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WE STARTED PLANTING IN 1992, FIRMLY BELIEVING IN THE  
**long-term fundamentals**  
OF THE PALM OIL INDUSTRY



**95,000** HECTARES OF  
OIL PALM PLANTATIONS  
**7** PALM OIL MILLS



OUR PLANTATIONS HAVE  
**grown in size**





**66%** OF TREES  
ARE MATURE

**56%** IN PEAK  
PRODUCTION AGE

AVERAGE AGE OF  
**7.5 YEARS OLD**

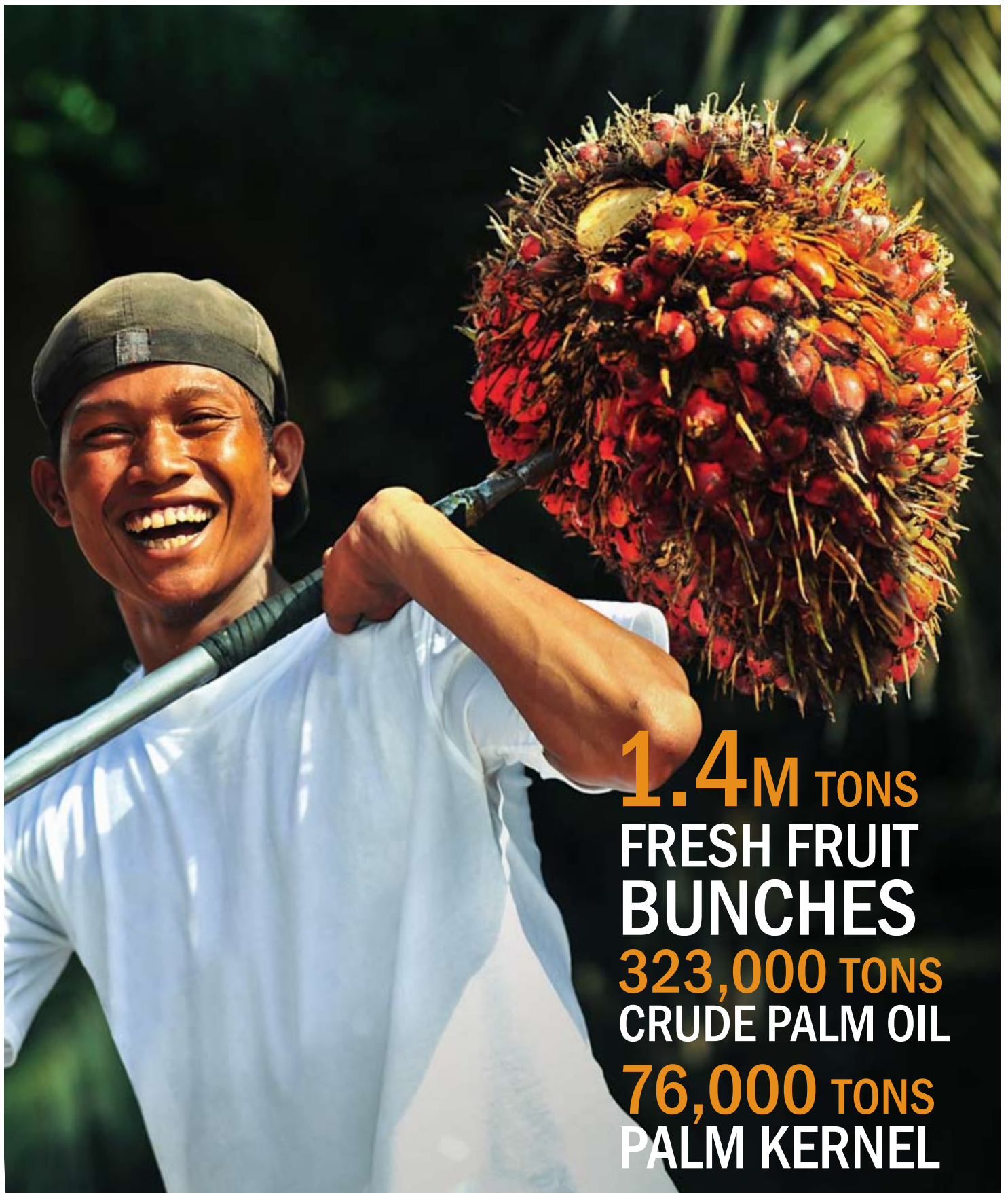
OUR TREES HAVE  
**grown in maturity**





WE ARE BEGINNING TO REAP THE  
**fruits of our labour**





**1.4M TONS**  
**FRESH FRUIT**  
**BUNCHES**  
**323,000 TONS**  
**CRUDE PALM OIL**  
**76,000 TONS**  
**PALM KERNEL**

AND LOOKING FORWARD TO A  
**bigger harvest tomorrow**

# Group At A Glance

First Resources Limited is a fast-growing plantation group, with oil palm plantations strategically located in the Sumatra and Kalimantan islands of Indonesia. Established in 1992, we now manage more than 95,000 hectares of planted oil palm plantations. Our primary business activities are cultivating oil palm trees and processing the harvested fresh fruits bunches into crude palm oil and palm kernel.

Our established track record over the years demonstrates our strong expertise in plantation cultivation and management. Our closely integrated operations enable us to benefit from operational synergies and efficiencies. It is our goal to leverage on our core strengths and continue the expansion of our plantation size over the next few years.

Visit us at [www.first-resources.com](http://www.first-resources.com) to be kept abreast of our progress and developments.

## OUR KEY STRENGTHS

### Young Plantation Profile

The weighted average age of our oil palms trees is approximately 7.5 years, with only 56% of our trees in their prime production age (defined as the eighth to seventeenth year). 34% of our trees are still immature and will start yielding within the next 3 years. None of our trees is classified as 'old' by industry standards, the point where yield typically starts to decline. This young profile of our plantations reflects substantial production growth to be realised in the coming years.

### Focused Business Model

We are focused on the upstream segments of the palm oil value chain. Our expertise in plantation cultivation and management has developed over the years and has enabled us to capture the strong margins available in this segment. We will continue to scale up our upstream assets in the future.

### Productive & Cost-Efficient Operations

We have delivered high yields per hectare and high crude palm oil extraction rates despite our young plantation profile, a testimony to our plantation management expertise. Our closely integrated operations have provided operational synergies and efficiencies, allowing us to keep our production costs very competitive within the industry.

