax as at 31 December 2013 is US$15.3 million (2012: US$22.1 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$12.8 million (2012: US$23.9 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 2013 and 2012 is disclosed in Note 9(c).

(f) Defined benefit plan

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. 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 31.

4. SALES

	Group	
	2013 US$'000	2012 US$'000
Crude palm oil	390,675	310,796
Palm kernel	33,007	49,425
Processed palm based products	202,816	243,208
	626,498	603,429

5. COST OF SALES

	Group	
	2013 US$'000	2012 US$'000
Cost of inventories recognised as an expense	102,489	94,831
Depreciation of property, plant and equipment (Note 13)	22,067	19,765
Net employee benefit expense relating to defined benefit plans (Note 31)	1,484	2,708
Plantation, milling and processing costs	118,715	103,885
	244,755	221,189

6. SELLING AND DISTRIBUTION COSTS

	Group	
	2013 US$'000	2012 US$'000
Export taxes	20,165	35,655
Freight charges	12,647	11,958
Depreciation of property, plant and equipment (Note 13)	553	334
Others	3,881	2,757
	37,246	50,704

7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are stated after charging:

	Group	
	2013 US$'000	2012 US$'000
Audit fees paid to:		
- Auditors of the Company	193	188
- Other auditors	350	291
	543	479
Non-audit fees paid to:		
- Auditors of the Company	41	60
	584	539
Salaries, bonuses and other benefits (including Central Provident Fund contributions)	16,803	16,126
Net employee benefit expense relating to defined benefit plans (Note 31)	1,985	2,442
Operating lease rental (Note 37(b))	725	985
Depreciation of property, plant and equipment (Note 13)	3,231	3,147
Amortisation of intangible assets (Note 13)	206	230
Directors' fees	308	316
Transaction costs incurred on acquisition of subsidiaries (Note 15(a))	5	9

8. NET FINANCIAL EXPENSES

	Group	
	2013 US$'000	2012 US$'000
Interest expense and amortisation on:		
- Rupiah bonds payable	–	5,033
- Convertible bonds	–	2,163
- Loans and borrowings from financial institutions	6,258	17,246
Profit distribution and amortisation on Islamic medium term notes	15,842	3,470
Loss on redemption of convertible bonds	–	35
	22,100	27,947
Less:		
Capitalised to biological assets (Note 11)	(243)	(6,433)
	21,857	21,514
Interest income	(3,525)	(2,340)
	18,332	19,174

9. TAX EXPENSE

(a) Major components of tax expense

The major components of tax expense for the financial years ended 31 December 2013 and 2012 are as follows:

	Group	
	2013 US$'000	2012 US$'000
Income statement:		
Current income tax		
- Current year	67,713	65,417
Deferred income tax		
- Origination and reversal of temporary differences	(1,163)	12,317
- Over provision in respect of previous years	(47)	(740)
Withholding tax	951	1,140
	67,454	78,134
Deferred income tax related to other comprehensive income:		
Actuarial movements on defined benefits plan	561	–
Net change in fair value of derivative financial instruments designated as cash flow hedges	(2,690)	1,752
Foreign currency translation	(13,954)	–
	(16,083)	1,752

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the financial years ended 31 December 2013 and 2012 are as follows:

	Group	
	2013 US$'000	2012 US$'000
Profit before tax	313,564	326,327
Tax expense at domestic rate applicable to profits in the countries where the Group operates	65,475	79,416
Adjustments:		
Income not subject to tax	(2,739)	(4,083)
Non-deductible expenses	3,644	1,332
Deferred tax assets not recognised	319	1,704
Over provision in respect of previous years	(47)	(740)
Withholding tax	951	1,140
Others	(149)	(635)
Tax expense recognised in profit or loss	67,454	78,134

The corporate tax rate for companies in Singapore and Indonesia is 17% and 25% (2012: 17% and 25%) respectively.

9. TAX EXPENSE (CONT'D)

(c) Deferred tax assets and liabilities

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Deferred tax assets	14,220	2,577	–	–
Deferred tax liabilities	(112,894)	(130,258)	(402)	(844)

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

	Consolidated balance sheet		Consolidated income statement	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Group				
Deferred tax assets:				
Unutilised tax losses	14,284	1,899	(11,732)	(1,567)
Provisions	2,627	2,661	34	(582)
Post-employment benefits	2,284	3,139	(505)	(1,218)
Others	3,337	2,483	(999)	(503)
	22,532	10,182		
Deferred tax liabilities:				
Biological assets	(90,091)	(101,645)	11,021	12,310
Differences in depreciation for tax purposes	(9,395)	(10,678)	892	1,858
Obligations under finance leases	(627)	(539)	65	178
Fair value adjustments on acquisition of subsidiaries	(18,763)	(19,585)	–	–
Fair value adjustments on derivative financial instruments	(278)	(3,728)	(561)	635
Others	(2,052)	(1,688)	575	466
	(121,206)	(137,863)		
Net deferred tax liabilities	(98,674)	(127,681)		
Deferred income tax			(1,210)	11,577

9. TAX EXPENSE (CONT'D)

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

	Balance sheet	
	2013 US$'000	2012 US$'000
Company		
Deferred tax assets:		
Provisions	465	308
	465	308
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(847)	(1,140)
Others	(20)	(12)
	(867)	(1,152)
Net deferred tax liabilities	(402)	(844)

Unrecognised tax losses

As at 31 December 2013, the Group has unrecognised tax losses carried forward amounting to US$12.8 million (2012: US$23.9 million), which would expire between 2014 and 2018 (2012: between 2013 and 2017). The related deferred tax assets of US$3.2 million (2012: US$6.0 million) attributable to such tax losses was not recognised due to uncertainty of its recoverability.

10. 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.

Diluted 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 after adjustment for the effects of all dilutive potential ordinary shares.

	Group	
	2013	2012
Profit for the year attributable to owners of the Company (US$'000)	238,242	237,060
Weighted average number of ordinary shares ('000)	1,584,073	1,550,519
Basic earnings per share (US Cents)	15.04	15.29

There are no dilutive potential ordinary shares as at 31 December 2013 and 2012.