### Landbank for Future Growth

We have a sizeable amount of unplanted landbank in Indonesia. This gives us the capacity to pursue and execute our plantation expansion plans.



## OUR BUSINESS MODEL



**PLANTATIONS**



**PALM OIL MILLS**



**BIODIESEL PLANT**

### Cultivation and Harvesting

- Our oil palm plantations are mostly situated in the Riau province of Sumatra, Indonesia. We have ventured into the province of West Kalimantan, Indonesia, in 2008.
- We use premium seeds to ensure high-yielding trees and high oil content within the fruits.
- Our years of plantation management experience and our disciplined plantation practices enable us to get the optimal harvest out of our plantations.

### Extraction

- We send all the harvested fresh fruit bunches to our own palm oil mills for extraction of crude palm oil and palm kernel.
- All our mature oil palm estates are within a 50km radius from a palm oil mill. This proximity ensures freshness of fruits as well as transportation efficiency.

### Refining and Transesterification

- We will send the crude palm oil from our mills to be further refined into biodiesel, if this process brings in additional margins for the Group.
- Our integrated operations gives us the operational flexibility to optimise the use of our biodiesel plant.

### Production Assets

- 95,241 hectares of planted oil palm plantations under management, of which 11,165 hectares are under the smallholder ownership schemes.
- 62,616 hectares of yielding mature plantations.

### Production Assets

- 7 palm oil mills.
- Capacity of 390 tons per hour or 2.34 million tons of fresh fruit bunches per year.

### Production Assets

- Capacity of 250,000 tons of biodiesel per year.

### In 2008

- 1.4 million tons of fresh fruit bunches harvested.
- Average yield of 22.42 tons per hectare.

### In 2008

- 322,678 tons of crude palm oil and 76,332 tons of palm kernel produced.
- Average crude palm oil and palm kernel extraction rates of 22.83% and 5.40% respectively.

### In 2008

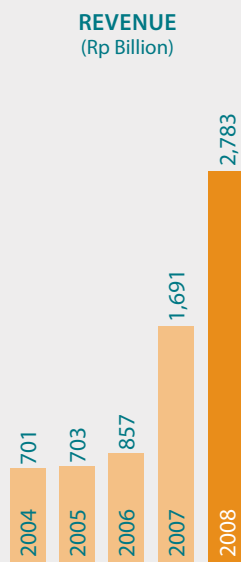
- Ongoing construction of the plant. Commissioning of the plant expected in 2009.



# Financial Highlights

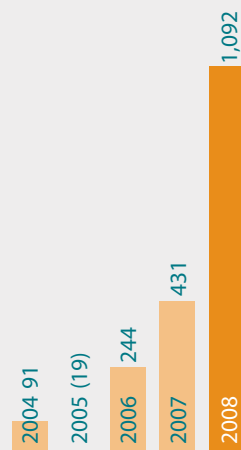
FINANCIAL YEAR	2004	2005	2006	2007	2008
<b>INCOME STATEMENT (Rp Billion)</b>					
Revenue	701	703	857	1,691	2,783
Gross Profit	242	243	370	925	1,860
Gains / (Losses) arising from Changes in Fair Value of Biological Assets	130	(57)	270	157	378
Profit from Operations	310	126	611	989	2,082
EBITDA <sup>(1)</sup>	223	227	392	897	1,791
Profit before Taxation	201	22	503	891	1,622
Profit for The Year	134	7	351	627	1,152
Net Profit Attributable to Equity Holders	91	(19)	244	431	1,092
<b>BALANCE SHEET (Rp Billion)</b>					
Total Assets	2,488	2,766	3,805	6,250	7,815
Total Liabilities	1,241	1,268	2,209	2,943	3,484
Total Equity	1,247	1,497	1,596	3,307	4,331
Equity Attributable to Equity Holders	845	1,025	971	3,206	4,162
<b>FINANCIAL STATISTICS</b>					
Gross Profit Margin (%)	35	35	43	55	67
EBITDA Margin (%)	32	32	46	53	64
Net Profit Margin (%) <sup>(2)</sup>	13	(3)	28	25	39
Earnings per Share (Rp) <sup>(3)</sup>	62	(13)	167	295	746
Net Debt to Equity (times) <sup>(4)</sup>	1.0	0.8	0.8	0.1	0.2
EBITDA to Interest Expense (times) <sup>(5)</sup>	2.0	2.3	3.7	9.4	9.0
Net Asset Value per Share (Rp) <sup>(6)</sup>	581	705	668	2,206	2,864
<b>Notes :</b>					
1. EBITDA = Profit from operations before depreciation, amortisation and gains / losses in fair value of biological assets					
2. Net profit margin = net profit attributable to equity holders / revenue					
3. Earnings per share = net profit attributable to equity holders / weighted average number of ordinary shares (excluding treasury shares) in issue during financial year ended 31 December 2008					
4. Net debt to equity = interest bearing loans and borrowings less cash and cash equivalents / equity attributable to equity holders					
5. Interest expense = sum of interest expenses (excluding capitalised interest) on interest bearing debts					
6. Net asset value per share = equity attributable to equity holders / number of ordinary shares (excluding treasury shares) in issue at end of financial year ended 31 December 2008					





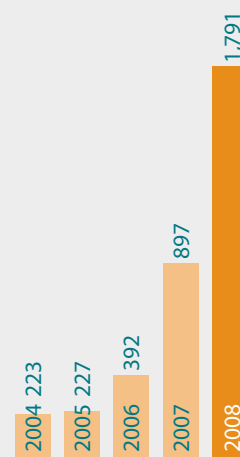
**CAGR 41%**

**NET PROFIT ATTRIBUTABLE  
TO EQUITY HOLDERS**  
(Rp Billion)



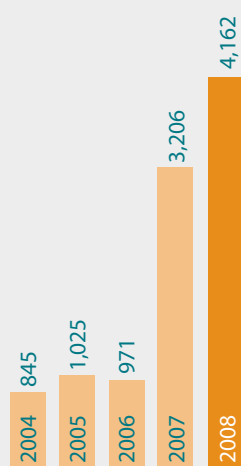
**CAGR 86%**

**EBITDA**  
(Rp Billion)

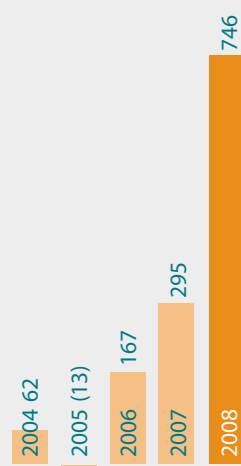


**CAGR 68%**

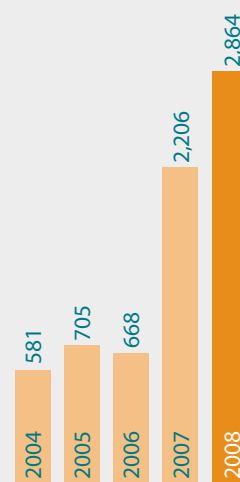
**EQUITY ATTRIBUTABLE  
TO EQUITY HOLDERS**  
(Rp Billion)