11. BIOLOGICAL ASSETS

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

	Group	
	2013 US$'000	2012 US$'000
At 1 January	844,023	755,931
Additions	120,700	97,490
Acquisition of subsidiaries (Note 15(a))	62,089	19,912
Reclassification to plasma plantation receivables (Note 12)	(6,572)	(14,486)
Reclassification from land permits (Note 17)	29,435	–
	1,049,675	858,847
Gains arising from changes in fair value	29,564	35,795
Exchange differences	(209,930)	(50,619)
At 31 December	869,309	844,023

Biological assets are stated at fair value, which has been determined based on valuations performed by external valuation experts as at 31 December 2013 and 2012. Details of valuation techniques and inputs used are disclosed in Note 39(d).

	Group	
	2013	2012
Nucleus production volume (tonnes)		
FFB	2,049,095	1,924,743
Nucleus planted area (hectares)		
Mature	104,493	85,888
Immature*	47,391	40,761
	151,884	126,649

* *Immature planted area includes rubber plantations.*

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

11. BIOLOGICAL ASSETS (CONT'D)

	Group	
	2013 US$'000	2012 US$'000
Capital expenditure on biological assets using cash	116,678	88,950
Capitalisation of finance expenses (Note 8)	243	6,433
Capitalisation of depreciation on property, plant and equipment (Note 13)	3,779	2,107
	120,700	97,490

Assets pledged as security

As at 31 December 2013, no biological assets were pledged as security.

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

12. PLASMA PLANTATION RECEIVABLES

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

	Group	
	2013 US$'000	2012 US$'000
At 1 January	44,264	39,589
Additional development costs	4,528	3,467
Conversion value	–	(4,087)
Differences in accumulated development costs of plasma plantation and conversion value	–	900
Payment of self-financing of receivables from plasma plantation	(19,685)	(7,335)
Reclassification from biological assets (Note 11)	6,572	14,486
Exchange differences	(7,922)	(2,756)
At 31 December	27,757	44,264

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 2012	124,765	139,407	50,427	4,666	53,487	372,752
Additions	2,067	630	5,952	429	80,057	89,135
Acquisition of subsidiaries (Note 15(a))	587	–	563	2	–	1,152
Reclassifications	32,780	7,155	181	2,346	(42,462)	–
Exchange differences	(8,727)	(8,914)	(2,510)	(351)	(3,692)	(24,194)
At 31 December 2012 and 1 January 2013	151,472	138,278	54,613	7,092	87,390	438,845
Additions	4,720	1,736	7,741	1,694	54,130	70,021
Write-off	(902)	(13)	(344)	(14)	–	(1,273)
Acquisition of subsidiaries (Note 15(a))	10,666	275	699	78	732	12,450
Reclassifications	48,960	47,712	96	300	(97,068)	–
Exchange differences	(40,729)	(35,674)	(9,742)	(1,738)	(11,975)	(99,858)
At 31 December 2013	174,187	152,314	53,063	7,412	33,209	420,185
Accumulated depreciation						
At 1 January 2012	34,517	32,755	27,016	3,462	–	97,750
Charge for the year	10,661	13,840	1,113	29	–	25,643
Exchange differences	(1,536)	(2,585)	(1,464)	(180)	–	(5,765)
At 31 December 2012 and 1 January 2013	43,642	44,010	26,665	3,311	–	117,628
Charge for the year	12,263	10,199	5,910	1,258	–	29,630
Write-off	(902)	(13)	(344)	(14)	–	(1,273)
Exchange differences	(11,827)	(10,556)	(5,673)	(827)	–	(28,883)
At 31 December 2013	43,176	43,640	26,558	3,728	–	117,102
Net carrying amount						
At 31 December 2013	131,011	108,674	26,505	3,684	33,209	303,083
At 31 December 2012	107,830	94,268	27,948	3,781	87,390	321,217

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 2012	13,243	150	13,393
Additions	–	48	48
At 31 December 2012 and 1 January 2013	13,243	198	13,441
Additions	154	16	170
Write-off	(296)	–	(296)
At 31 December 2013	13,101	214	13,315
Accumulated depreciation			
At 1 January 2012	1,013	63	1,076
Charge for the year	1,249	45	1,294
At 31 December 2012 and 1 January 2013	2,262	108	2,370
Charge for the year	1,220	49	1,269
Write-off	(296)	–	(296)
At 31 December 2013	3,186	157	3,343
Net carrying amount			
At 31 December 2013	9,915	57	9,972
At 31 December 2012	10,981	90	11,071

Additions to property, plant and equipment consist of:

	Group	
	2013 US$'000	2012 US$'000
Capital expenditure on property, plant and equipment using cash	64,323	85,867
Obligations under finance leases	5,698	3,268
	70,021	89,135

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

Assets held under finance leases

As at 31 December 2013, the net carrying amount of property, plant and equipment held under obligations under finance leases amounted to US$6.1 million (2012: US$5.9 million).

Assets pledged as security

As at 31 December 2013, no property, plant and equipment were pledged as security.

As at 31 December 2012, 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 2013 and 2012, the Group's assets under construction relate primarily to buildings and infrastructure, machinery and installations, as well as farming and transportation equipment.

Depreciation and amortisation

The depreciation and amortisation charges for the financial years ended 31 December 2013 and 2012 are as follows:

	Group	
	2013 US$'000	**2012 US$'000**
Depreciation of property, plant and equipment	29,630	25,643
Amortisation of land use rights (Note 14)	1,589	1,541
Amortisation of intangible assets (Note 17)	206	230
	31,425	27,414
Depreciation included in cost of sales (Note 5)	22,067	19,765
Depreciation included in selling and distribution costs (Note 6)	553	334
Depreciation included in general and administrative expenses (Note 7)	3,231	3,147
Amortisation included in general and administrative expenses (Note 7)	206	230
Amortisation included in other operating expenses	1,589	1,541
Depreciation included in other non-operating income	–	290
Depreciation capitalised in biological assets (Note 11)	3,779	2,107
	31,425	27,414

14. LAND USE RIGHTS

	Group	
	2013 US$'000	2012 US$'000
At 1 January	40,775	40,230
Additions	823	1,313
Acquisition of subsidiaries (Note 15(a))	6,676	3,270
Reclassification from land permits (Note 17)	7,535	–
Amortisation charge during the year (Note 13)	(1,589)	(1,541)
Exchange differences	(10,756)	(2,497)
At 31 December	43,464	40,775
Amount to be amortised		
- Not later than one year	1,589	1,541
- Later than one year but not more than five years	6,356	6,164
- Later than five years	35,519	33,070
	43,464	40,775

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 2013, the Group's land use rights cover a total land area of 142,804 hectares (2012: 129,854 hectares), representing HGU and HGB. The legal terms of the existing land use rights of the Group expire on various dates between 2020 and 2048.