**EARNINGS PER SHARE**  
(Rp)



**NET ASSET VALUE  
PER SHARE**  
(Rp)



**Notes :**

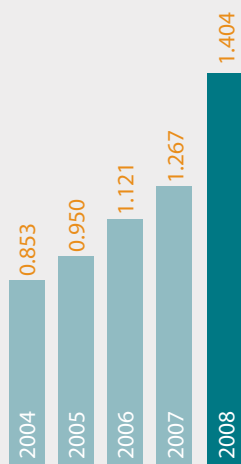
CAGR : Compounded Annual Growth Rate



# Operational Highlights

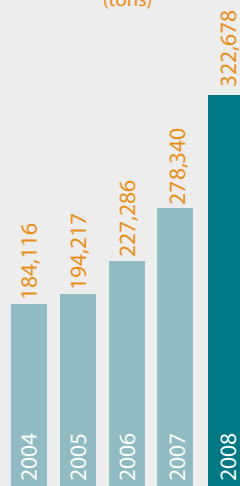
FINANCIAL YEAR	2004	2005	2006	2007	2008
<b>PLANTATION AREA</b>					
<b>Total Planted Area (hectares)</b>	<b>63,959</b>	<b>68,628</b>	<b>78,705</b>	<b>86,354</b>	<b>95,241</b>
Mature	54,590	55,029	55,945	58,119	62,616
Immature	9,369	13,599	22,760	28,235	32,625
<b>Nucleus Planted Area (hectares)</b>	<b>55,977</b>	<b>60,240</b>	<b>69,739</b>	<b>76,666</b>	<b>84,076</b>
Mature	48,300	48,391	49,157	50,842	54,915
Immature	7,677	11,849	20,582	25,824	29,161
<b>Plasma Planted Area (hectares)</b>	<b>7,982</b>	<b>8,388</b>	<b>8,966</b>	<b>9,688</b>	<b>11,165</b>
Mature	6,290	6,638	6,788	7,277	7,701
Immature	1,692	1,750	2,178	2,411	3,464
<b>PRODUCTION</b>					
<b>Total Fresh Fruit Bunches Production (tons)</b>	<b>852,605</b>	<b>949,517</b>	<b>1,120,765</b>	<b>1,266,762</b>	<b>1,403,794</b>
Nucleus	737,664	831,369	1,004,544	1,131,179	1,243,747
Plasma	114,941	118,148	116,221	135,583	160,047
<b>Crude Palm Oil Production (tons)</b>	<b>184,116</b>	<b>194,217</b>	<b>227,286</b>	<b>278,340</b>	<b>322,678</b>
<b>Palm Kernel Production (tons)</b>	<b>32,599</b>	<b>38,981</b>	<b>47,759</b>	<b>63,470</b>	<b>76,332</b>
<b>PRODUCTIVITY</b>					
<b>Fresh Fruit Bunches Yield (tons / mature hectare)</b>	<b>15.62</b>	<b>17.25</b>	<b>20.03</b>	<b>21.80</b>	<b>22.42</b>
<b>Crude Palm Oil Extraction Rate (%)</b>	<b>20.26</b>	<b>20.30</b>	<b>21.86</b>	<b>22.23</b>	<b>22.83</b>
<b>Palm Kernel Extraction Rate (%)</b>	<b>3.59</b>	<b>4.07</b>	<b>4.59</b>	<b>5.07</b>	<b>5.40</b>
<b>Crude Palm Oil Yield (tons / mature hectare)</b>	<b>3.16</b>	<b>3.50</b>	<b>4.38</b>	<b>4.85</b>	<b>5.12</b>

**FRESH FRUIT BUNCHES  
PRODUCTION**  
(mil tons)



**CAGR 13%**

**CRUDE PALM OIL  
PRODUCTION**  
(tons)



**CAGR 15%**

**PALM KERNEL  
PRODUCTION**  
(tons)



**CAGR 24%**

**FRESH FRUIT BUNCHES  
YIELD**  
(tons / mature hectare)



**CRUDE PALM OIL  
EXTRACTION RATE**  
(%)



**CRUDE PALM OIL  
YIELD**  
(tons / mature hectare)



**Notes :**

CAGR : Compounded Annual Growth Rate



# Message to Shareholders

**FY2008 WAS A RECORD YEAR FOR THE GROUP BECAUSE OF RECORD CPO PRICES AND OUR ALL-TIME HIGH PRODUCTION VOLUMES.**

**Net profit attributable to shareholders came in at Rp1,091.8 billion (S\$159.2 million).**



## Reflections on FY2008

Year 2008 was a year of exceptional volatility. In the first half of 2008, robust growth in consumption-based demand for crude palm oil ("CPO") from emerging economies, coupled with record high crude oil prices, led to a breath-taking rally in CPO prices. Prices had stabilized at historically high levels by the second quarter of 2008 when the unfolding worldwide financial crisis caught up. What ensued was an over-zealous correction in CPO prices that was by every measure as aggressive as its preceding ascend.

This episode has vindicated many of our core beliefs, and at the same time served us reminders of the challenges ahead.

The first of such vindications was on the emphasis we put on our plantation productivity. The economics of this business is simple enough – with significant portion of our cost base being fixed or semi-fixed, productivity or mathematically CPO yield per mature hectare, becomes a key driver of cost and profitability. Over the years, we have focused unceasingly to better our productivity. It is satisfying to see that organic volume growth in FY2008 continued in double digits percentage, and our CPO yield per hectare rose to 5.1 tons – a respectable result in the industry, especially given our relatively young maturity profile. These achievements, we feel, played an integral part in making FY2008 a record year in profitability. And yet, with more than 34% of our trees being immature and another 10% not yet peaking in production, we know that our CPO production will only keep growing. However, such potential will amount to nought if not for the dedication and attentiveness of our plantation staff and management. We would like to commend their efforts in making FY2008 another year of strong growth, and for laying cornerstones for future growth.

Secondly, we recognize our competitive strength to be in the ownership of oil palm plantations and therefore of CPO. We aspire to be a palm-oil franchise whose backbone is a sizeable and profitable plantation operation. To achieve this, we have faithfully ploughed back a significant portion of our earnings into new plantations. That the CPO market is on a down cycle has not been a deterrent to us. For instance, between 1999 and 2005, we planted 18,194 hectares, enlarging our plantation assets by 37% from the FY1998 ending base. This counter-cyclical investment strategy has served us well, as these investments began, literally and figuratively, bearing fruits when the market turned up in 2006-2008. And those early investments mean even more as new planting costs have ratcheted upwards since. The plantation business has always been a long-term proposition, given the productive lifespan of palm trees is circa 25 years.

And we believe we are adopting the right approach to run this marathon race.

Thirdly, we have always adopted enterprise risks commensurate with our business model of a pure plantation play. Being a producer of CPO, we have an annually recurring 'long' position in CPO and our challenge is to place out those volumes at as favourable prices as possible. Due to market volatilities, we have adopted a conservative selling strategy to forward a portion of our expected production volumes whenever we can lock in favourable prices and protect our margins. Moreover, the Group does not take speculative positions in the CPO market – this being an unnecessary risk given our market niche. The record volatility witnessed in FY2008 lent strong support to our conservativeness, not just from the angle of securing favourable forward prices in the fourth quarter, but also from the point of view of not being hampered by speculative losses. Moreover, in that difficult period, we had no defaulted purchase commitments. We have been and will continue to be diligent in assessing counterparty risks, and undoubtedly, this is a challenge which we will continue to confront as our production volumes grow.

### **FY2008 Financial Results**

FY2008 was a record year for the Group because of record CPO prices and our all-time high production volumes. Net profit attributable to shareholders came in at Rp1,091.8 billion (S\$159.2 million). However, we prefer to reference our "underlying net profit" which is net profit adjusted for gains or losses from biological asset revaluation, a stipulation of Singapore accounting standards for biological assets. Underlying net profit in FY2008 was Rp832.3 billion (S\$121.4 million), which implies a five-year CAGR of 121%. Total shareholder funds increased to Rp4,162.4 billion (S\$563.8 million) as at 31 December 2008. An interim dividend of Singapore 1.4 cents per share was declared and paid out in September 2008. Although the Company has performed well in FY2008, the Board has decided not to recommend a final dividend as it believes that it is in the best interest of both the Group and shareholders that the Group preserves cash, especially in light of uncertain macroeconomic and financial environments.

### **Outlook and Growth Strategy**

Outlook for the CPO industry will obviously be clouded by the macroeconomic uncertainty we face globally. Although world governments have been diligently concocting stimulus packages, the broad consensus is that the world economy could take a few years to recover. Since our main markets are the emerging economies such as China and India, the crucial point of consideration

is the impact of this crisis on the average consumer in these countries. While the jury is still out on this issue, it is clear that the demand for palm oil, which is a necessity with relatively inelastic demand, will be more sheltered than that of many other goods imported into China and India.

On the supply-front, CPO and many other vegetable oils are still subject to notorious weather shocks, such as the record droughts in Latin America in the first quarter of 2009. At the same time, Indonesian and Malaysian statistics are documenting veritable signs of 'tree stress' and the accompanying fall in industry production growth. This moderation in supply in the face of uncertain demand has helped to support prices since the trough experienced in the fourth quarter of 2008. For the rest of 2009, one would expect these supply-sided topics to continue to hog industry headlines.

The Group has prepared itself well for the uncertain times ahead. Our key strength is the possession of a young plantation maturity profile, which implies good production growth potential. Therefore, once again in FY2009, we expect better CPO volumes than previous years. Production growth and the maintenance of a low cost base are our best defence in such uncertain times.

Looking further ahead, we remain optimistic on the long-term fundamentals of the palm oil industry. We will continue to add to our planted hectareage, as we did in FY2008 when we added 8,887 new hectares of oil palms. We will begin planting on our new landbank in West Kalimantan in FY2009. In addition, we are also kickstarting our investment in a seed garden project, which will secure high-yielding seeds for our future planting programme. However, overall, capital expenditure will not be as aggressive as previous years as we need to balance between sufficient liquidity and growth objectives.

### **In Appreciation**

On behalf of the board, we would like to thank our shareholders for your continued trust and confidence in First Resources. We will remain committed and focused in creating shareholders' value. We would also like to take this opportunity to convey sincere appreciation to our employees, suppliers, customers and bankers for your steadfast support. We look forward to working alongside you all to build a stronger business in the year ahead.

**Lim Ming Seong**  
Chairman and  
Independent Director

**Ciliandra Fangiono**  
Director and  
Chief Executive Officer



# Financial & Operational Review



## FINANCIAL REVIEW

For the full year ended 31 December 2008 ("FY2008"), the Group's income statement included the results of PT Meridan Sejatishurya Plantation ("PT MSSP"), which effectively became a 94%-owned subsidiary after acquisitions of additional interests in July 2007 and December 2007 (whereas for the comparative period, it was equity-accounted for as a 30.6%-owned associate). Furthermore, the acquisition of minority interests in PT Panca Surya Agrindo in December 2007 resulted in a smaller proportion of results being shared with minority shareholders in FY2008 as compared to the full year ended 31 December 2007 ("FY2007").

### Sales

Sales increased by 64.5% to Rp2,782.9 billion in FY2008. This was attributed to the increased production volumes of crude palm oil ("CPO"), palm kernel ("PK") and fresh fruit bunches ("FFB"), the consolidation of PT MSSP's financial statements, as well as the higher average selling prices achieved for both CPO and PK.

### Cost of Sales / Cost of Production

Cost of sales comprises mainly of harvesting costs, plantation maintenance costs, FFB purchases from plasma farmers, plantation general expenses and mill processing costs. Cost of sales increased by 20.4% to Rp922.5 billion in FY2008.

A large portion of this increase was due to increases in the value of FFB purchases, as both average prices and volume of FFB purchased from plasma farmers increased over FY2007. The prices of plasma FFB are set regularly by the regional government, based on market prices of CPO. As a result of higher average CPO

prices registered in FY2008, the prices set for plasma FFB were also higher as compared to FY2007. There were also increases in plantation general expenses, freight charges, mill processing costs, and factory general expenses. However, after adjusting for the consolidation effect of PT MSSP, these increases were in line with the higher volume of FFB harvested, transported and processed at the mills.