Assets pledged as security

As at 31 December 2013, no land use rights were pledged as security.

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

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 US$'000	2012 US$'000
Unquoted equity shares, at cost	452,291	297,617
At 1 January	297,617	297,508
Conversion from advance subscription for shares in subsidiary	82,778	–
Additional investment in subsidiary	–	109
Acquisition of subsidiaries	71,896	–
At 31 December	452,291	297,617

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

(a) Acquisition of subsidiaries

(i) On 1 February 2013 ("acquisition date"), the Company acquired the entire equity interest in Lynhurst Investment Pte. Ltd. ("Lynhurst"), which in turn owns 95.00% interest in PT Swadaya Mukti Prakarsa ("PT SMP") (collectively referred to as "Lynhurst Group"). In addition, the Group's subsidiary company, PT Pancasurya Agrindo ("PT PSA"), also acquired the remaining 5.00% interest in PT SMP. PT SMP is incorporated in Indonesia and principally engaged in the oil palm plantation business. Upon the acquisition, Lynhurst and PT SMP are now direct and indirect subsidiaries of the Company respectively.

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

	Fair value recognised on acquisition
	US$'000
Assets	
Biological assets	50,336
Property, plant and equipment	11,288
Land use rights	6,676
Other intangible assets	2,026
Inventories	1,734
Trade and other receivabless	22
Advances and prepayments	232
Cash and cash equivalents	148
	72,462
Liabilities	
Trade and other payables	(1,171)
Advances from customers	(1,098)
Borrowings from financial institutions	(40,235)
Provision for tax	(128)
Deferred tax liabilities	(3,136)
	(45,768)
Total identifiable net assets at fair value	26,694
Goodwill arising from acquisition (Note 16)	45,962
Total consideration for acquisition	72,656
Effect of the acquisition of Lynhurst Group on cash flows	
Total consideration for equity interest acquired	72,656
Less: Retention sums payable	(2,595)
	70,061
Less: Cash and cash equivalents of subsidiaries acquired	(148)
Net cash outflow on acquisition of subsidiaries	69,913

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (cont'd)

Transaction costs

Transaction costs of US$3,000 (Note 7) relating to the acquisition have been recognised in the "General and administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2013.

Goodwill arising from acquisition

The goodwill of US$46.0 million is mainly attributable to the synergies that is expected to arise from the acquisition. None of the goodwill recognised is expected to be deductible for tax purposes.

Impact of acquisition on profit or loss

From the acquisition date, Lynhurst Group has contributed US$1.6 million to the Group's profit for the year. If the acquisition had occurred on 1 January 2013, the Group's consolidated profit for the year would have decreased by US$422,000.

(ii) The Group also acquired the following subsidiaries during the financial year ended 31 December 2013:

Name of entities acquired	Consideration US$'000	Month of acquisition
PT Setia Agrindo Jaya ("PT SAJ")	422	October 2013
PT Borneo Damai Lestari ("PT BDLR")	82	December 2013

The fair value of the identifiable assets and liabilities of the above subsidiaries acquired and the effect thereof as at the acquisition dates were as follows:

	Fair value recognised on acquisition US$'000
Assets	
Biological assets	11,753
Property, plant and equipment	1,162
Other non-current assets	167
Inventories	3,622
Other receivables	879
Other advances and prepayments	285
Prepaid taxes	6
Cash and cash equivalents	661
	18,535

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (cont'd)

	Fair value recognised on acquisition US$'000
Liabilities	
Trade and other payables	(17,527)
Loans and borrowings from financial institutions	(130)
Provision for tax	(8)
	(17,665)
Total identifiable net assets at fair value	870
Non-controlling interest measured at the non-controlling interest's proportionate share of the net identifiable assets of the subsidiaries acquired	(402)
Goodwill arising from acquisitions (Note 16)	36
Cash consideration for acquisitions	504
Effect of the acquisition of the subsidiaries on cash flows	
Cash consideration for equity interest acquired	504
Less: Cash and cash equivalents of subsidiaries acquired	(661)
Net cash inflow on acquisition of subsidiaries	(157)

Transaction costs

Transaction costs of US$2,000 (Note 7) relating to the acquisitions have been recognised in the "General and administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2013.

Goodwill arising from acquisitions

The goodwill of US$36,000 is mainly attributable to the synergies that is expected to arise from the acquisitions. None of the goodwill recognised is expected to be deductible for tax purposes.

Impact of acquisitions on profit or loss

From the acquisition dates, the acquired subsidiaries have contributed loss of US$369,000 to the Group's result for the year. If the acquisitions had occurred on 1 January 2013, the Group's consolidated profit for the year would have decreased by US$147,000.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (cont'd)

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

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

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

Transaction costs

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

Goodwill arising from acquisition

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

Impact of acquisition on profit or loss

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

16. GOODWILL

	Group	
	2013 US$'000	2012 US$'000
Cost		
At 1 January	32,530	21,391
Acquisition of subsidiaries (Note 15(a))	45,998	12,246
Exchange differences	(5,251)	(1,107)
At 31 December	73,277	32,530

Impairment testing of goodwill

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

	Group	
	2013 US$'000	2012 US$'000
PT Borneo Ketapang Permai Group	7,083	7,073
PT Kalimantan Green Persada Group	10,652	13,427
PT Gerbang Sawit Indah	9,544	12,030
Lynhurst Group	45,962	–
Others	36	–
	73,277	32,530

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

Key assumptions used for value in use calculations:

	2013	2012
Terminal growth rate	3%	3%
Pre-tax discount rate	13%	13%
Projected CPO price	US$900/tonne	US$900/tonne

The value in use calculations use a discounted cash flow model based on cash flow projections covering a period of 10 years, and projected CPO price of US$900 per tonne (2012: US$900 per tonne).

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

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

Based on the above analysis, management has assessed that the goodwill is not impaired as at 31 December 2013 and 2012.

16. GOODWILL (CONT'D)

Impairment testing of goodwill (cont'd)

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

17. OTHER INTANGIBLE ASSETS

	Land permits US$'000	Software US$'000	Total US$'000
Group			
Cost			
At 1 January 2012	42,524	2,032	44,556
Additions	33,985	410	34,395
Exchange differences	(3,666)	(115)	(3,781)
At 31 December 2012 and 1 January 2013	72,843	2,327	75,170
Acquisition of subsidiaries (Note 15(a))	2,026	–	2,026
Additions	–	324	324
Reclassification to biological assets (Note 11)	(29,435)	–	(29,435)
Reclassification to land use rights (Note 14)	(7,535)	–	(7,535)
Exchange differences	(10,197)	(407)	(10,604)
At 31 December 2013	27,702	2,244	29,946
Accumulated amortisation			
At 1 January 2012	–	688	688
Amortisation charge during the year (Note 13)	–	230	230
Exchange differences	–	(52)	(52)
At 31 December 2012 and 1 January 2013	–	866	866
Amortisation charge during the year (Note 13)	–	206	206
Exchange differences	–	(193)	(193)
At 31 December 2013	–	879	879
Net carrying amount			
At 31 December 2013	27,702	1,365	29,067
At 31 December 2012	72,843	1,461	74,304

17. OTHER INTANGIBLE ASSETS (CONT'D)

	Software US$'000
Company	
Cost	
At 1 January 2012	287
Additions	2
At 31 December 2012 and 1 January 2013	289
Additions	166
At 31 December 2013	455
Accumulated amortisation	
At 1 January 2012	–
Amortisation charge during the year	2
At 31 December 2012 and 1 January 2013	2
Amortisation charge during the year	2
At 31 December 2013	4
Net carrying amount	
At 31 December 2013	451
At 31 December 2012	287

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

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

18. LOANS TO SUBSIDIARIES

	Company	
	2013 US$'000	2012 US$'000
Loans to subsidiaries	439,329	194,080
Less: Current portion	(600)	(750)
Non-current portion	438,729	193,330

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

(i) US$4.7 million (2012: US$5.4 million) which is denominated in USD, unsecured, bears interest at London Interbank Offer Rate ("LIBOR") plus 5.00% per annum, repayable quarterly up till 30 September 2021 and is to be settled in cash;

(ii) US$188.7 million (2012: US$188.7 million) which is denominated in USD, unsecured, bears interest at 3.7675% per annum, repayable on 31 July 2017 and is to be settled in cash; and

(iii) US$246.0 million (2012: Nil) which is denominated in USD, unsecured, bears interest at 5.75% per annum, repayable on 31 December 2017 and is to be settled in cash.

19. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2013		2012	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Group				
Cross currency swaps	–	48,061	657	1,366
Foreign currency options and forward contracts	–	–	615	1,152
Commodity futures, options and swap contracts	3,987	1,210	25,676	1,652
Total derivative financial instruments	3,987	49,271	26,948	4,170
Less: Current portion	(3,987)	(1,210)	(25,812)	(2,804)
Non-current portion	–	48,061	1,136	1,366
Company				
Cross currency swaps	–	48,061	657	1,366
Foreign currency options and forward contracts	–	–	14	42
Total derivative financial instruments	–	48,061	671	1,408
Less: Current portion	–	–	(14)	(42)
Non-current portion	–	48,061	657	1,366

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

Cross currency swaps

During 2013 and 2012, the Company has entered into cross currency swap agreements with financial institutions to swap its Ringgit-denominated Islamic medium term notes indebtedness effectively into USD liabilities. Based on the agreements, the financial institutions will swap the principal as well as the profit distribution amounts of the Company's Islamic medium term notes from Malaysian Ringgit into USD. Cash flow hedge accounting has been applied to these cross currency swap agreements as they are considered to be highly effective hedging instruments. A net fair value loss of US$9.8 million (2012: US$8.5 million) has been included in other comprehensive income in respect of these contracts.

Foreign currency options and forward contracts

The Group enters into certain foreign currency forward contracts in order to hedge the foreign currency risk related to the purchase of palm based products as well as the Company's forecasted dividend payments. Cash flow hedge accounting has been applied to these derivatives as they are considered to be highly effective hedging instruments. A net fair value gain of US$1.1 million (2012: US$2.2 million), with a related deferred tax charge of US$0.1 million (2012: US$0.5 million), has been included in other comprehensive income in respect of these contracts. Other foreign currency options and forward contracts entered into by the Group are accounted for at fair value through profit or loss.

Commodity futures, options and swap contracts

The Group enters into certain commodity 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 loss of US$18.4 million (2012: net fair value gain of US$11.8 million), with a related deferred tax credit of US$2.8 million (2012: deferred tax charge of US$1.3 million), has been included in other comprehensive income in respect of these contracts. Other commodity futures, options and swap contracts entered into by the Group are accounted for at fair value through profit or loss.

20. INVENTORIES

	Group	
	2013 US$'000	2012 US$'000
Palm based products	37,252	36,812
Fertilisers and chemicals	7,752	9,716
Spare parts and other consumables	11,045	8,130
Goods in transit	3,162	3,271
	59,211	57,929

21. TRADE RECEIVABLES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Trade receivables from:				
- Third parties	34,628	24,691	–	–
- Subsidiaries	–	–	2,499	5,037
- Related parties	294	212	–	–
	34,922	24,903	2,499	5,037

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

Trade receivables are denominated in the following currencies:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Indonesian Rupiah	5,972	376	–	–
United States Dollar	28,950	24,527	2,499	5,037
	34,922	24,903	2,499	5,037

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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Trade receivables past due:				
Lesser than 30 days	–	–	–	–
30 to 60 days	300	–	–	–
More than 60 days	115	–	–	–
	415	–	–	–

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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Amounts due from financial institutions	1,048	5,143	26	–
Interest receivable	128	18	2	3
Amounts due from subsidiaries	–	–	958	3,093
Amounts due from related parties	38	964	–	–
Sundry receivables	5,784	4,002	1	31
	6,998	10,127	987	3,127

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

Other receivables are denominated in the following currencies:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Indonesian Rupiah	5,791	6,809	–	–
United States Dollar	1,206	3,306	986	3,121
Singapore Dollar	1	6	1	6
Others	–	6	–	–
	6,998	10,127	987	3,127

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		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Leasehold buildings and improvements	3,132	779	–	–
Machinery and installations	2,279	7,091	–	–
Others	255	610	23	–
	5,666	8,480	23	–

Other advances and prepayments

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

24. ADVANCE SUBSCRIPTION FOR SHARES IN SUBSIDIARY

Advance subscription for shares in subsidiary as at 31 December 2012 was non-interest bearing, unsecured and was converted to shares during the financial year ended 31 December 2013.