Though we were not insulated from inflationary pressures which translated into higher energy, transportation and fertiliser costs, we have managed to keep the cash costs of producing CPO from our nucleus plantations at approximately US\$200/ton of CPO.

### Gross Profit

Gross profit increased by 101.1% to Rp1,860.5 billion in FY2008 and gross margin increased from 54.7% in FY2007 to 66.9% in FY2008. The margin expansion was mainly a result of the maintenance of our unit cost of production, while our sales benefitted from the higher average selling prices.

### Gains from Changes in Fair Value of Biological Assets

In accordance with the Singapore Financial Reporting Standards ("SFRS") No. 41, "Agriculture", our biological assets which comprise primarily of oil palm plantations, have to be stated at fair value less estimated costs-to-sell. The fair value of plantations is determined by an independent valuer, based on the present value of the plantation's expected future net cash inflows. The expected future cash flows are determined using forecasted markets prices of the products. Any resultant gains or losses arising from changes in fair value are recognised in the income statement.



**GROSS PROFIT INCREASED BY  
101.1% TO RP1,860.5 BILLION  
IN FY2008 AND**

**gross margin increased  
from 54.7% in FY2007  
to 66.9% in FY2008.**

For FY2008, gains arising from changes in fair value of biological assets totaled Rp377.7 billion, an increase of 141.2% from FY2007. This increase was mainly due to the adoption of income approach for valuation of immature plantations (whereas in FY2007, immature plantations were valued using the cost approach), as well as additions in hectareage from new plantings carried out in FY2008.

### Operating Expenses

Selling and distribution costs comprise mainly of transportation expenses and export taxes and these increased by 322.0% to Rp166.2 billion in FY2008. This significant increase was mainly due to higher export taxes incurred as a result of an increase in Indonesia's export taxes levied on CPO in the first ten months of 2008, and an increase in our CPO export volume. Excluding the export tax component, the increase in selling and distribution costs was in line with the growth in volume of FFB harvested and transported.

General and administrative expenses comprise of professional fees, remuneration of office staff, licences and software fees. This increased by 104.0% to Rp115.6 billion in FY2008 and was mainly due to increases in salaries, bonus and professional fees.

### Profit from Operations and EBITDA

Profit from operations increased by 110.6% to Rp2,081.9 billion in FY2008. EBITDA (profit from operations before depreciation & amortisation and gains from biological asset revaluation) increased 99.6% to Rp1,790.8 billion and EBITDA margin improved from 53.1% in FY2007 to 64.3% in FY2008.

### Net Financial Expenses

Net financial expenses comprise of interest expenses after deducting interest income, other financial gains/losses and unrealised gains/losses arising from foreign exchange translation of financial activities. Part of the interest payments on our debt, the gains/losses arising from foreign exchange translation of our outstanding debt and the amortisation costs of issuing the debt are capitalised to our immature plantations or to the biodiesel plant under construction. Interest expense recognised in the income statement represents the components of these that are not capitalised.

In FY2008, net financial expenses increased by 242.7% to Rp459.8 billion. The significant increase was mainly due to additional indebtedness in the form of the Indonesian Rupiah ("IDR") bond we issued in November 2007 and translation losses arising from IDR translation of our U.S. Dollar ("USD") Notes (issued in December 2006) as a result of a weaker IDR. There was also a mark-to-market loss of Rp164.9 billion incurred on a cross currency swap that the Group entered into in November 2007 to swap both the principal and interest payments of our IDR bond into USD liabilities. The mark-to-market losses were incurred as the IDR depreciated and the USD/IDR forward swap levels widened. The above charges were partly offset by a gain of Rp69.0 billion booked from repurchasing some of our USD Notes at a discount.

### Net Profit and Earnings per Share

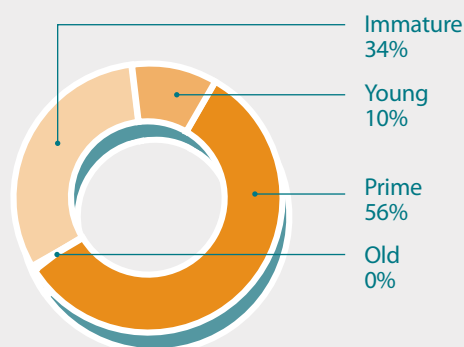
Net profit attributable to equity holders increased by 153.2% to Rp1,091.8 billion and net profit margin improved from 25.5% in FY2007 to 39.2% in FY2008. Earnings per share increased from Rp404 in FY2007 to Rp746 in FY2008.



# Financial & Operational Review

## PLANTATION MATURITY PROFILE

Age	Area (Ha)	% of Total
0-3 years (Immature)	32,625	34%
4-7 year (Young)	9,583	10%
8-17 years (Prime)	53,033	56%
18 years and above (Old)	-	0%
<b>Total</b>	<b>95,241</b>	<b>100%</b>



## Assets

Total assets of the Group grew by 25.1% from Rp6,249.7 billion as at 31 December 2007 to Rp7,815.3 billion as at 31 December 2008.

Biological assets grew by Rp750.9 billion mainly due to the new plantings and land preparation works carried out during the year, the acquisition of PT Borneo Ketapang Permai and subsidiaries ("PT BKP"), and the adoption of income approach in valuing immature plantations (which were previously valued using cost approach). Net book value of property, plant and equipment rose by Rp522.8 billion mainly due to our capital expenditure in a new biodiesel plant and a new CPO mill. Our cash and bank balances decreased from Rp1,557.5 billion as at 31 December 2007 to Rp1,092.1 billion as at 31 December 2008. The cash was used for our capital expenditure programme, acquisitions of PT Panca Surya Garden and PT BKP, partial repurchase of the Group's USD Notes, repurchase of the Company's ordinary shares and payment of an interim dividend in September 2008.

## Liabilities and Liquidity

We have 2 forms of financial debt on our liability book and these are:

- 10.75% USD-denominated notes issued in December 2006, maturing in December 2011
- 11.50% IDR-denominated bond issued in November 2007, maturing in November 2012

At the inception of the IDR Bond, we entered into a cross currency swap to convert the 11.50% Rp500 billion bond into a 7.40% US\$53.4 million liability.