25. CASH AND BANK BALANCES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Cash at banks and on hand	108,606	292,560	8,684	90,074
Time deposits	130,871	99,234	–	40,000
Restricted cash balances	32,675	12,944	27,999	10
	272,152	404,738	36,683	130,084

Cash at banks earn interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month to three months (2012: one month to three months) depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates, which range between 0.76% and 9.25% (2012: 0.69% and 3.50%) per annum.

Restricted cash balances relate 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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Indonesian Rupiah	22,934	35,806	–	–
United States Dollar	243,881	367,451	36,038	129,681
Singapore Dollar	1,101	612	636	393
Others	4,236	869	9	10
	272,152	404,738	36,683	130,084

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

	Group	
	2013 US$'000	2012 US$'000
Cash at banks and on hand	108,606	292,560
Time deposits	130,871	99,234
	239,477	391,794

26. TRADE PAYABLES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Trade payables to:				
- Third parties	24,498	20,879	1	127
- Subsidiaries	–	–	–	2
	24,498	20,879	1	129

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

Trade payables are denominated in the following currencies:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Indonesian Rupiah	22,174	17,789	–	–
United States Dollar	2,316	3,056	1	129
Others	8	34	–	–
	24,498	20,879	1	129

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Lesser than 30 days	17,280	10,353	1	129
30 to 90 days	6,281	7,402	–	–
More than 90 days	937	3,124	–	–
	24,498	20,879	1	129

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Accrued employee costs	16,316	16,124	3,051	2,160
Accrued financial expenses	4,297	5,578	4,297	3,969
Accrued contractor fees and retention sums	9,577	12,022	–	–
Amounts due to subsidiaries	–	–	7	2
Amounts due to related parties	–	1,223	–	–
Others	5,272	3,483	2,804	843
	35,462	38,430	10,159	6,974

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

27. OTHER PAYABLES AND ACCRUALS (CONT'D)

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Indonesian Rupiah	24,266	28,928	–	–
United States Dollar	7,374	6,547	6,926	4,643
Singapore Dollar	3,822	2,955	3,233	2,331
	35,462	38,430	10,159	6,974

28. ADVANCES FROM CUSTOMERS

Advances from customers represent advance payments relating to the sale of palm based products. These payments 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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Current				
Bank loans	–	37,991	–	–
Obligations under finance leases	2,608	2,211	7	17
	2,608	40,202	7	17
Non-current				
Bank loans	–	172,419	–	–
Obligations under finance leases	2,733	1,708	–	7
	2,733	174,127	–	7
	5,341	214,329	7	24

Bank loans

The Group's bank loans as at 31 December 2012 comprised the following:

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

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

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

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

Bank loans (cont'd)

There are no outstanding bank loans as at 31 December 2013 following the early repayment of the bank loans by the Group during the year.

As at 31 December 2013, the Group has bank loans and bank deposits amounting to US$100.0 million (2012: Nil) respectively, which have been netted against each other as the Group has the legal rights to set off the deposits against the loans. Both the loans and deposits have the same maturity terms and are with the same reputable bank.

Obligations under finance leases

The Group entered into capital lease agreements for purchase of farming equipment and motor vehicles incidental to the ordinary course of the business. These capital leases expire within the next three years. The interest rates of these capital leases range from 2.2% to 15.5% (2012: 2.1% to 18.3%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are disclosed in Note 37(c).

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Indonesian Rupiah	5,334	171,242	–	–
United States Dollar	–	43,063	–	–
Singapore Dollar	7	24	7	24
	5,341	214,329	7	24

30. ISLAMIC MEDIUM TERM NOTES

	Maturity date	Distribution rate (per annum)	Group and Company	
			2013 US$'000	2012 US$'000
First issuance	31 July 2017	4.45%	182,776	196,059
Second issuance	8 December 2017	4.30%	121,852	130,706
Third issuance	5 June 2020	4.35%	182,776	–
			487,404	326,765
Less:				
Issuance costs			3,929	3,147
Accumulated amortisation			(913)	(221)
			3,016	2,926
Islamic medium term notes, net			484,388	323,839

On 18 June 2012, the Company was granted approval by the Securities Commission of Malaysia to establish a Ringgit-denominated Islamic medium term note programme ("Programme") of up to MYR 2.0 billion under the laws of Malaysia. The tenure of the Programme shall be up to 10 years from the date of the first issuance being 31 July 2012.

30. ISLAMIC MEDIUM TERM NOTES (CONT'D)

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

31. 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.

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

	2013	2012
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	9.10%	6.30%
Mortality Rate	Table Mortality Indonesia 2011	Table Mortality Indonesia 2011
Disability Rate	1% of mortality rate	1% of mortality rate
Resignation Rate	0% to 1%	0% to 1%
Valuation Method	Projected Unit Credit	Projected Unit Credit

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

	Group	
	2013 US$'000	2012 US$'000
Present value of employee benefits obligation	11,623	15,110
Unrecognised net actuarial gain	–	(2,029)
Unrecognised past service cost	–	(40)
	11,623	13,041

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

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

	Group	
	2013 US$'000	2012 US$'000
At 1 January	13,041	8,717
Net employee benefit expense charged to profit or loss	4,443	5,410
Remeasurement gains		
- Actuarial gains arising from changes in financial assumptions	(2,245)	–
Benefits paid	(709)	(392)
Exchange differences	(2,907)	(694)
At 31 December	11,623	13,041

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

	Group	
	2013 US$'000	2012 US$'000
Interest cost on benefit obligation	876	706
Current service cost	3,132	3,324
Past service cost	435	–
Amortisation of past service cost	–	1,335
Amortisation of actuarial loss	–	45
Net employee benefit expense	4,443	5,410

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

	Group	
	2013 US$'000	2012 US$'000
Cost of sales (Note 5)	1,484	2,708
General and administrative expenses (Note 7)	1,985	2,442
Others	974	260
	4,443	5,410

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

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefits obligation as of the end of the reporting period, assuming if all the other assumptions were held constant.

	Group	
	2013	
	Increase/ (decrease)	Change in present value of defined benefit obligation US$'000
Discount rate	1% increase	(1,262)
	1% decrease	1,509
Future salary growth	1% increase	1,563
	1% decrease	(1,326)

32. SHARE CAPITAL

	Group and Company			
	2013		2012	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
At 1 January	1,584,073	394,913	1,470,200	290,312
Issue of shares upon conversion of convertible bonds	–	–	113,873	104,601
At 31 December	1,584,073	394,913	1,584,073	394,913

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.

33. 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.

34. OTHER RESERVES

The composition of other reserves is as follows:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Capital reserve	(29,096)	(29,096)	–	–
Revaluation reserve	279	279	–	–
Gain on sale of treasury shares	10,322	10,322	10,322	10,322
Hedging reserve	(18,360)	6,312	(18,360)	(8,565)
Foreign translation reserve	(312,067)	(34,902)	393	393
	(348,922)	(47,085)	(7,645)	2,150

34. OTHER RESERVES (CONT'D)

Capital reserve

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

Revaluation reserve

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

Gain on sale of treasury shares

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

Hedging reserve

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
At 1 January	6,312	2,635	(8,565)	–
Fair value (losses)/gains on cash flow hedges, net of tax and non-controlling interests	(35,816)	21,454	(43,878)	(736)
Reclassification to profit or loss				
- Sales	(23,032)	(9,317)	–	–
- Cost of sales	–	(631)	–	–
- Losses/(gains) on foreign exchange	37,474	(7,110)	37,381	(7,110)
- Net financial expenses	(3,298)	(719)	(3,298)	(719)
At 31 December	(18,360)	6,312	(18,360)	(8,565)

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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
At 1 January	(34,902)	28,113	393	393
Foreign currency translation adjustments	(277,165)	(63,015)	–	–
At 31 December	(312,067)	(34,902)	393	393

35. EMPLOYEE BENEFITS

	Group	
	2013 US$'000	2012 US$'000
Salaries, bonuses and other benefits	64,924	51,035
Net employee benefit expense relating to defined benefit plans (Note 31)	4,443	5,410
Central Provident Fund contributions	217	195
	69,584	56,640

36. RELATED PARTY DISCLOSURES

(a) *Transactions with related parties*

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	
	2013 US$'000	2012 US$'000
Office lease rental	785	788
Commodity options and swap contracts	–	5,617
Net settlement for purchases of goods	14,846	–
Disposal of shares in subsidiaries	(179)	–

(b) *Commitments with related parties*

As at 31 December 2012, the Group has outstanding contracts with related parties for purchases of palm based products amounting to US$46.3 million. These contracts were settled during the financial year ended 31 December 2013.

(c) *Compensation of key management personnel*

	Group	
	2013 US$'000	2012 US$'000
Salaries, bonuses and other benefits	7,224	5,585
Directors' fees	316	316
Net employee benefit expense relating to defined benefit plans	323	312
Central Provident Fund contributions	50	53
	7,913	6,266
Comprise amounts paid to:		
- Directors of the Company	2,044	1,811
- Other key management personnel	5,869	4,455
	7,913	6,266

37. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

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

	Group	
	2013 US$'000	**2012 US$'000**
Capital commitments in respect of property, plant and equipment	22,133	64,491
Commitment in respect of acquisition of investment	–	59,401

(b) 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 amounted to US$725,000 (2012: US$985,000) (Note 7).

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

	Group	
	2013 US$'000	**2012 US$'000**
Within one year	669	444
After one year but not more than five years	730	47
	1,399	491

37. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) *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:

	2013		2012	
	Minimum lease payments US$'000	Present value of minimum lease payments (Note 29) US$'000	Minimum lease payments US$'000	Present value of minimum lease payments (Note 29) US$'000
Group				
Not later than one year	3,274	2,608	2,553	2,211
Later than one year but not more than five years	2,805	2,733	1,927	1,708
Total minimum lease payments	6,079	5,341	4,480	3,919
Less: Amount representing finance charges	(738)	–	(561)	–
Present value of minimum lease payments	5,341	5,341	3,919	3,919
Company				
Not later than one year	9	7	21	17
Later than one year but not more than five years	–	–	8	7
Total minimum lease payments	9	7	29	24
Less: Amount representing finance charges	(2)	–	(5)	–
Present value of minimum lease payments	7	7	24	24

(d) *Contingent liabilities*

The Company has provided corporate guarantees to certain external parties in the ordinary course of business, guaranteeing the obligations of a subsidiary in the event of any non-performance by the subsidiary in respect of its contracts with these external parties. No liability is expected to arise as at the end of the reporting periods ended 31 December 2013 and 2012.

Certain subsidiaries have guaranteed US$2.0 million (2012: US$2.3 million) in respect of plasma farmers' loans repayable to a bank at the time when the plasma plantations are converted. These loans are being repaid by the plasma farmers on an instalment basis through a withholding mechanism on sales of the plasma crops to the Group.

38. CLASSES OF FINANCIAL ASSETS AND LIABILITIES

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Assets				
Loans and receivables				
Loans to subsidiaries	–	–	439,329	194,080
Trade receivables	34,922	24,903	2,499	5,037
Other receivables	6,998	10,127	987	3,127
Restricted cash balances	32,675	12,944	27,999	10
Cash and cash equivalents	239,477	391,794	8,684	130,074
	314,072	439,768	479,498	332,328
At fair value through profit or loss				
Derivative financial assets	3,987	5,974	–	7
Cash flow hedges				
Derivative financial assets	–	20,974	–	664
Liabilities				
At amortised cost				
Trade payables	24,498	20,879	1	129
Other payables and accruals	35,462	38,430	10,159	6,974
Loans and borrowings from financial institutions	5,341	214,329	7	24
Islamic medium term notes	484,388	323,839	484,388	323,839
	549,689	597,477	494,555	330,966
At fair value through profit or loss				
Derivative financial liabilities	1,210	318	–	8
Cash flow hedges				
Derivative financial liabilities	48,061	3,852	48,061	1,400

39. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

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

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

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	2013			
	Quoted prices in active markets 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
Recurring fair value measurements:				
Group				
Assets				
Financial assets				
Derivative financial assets	–	3,987	–	3,987
Non-financial assets				
Biological assets	–	–	869,309	869,309
Liabilities				
Financial liabilities				
Derivative financial liabilities	–	49,271	–	49,271
Company				
Liabilities				
Financial liabilities				
Derivative financial liabilities	–	48,061	–	48,061

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

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivative financial assets/liabilities

Cross currency swaps

Cross currency swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Commodity options and swap contracts

Commodity options and swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and Black-Scholes models, using present value calculations. The models incorporate various inputs including commodity spot and forward rates, commodity volatility prices based on broker quotes, and forward rate curves.

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3).