Total liabilities of the Group grew by 18.4% to Rp3,484.4 billion as at 31 December 2008. There were increased derivative financial liabilities incurred as a result of mark-to-market losses on the cross currency swap transaction and increased deferred tax liabilities due to gains arising from biological assets valuation. The USD Notes payable in IDR terms increased over the year as a result of translation losses from a weaker IDR. Outstanding Notes payable in USD terms has decreased from US\$160 million as at 31 December 2007 to US\$140.8 million as at 31 December 2008. This was due to the repurchase and cancellation of US\$19.2 million of these notes in FY2008.

Short-term refinancing risk is low as a significant portion of our financial debt matures on and after December 2011. Our net-debt to equity and net-debt to EBITDA ratios remain comfortable at 0.22 and 0.52 times respectively.

## Equity

Total equity increased to Rp4,330.9 billion as at 31 December 2008 due to the Group's strong performance in FY2008. The increase in total equity was slightly offset by increase in treasury shares as a result of share buyback by the Company in the second half of 2008, as well as payment of an interim dividend in September 2008.

## OPERATIONAL REVIEW

The typical life span of an oil palm tree is approximately 25 years. A newly planted oil palm will take approximately 3 years to mature and start yielding. We start harvesting FFB from the oil palms when they reach the age of 4 years. However, FFB yields from young palms (defined as the age from 4-7 years old) are relatively low. They reach their prime peak producing years when they are 8-17 years old. Beyond 18 years, the yield begins to decline.

As at 31 December 2008, we have a total planted area of 95,241 hectares of which 62,616 hectares (or 66%) are mature and yielding. We have 7 palm oil mills with an aggregate processing capacity of 2.34 million tons of FFB per year.

### Production

FY2008 was a good year for us operationally, as we achieved yet another year of record production volumes. We produced 322,678 tons of CPO, 76,332 tons of PK and 1,403,794 tons of FFB in FY2008 which represents significant increases of 15.9%, 20.3% and 10.8% respectively over FY2007.

The increase in FFB production was mainly due to the increase in mature hectareage. We had 4,497 hectares of previously immature oil palms that matured and started producing in FY2008. In addition, we had better volumes from the existing mature trees as they aged into their prime years. Our CPO volume growth was higher than our FFB volume growth as a result of better CPO extraction rates achieved in FY2008, and the commencement of our seventh CPO mill in the fourth quarter of 2007. With this additional mill, we ceased selling FFB from certain estates and started to process all our FFB internally.

### Efficiency

Our average FFB yield per mature hectare per year was up at 22.42 tons, as compared to 21.80 tons in FY2007. The improvement in FFB yield was due to the higher productivity of existing mature palms as they aged into their prime years. It is also a result of our continuous commitment to fertilisation, field management improvements and infrastructure improvements. The average CPO extraction rates (amount of CPO per unit of FFB processed) grew to 22.83%, as compared to 22.32% in FY2007, while PK extraction rates grew to 5.40% from 5.07% in FY2007. The improvement in extraction rates is significant as the increased output generally translates directly into earnings. The improvement in extraction rates was attributed to the improving maturity profile of our trees and the continuous efficiency improvements at our mills. Our average CPO yield per mature hectare per year rose to 5.12 tons.

### New Plantings and Plantation Maturity Profile

We continued with our planting plans and added an additional 8,887 hectares of new oil palms in FY2008, bringing our immature area to 32,625 hectares as of 31 December 2008. These immature palms will develop into mature palms over the next 3 years and start contributing to production volumes. Our plantation profile is young with an average weighted age of 7.5 years old. About 10% of our trees are still young (4-7 years old) and have not reach their peak producing years. Therefore, barring unforeseen weather circumstances, we expect our production volumes to continue to grow in the next few years as our trees grow in maturity.





# Board of Directors

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



## **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 2008. He is currently the Chairman of CSE Global Ltd and also sits on the board of several other listed companies. Mr Lim was with the Singapore Technologies group from 1986 through 2002, where he held various senior management positions and was Group Director when he left. Prior to joining Singapore Technologies, Mr Lim was with the Singapore Ministry of Defence.

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

## **Ciliandra Fangiono** Director and Chief Executive Officer

Mr Ciliandra Fangiono was appointed to the Board in April 2007. He joined the First Resources Group in 2002, and has held the position of Chief Executive Officer since 2003. Prior to joining the Group, Mr Fangiono was at the Investment Banking Division of Merrill Lynch, Singapore, where he worked on mergers, acquisitions and fund raising exercises by corporates in the region.

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

## **Ng Shin Ein** Independent Director

Ms Ng Shin Ein was appointed to the Board in October 2007 and was last re-elected as a Director in April 2008. She is the Regional Managing Director of Blue Ocean Associates Pte Ltd, a firm focused on investing in and providing financing solutions to businesses in Asia. Prior to this, Ms Ng was with the Singapore Exchange, where she was responsible for developing Singapore's capital market by bringing foreign companies to list in Singapore. Additionally, she was part of the Singapore Exchange's IPO Approval Committee. Ms Ng practiced as a corporate lawyer in Messrs Lee & Lee for a number of years. Whilst in legal practice, she advised on joint ventures, mergers and acquisitions and fund raising exercises. Ms Ng also sits on the board of NTUC Fairprice and Yanlord Land Group.

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



#### **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 2008. He also serves as independent director of several other listed companies. Mr Teng was previously with the Singapore Exchange for more than 10 years, where he was Executive Vice President and Head of its Risk Management and Regulatory Division when he left. From 1985 to 1989, he served as assistant director and later a deputy director in the Monetary Authority of Singapore. During that period, he was also concurrently Secretary to the Securities Industry Council.

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

#### **Hee Theng Fong** **Independent Director**

Mr Hee Theng Fong was appointed to the Board in October 2007 and was last re-elected as a Director in April 2008. He is a practising lawyer with more than 20 years' experience in legal practice. Mr Hee's current appointments include being a Fellow of the Chartered Institute of Arbitrators (UK), an Arbitrator of Singapore International Arbitration Centre (SIAC) and China International Economic and Trade Arbitration Commission (CIETAC). Mr Hee is also a member of the Standing Committee of the Singapore Chinese Chamber of Commerce & Industry and an independent director of several public listed companies. He is frequently invited to speak on Director's Duties and Corporate Governance in seminars organised by the Singapore Institute of Directors and the Singapore Exchange.

Mr Hee holds a LLB (Honours) from the University of Singapore and also a Diploma in PRC Law.

#### **Ray Yoshuara** **Non-Executive Director**

Mr Ray Nugraha Yoshuara was appointed to the Board in October 2007 and was last re-elected as a Director in April 2008. He is currently the Vice President of Corporate Planning of the Uniseraya Group, where he was the Vice President of Finance from January 1998 to February 2007. Mr Yoshuara's previous working experience includes serving as Reporting Accountant in Atlantic Richfield Bali North Inc., Financial Planning & Control Manager with the Gelael Group, and Lecturer at Tarumanagara University.

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

#### **Wirastuty Fangiono** **Non-Executive Director**

Ms Wirastuty Fangiono was appointed to the Board in June 2007 and was last re-elected as a Director in April 2008. She was the President Commissioner of PT Ciliandra Perkasa, the main subsidiary of First Resources, from 2003 to 2007. Ms Fangiono was also PT Ciliandra Perkasa's Chief Executive Officer from 1998-2001, where she oversaw the strategic expansion plans of the group. From 2001 to 2003, she held the position of Vice President (Operations) at the Surya Dumai Group. Ms Fangiono began her career at PT Surya Dumai Industry Tbk where she last held the position of Logistic Director of its Forest and Forest Production Division.

Ms Fangiono holds a Bachelor of Commerce from the University of Toronto, Canada.



# Our People



We believe that the quality of human resources plays a pivotal role in our labour-intensive industry and we fully recognise that good employees are our most important asset. Our Group has 6,383 permanent employees as at the end of December 2008 and a further 4,100 contract employees. Our emphasis is on selecting, recruiting, developing and retaining the best people in the various specialist fields.

Our selection and recruitment drives are initiated through universities, vocational schools, and through networking in relevant professional sectors. Our people are then continuously developed through education and training programmes at all levels. Programmes include in-house training, external courses, as well as on-the-job training under the close supervision and mentorship from experienced staff.

We also strive to provide the best possible work environment. Safety and health are prime concerns, but we also provide social facilities for our employees and their families. Around 95% of our employees, who work on the plantations, live in housing provided by the Company. Other benefits for our employees include pensions, rice supply, accident insurance, health facilities, schools, and religious and recreation facilities.

Our aim is to ensure that our people have the right skills and experience, and are given the right environment to thrive in, so that they can contribute to the benefit of both the Company and the individual.

## KEY MANAGEMENT TEAM

### Ciliandra Fangiono

Chief Executive Officer

### Cik Sigih Fangiono

Deputy Chief Executive Officer

### Andrian Jayapranata

VP (Finance)

### Sugiat H. Sumeru

VP (Human Resources)

### Suhaili

VP (Strategic Planning & Technology)

### Karyazai

Head of Government Relations

### Low Ah Kam

Director (Plantation, Riau)

### Hariato Tanamoeljono

Director (Finance & Accounting, Riau)

### Tey Yee Jow

Director (Commercial, Riau)

### Tony Chandra

Director (General Affairs, Riau)

### Chan Yoon Fatt

Director (Engineering, Riau)

### Budi Gunawan

Director (Human Resources, Riau)

### Lion Sanjaya

Director (Internal Audit, Riau)

### Suherman

Director (Plantation, West Kalimantan)

### Sahat Siagian

Director (Finance & Accounting, West Kalimantan)

### Sikin Hutomo

Director (Human Resources, West Kalimantan)

### Ratmaja Ekaputra

Director (General Affairs, West Kalimantan)

### Tjandra Zhuan

Director (Commercial, West Kalimantan)

First Resources is committed to cultivating and maintaining a strong rapport with the investment community. Our shares are held by both global and local institutional funds and private investors. We recognise the importance of communicating and sharing timely updates with stakeholders. Frequent interactions in the forms of investor meetings, conference calls and analyst sessions enable the Company to openly communicate its performance, strategic and growth initiatives, while at the same time, seek invaluable feedback and insights.

Our investor relations activities include:

- Quarterly financial results briefings
- One-on-one meetings and teleconferences with analysts and fund managers
- Participation at local and overseas investor conferences organised by global financial institutions
- Local and overseas non-deal investor roadshows
- Site visits to our plantations and mills in Indonesia

Stakeholders are also encouraged to access our website, [www.first-resources.com](http://www.first-resources.com), for corporate and investor relations information and updates. Queries can be channelled to our investor relations team via the email address, [investor@first-resources.com](mailto:investor@first-resources.com).

Since our listing in December 2007, our analyst coverage has grown and there are now 7 research houses covering our Company:

- Citi Investment Research
- Daiwa Institute of Research
- DBS Vickers Securities
- Deutsche Bank
- DMG & Partners Securities
- Macquarie Research
- UOB Kay Hian

Going forward, we will continue to work at improving communications with our stakeholders, and at raising the profile of First Resources amongst the investing community.

## SUMMARY OF FY2008 INVESTOR RELATIONS CALENDAR

### 1st Quarter

- Announcement of FY2007 Results and Results Briefing
- DBS Vickers Agri-Business Corporate Day (Hong Kong)
- JP Morgan Energy Corporate Access Day (Singapore)

### 2nd Quarter

- Release of Annual Report 2007
- Annual and Extraordinary General Meetings
- Announcement of 1QFY2008 Results and Results Briefing
- Non-deal roadshow with Macquarie (Hong Kong & Singapore)
- Non-deal roadshow with Citi & DBS Vickers (London)

### 3rd Quarter

- Announcement of 2QFY2008 Results and Results Briefing
- Payment of Interim Dividends
- Citi Indonesia Investor Conference (Jakarta)

### 4th Quarter

- Announcement of 3QFY2008 Results and Results Briefing





# Corporate Social Responsibility

At First Resources, we are committed to being socially responsible towards the environment in which we operate in, and the communities whom we work alongside with. We aim to incorporate industry best practices into our Corporate Social Responsibility programmes and make concerted efforts to inculcate the sense of social responsibility in our employees.



## COMMITMENT TO RESPONSIBLE PALM OIL PRODUCTION

### RSPO Participation

We are a member of the Roundtable of Sustainable Palm Oil ("RSPO"), an association that promotes the production and use of palm oil in a sustainable manner. We strive to integrate the Principles and Criteria of RSPO (a framework of global standards developed by RSPO for sustainable palm oil production), and other international and local environmental standards, into our plantation practices. It is our intention to pursue RSPO certifications for all our plantations, though this will take place in stages. We have obtained the ISO 9000 Quality Management Systems and ISO 14000 Environmental Management Systems certifications for our main subsidiary, PT Ciliandra Perkasa, in October 2008 and are in the process of obtaining the same ISO certifications for the rest of our subsidiaries.