Description	Fair value at 31 December 2013	Valuation techniques	Unobservable inputs	Range
Biological assets	869,309	Discounted cash flow	Discount rate	11.68%
			Projected selling price of CPO	US$848 – US$890 per tonne
			FFB yield	6 – 27 tonnes per hectare

For biological assets, a significant increase (decrease) in discount rate would result in a significantly lower (higher) fair value. Changes in projected selling price of CPO and FFB yield will result in directionally similar changes in fair value.

(ii) Movements in Level 3 assets measured at fair value

The movements in biological assets measured at fair value are disclosed in Note 11.

(iii) Valuation policies and procedures

To determine the fair value of biological assets, the Group engages external valuation experts to perform the valuation. The corporate finance team is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

The corporate finance team reviews the appropriateness of the valuation methodologies and assumptions adopted by the external valuation experts. The corporate finance team also evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

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

(d) Level 3 fair value measurements (cont'd)

(iii) Valuation policies and procedures (cont'd)

Significant changes in fair value measurements from period to period are evaluated by the corporate finance team for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(e) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the assets and liabilities not measured at fair value but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using				
	Quoted prices in active market for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
2013					
Group					
Liabilities					
Islamic medium term notes	–	486,417	–	486,417	484,388
Company					
Assets					
Fixed rate loans to subsidiaries (non-current)	–	438,747	–	438,747	434,679
Liabilities					
Islamic medium term notes	–	486,417	–	486,417	484,388

<u>Determination of fair value</u>

Fixed rate loans to subsidiaries (non-current)

The fair value as disclosed in the table above is estimated by discounting expected future cash flows at incremental lending rate for similar types of lending.

Islamic medium term notes

The fair value as disclosed in the table above is estimated by reference to the latest transacted prices during 2013, which incurred on 18, 20 and 30 December 2013.

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

(f) 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:

	2013		2012	
	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Group				
Financial liabilities				
Islamic medium term notes	484,388	486,417	323,839	328,915
Company				
Financial assets				
Fixed rate loans to subsidiaries (non-current)	434,679	438,747	188,679	192,106
Financial liabilities				
Islamic medium term notes	484,388	486,417	323,839	328,915

40. 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.

40. 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.

<u>Sensitivity analysis for interest rate risk</u>

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 (2012: 50 basis points) higher/lower, ceteris paribus, profit before tax for the financial year ended 31 December 2013 would have been US$1,361,000 (2012: US$972,000) 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.

40. 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			
	2013		2012	
	Profit before tax US$'000	Equity US$'000	Profit before tax US$'000	Equity US$'000
IDR against USD				
- strengthened 10% (2012: 10%)	(11,287)	48,459	(11,449)	62,840
- weakened 10% (2012: 10%)	13,795	(46,578)	14,664	(60,428)
SGD against USD				
- strengthened 5% (2012: 5%)	(136)	(114)	272	860
- weakened 5% (2012: 5%)	136	114	(465)	(1,021)
MYR against USD				
- strengthened 10% (2012: 10%)	32	2,579	437	8,495
- weakened 10% (2012: 10%)	(32)	(2,579)	(437)	(8,495)

(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 commodity futures, options and swap contracts in the conduct of business to manage our price risk.

Sensitivity analysis for commodity price risk

During the reporting period, had the average selling prices of palm based products been 10% higher/lower, ceteris paribus, profit before tax for the financial year ended 31 December 2013 would have been US$62.6 million (2012: US$60.3 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 commodity futures, options and swap contracts:

	Group			
	2013		2012	
	Profit before tax US$'000	Equity US$'000	Profit before tax US$'000	Equity US$'000
Increase in prices of palm based products	(3)	(3)	(5,248)	(10,882)
Decrease in prices of palm based products	3	3	5,266	10,896

40. 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$2.0 million (2012: US$2.3 million) relating to a financial guarantee provided by certain subsidiaries 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, 62.7% (2012: 68.6%) of the Group's trade receivables were due from three (2012: 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).

40. 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 US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group				
2013				
Trade and other payables	59,960	–	–	59,960
Loans and borrowings from financial institutions	3,274	2,805	–	6,079
Islamic medium term notes	21,367	376,536	194,692	592,595
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(21,367)	(376,536)	(194,692)	(592,595)
- Cross currency swaps (gross payments)	18,176	381,005	208,430	607,611
- Other derivatives	1,212	–	–	1,212
	82,622	383,810	208,430	674,862
2012				
Trade and other payables	59,309	–	–	59,309
Loans and borrowings from financial institutions	55,643	166,876	66,258	288,777
Islamic medium term notes	14,345	384,154	–	398,499
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(14,345)	(384,154)	–	(398,499)
- Cross currency swaps (gross payments)	11,191	364,428	–	375,619
- Other derivatives	2,810	–	–	2,810
	128,953	531,304	66,258	726,515

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

(e) Liquidity risk (cont'd)

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

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Company				
2013				
Trade and other payables	10,160	–	–	10,160
Loans and borrowings from financial institutions	9	–	–	9
Islamic medium term notes	21,367	376,536	194,692	592,595
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(21,367)	(376,536)	(194,692)	(592,595)
- Cross currency swaps (gross payments)	18,176	381,005	208,430	607,611
	28,345	381,005	208,430	617,780
2012				
Trade and other payables	7,103	–	–	7,103
Loans and borrowings from financial institutions	21	8	–	29
Islamic medium term notes	14,345	384,154	–	398,499
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(14,345)	(384,154)	–	(398,499)
- Cross currency swaps (gross payments)	11,191	364,428	–	375,619
- Other derivatives	42	–	–	42
	18,357	364,436	–	382,793

41. 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 2013 and 2012.

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.

41. CAPITAL MANAGEMENT (CONT'D)

	Group	
	2013 US$'000	2012 US$'000
Loans and borrowings from financial institutions (Note 29)	5,341	214,329
Islamic medium term notes (Note 30)	484,388	323,839
Gross debt	489,729	538,168
EBITDA	338,916	322,750
Debt/EBITDA	1.44 times	1.67 times

42. 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 plants and other downstream 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.

42. SEGMENT INFORMATION (CONT'D)

	Plantations and Palm Oil Mills US$'000	Refinery and Processing US$'000	Elimination US$'000	Total US$'000
2013				
Sales:				
External customers	423,682	202,816	–	626,498
Inter-segment	159,393	–	(159,393)	–
Total sales	583,075	202,816	(159,393)	626,498
Results:				
EBITDA	314,247	26,802	(2,133)	338,916
Depreciation and amortisation	(22,586)	(5,060)	–	(27,646)
Gains arising from changes in fair value of biological assets	29,564	–	–	29,564
Profit from operations	321,225	21,742	(2,133)	340,834
Losses on foreign exchange				(6,368)
Losses on derivative financial instruments				(2,602)
Net financial expenses				(18,332)
Other non-operating income				32
Profit before tax				313,564
2012				
Sales:				
External customers	360,221	243,208	–	603,429
Inter-segment	144,190	–	(144,190)	–
Total sales	504,411	243,208	(144,190)	603,429
Results:				
EBITDA	295,375	29,885	(2,510)	322,750
Depreciation and amortisation	(19,889)	(5,128)	–	(25,017)
Gains arising from changes in fair value of biological assets	35,795	–	–	35,795
Profit from operations	311,281	24,757	(2,510)	333,528
Gains on foreign exchange				8,054
Gains on derivative financial instruments				1,579
Net financial expenses				(19,174)
Other non-operating income				2,340
Profit before tax				326,327

42. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Sales		Non-current assets	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Singapore	458,164	435,029	63,584	18,555
Indonesia	168,334	168,400	1,284,483	1,341,185
	626,498	603,429	1,348,067	1,359,740

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

Information about major customers

In 2013, sales to three major customers amounted to US$283.2 million (2012: US$159.6 million) from the plantations and palm oil mills segment and US$12.0 million (2012: US$153.2 million) from the refinery and processing segment.

43. DIVIDENDS

	Group and Company	
	2013 US$'000	2012 US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final tax exempt (one-tier) dividend for 2012: 2.75 Singapore cents (2011: 2.50 Singapore cents) per share	35,468	30,739
- Interim tax exempt (one-tier) dividend for 2013: 1.25 Singapore cents (2012: 1.25 Singapore cents) per share	15,534	16,179
	51,002	46,918
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 2013: 3.25 Singapore cents (2012: 2.75 Singapore cents) per share	40,665*	35,468

* *Based on USD/SGD exchange rate of 1.2660.*

44. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 18 March 2014.

Statistics of Shareholdings

As at 14 March 2014

SHAREHOLDERS' INFORMATION

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

The Company does not have any treasury shares as at 14 March 2014.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	9	0.57	1,097	0.00
1,000 - 10,000	1,234	78.10	5,632,579	0.36
10,001 - 1,000,000	320	20.25	16,783,160	1.06
1,000,001 and above	17	1.08	1,561,656,133	98.58
	1,580	100.00	1,584,072,969	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Eight Capital Inc.	537,800,130	33.95
2.	HSBC (Singapore) Nominees Pte Ltd	381,879,760	24.11
3.	Citibank Nominees Singapore Pte Ltd	206,841,589	13.06
4.	DB Nominees (Singapore) Pte Ltd	97,452,887	6.15
5.	DBSN Services Pte. Ltd.	83,598,336	5.28
6.	DBS Nominees (Private) Limited	79,577,829	5.02
7.	Raffles Nominees (Pte) Ltd	64,780,591	4.09
8.	ABN AMRO Nominees Singapore Pte Ltd	40,000,000	2.53
9.	United Overseas Bank Nominees (Private) Limited	19,506,788	1.23
10.	Advance Synergy Capital Ltd	15,214,000	0.96
11.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	13,481,000	0.85
12.	BNP Paribas Securities Services Singapore Branch	6,681,662	0.42
13.	DBS Vickers Securities (Singapore) Pte Ltd	5,365,000	0.34
14.	Bank of Singapore Nominees Pte. Ltd.	3,937,561	0.25
15.	UOB Kay Hian Private Limited	3,024,000	0.19
16.	Maybank Kim Eng Securities Pte. Ltd.	1,268,000	0.08
17.	Ng Mei Hwee Warni	1,247,000	0.08
18.	BNP Paribas Nominees Singapore Pte Ltd	569,000	0.04
19.	Phillip Securities Pte Ltd	564,700	0.04
20.	Ng Leok Cheng	515,000	0.03
		1,563,304,833	98.69

As at 14 March 2014

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders as at 14 March 2014)

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

Notes:

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

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

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

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

PERCENTAGE OF SHARES HELD BY THE PUBLIC

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of First Resources Limited (the "Company") will be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Level 3, Room 310, Suntec City, Singapore 039593 on Wednesday, 23 April 2014 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2013 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a final dividend of 3.25 Singapore cents (S$0.0325) (one-tier, tax-exempt) per ordinary share for the year ended 31 December 2013 (2012: S$0.0275). **(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)**
   Ms Ng Shin Ein **(Resolution 4)**

   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.

   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 re-appoint Mr Ong Beng Kee, a Director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.
   [See Explanatory Note (i)] **(Resolution 5)**

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

5. To approve the payment of Directors' fees of S$385,000 for the year ended 31 December 2013 (2012: S$395,000). **(Resolution 6)**

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

7. 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:

8. **Authority to issue shares**

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

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

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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

provided that:

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

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

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

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

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

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

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

[See Explanatory Note (ii)] **(Resolution 8)**

9. **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 (iii)] **(Resolution 9)**

By Order of the Board

Cheng Soon Keong
Lynn Wan Tiew Leng
Company Secretaries

Singapore
7 April 2014

Explanatory Notes:

(i) The effect of the Ordinary Resolution 5 proposed in item 4 above, is to re-appoint a Director of the Company who is over the age of 70 years.

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

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

(iii) The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition, including the amount of financing and financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2013 are set out in greater detail in the Circular dated 7 April 2014 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.

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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 Convention & Exhibition Centre, 1 Raffles Boulevard, Level 3, Room 310, Suntec City, Singapore 039593 on Wednesday, 23 April 2014 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2013		
2	Payment of proposed final dividend		
3	Re-election of Mr Lim Ming Seong as a Director		
4	Re-election of Ms Ng Shin Ein as a Director		
5	Re-appointment of Mr Ong Beng Kee as a Director		
6	Approval of Directors' fees amounting to S$385,000		
7	Re-appointment of Messrs Ernst & Young LLP as Auditor		
8	Authority to issue new shares		
9	Renewal of Share Purchase Mandate		

Dated this ____________ day of ____________ 2014

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

(Please see notes overleaf before completing this Form)

FIRST RESOURCES LIMITED

(Company Registration No. 200415931M)
(Incorporated In the Republic of Singapore)

NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

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

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

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

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

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

General:

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

FIRST RESOURCES LIMITED
Company Registration Number : 200415931M

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