### Zero-Burning

We adopt a strict zero-burning policy in our land clearing process. Instead, we deploy machinery to clear land in preparation for new plantings. All our operations are monitored by Indonesia's National Board of Environment Affairs Control and we are in compliance with all material national and local Indonesian environmental rules and regulations.

### Waste and Pollution Minimisation

We advocate a recovery and recycle policy to reduce impact to the environment. The empty fruit bunches from our mills are used as organic fertilizers and the solid wastes from our mills (waste fiber and shells from fresh fruit bunches) are used for fuel. Our effluent waste treatment programme uses bacteria to breakdown effluent, which can then be used as fertilizers in the fields. We have also initiated a Clean Development Mechanism project which will contribute to the reduction of greenhouse gas emissions. Biological pest control initiatives, such as the use of barn owls to reduce rodent populations, are also in place to reduce reliance on chemicals and reduce the negative impact to the environment.

## COMMITMENT TO RESPONSIBLE COMMUNITY DEVELOPMENT

### Smallholder Ownership Schemes

We actively participate in the smallholder ownership schemes such as the Koperasi Kredit Primer Anggota ("KKPA") schemes and the Plasma programme, which were designed by the Indonesian government to assist smallholders to become independent plantation owners. Besides helping to develop and finance the plantation at low interest rates, we also train the communities on plantation management practices so that they can obtain maximum yield from their plantations. As at 31 December 2008, we have 11,165 hectares of planted plantations under such schemes, and we are committed to expand this going forward. Through the years, we have witnessed the success and benefits of these programmes manifested through higher standards of living for thousands of smallholders and their families.

### Education, Healthcare and Infrastructure

We recognise that education is the key to a better future for the local communities. Schools are built within our plantations and we provide educational funds and assistance in the forms of scholarships, uniforms and books. All our employees are covered by health and accident insurance. Medical care is also made available to all workers through the clinics that we have set up in our plantations. We also invest in the well-being of the local communities through infrastructure developments and maintenances such as roads and bridges, recreational facilities and places of worship.



### Land Development

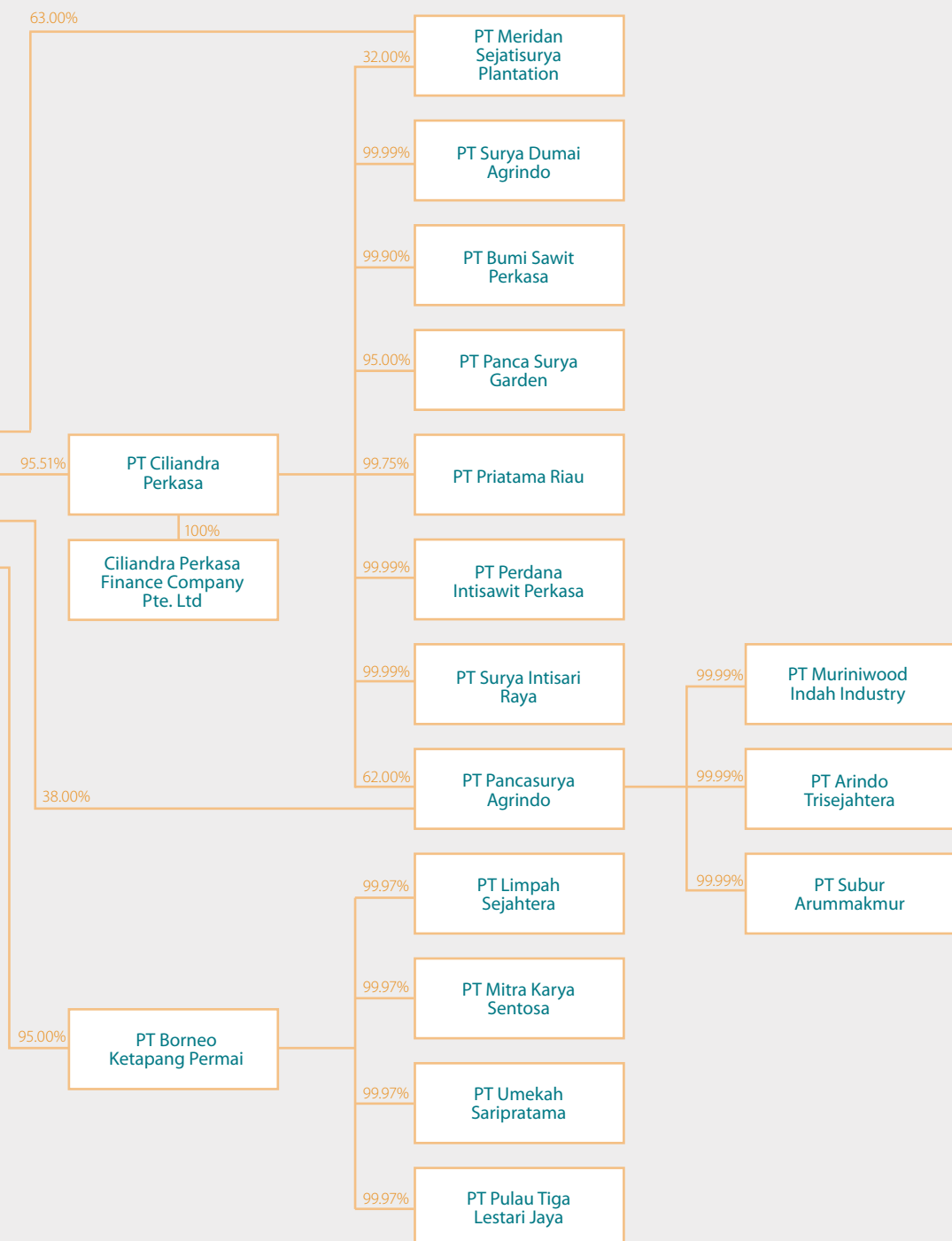
We strive to ensure that all mutual agreements with communities and individuals with regards to land rights are clearly defined, documented and legally established. We are committed to fair negotiations with local communities with regards to land rights and will offer fair compensation in the event of loss of rights. Aside from monetary compensation, the Group also offers employment that enables the villagers to earn a long term income.

**Our commitment to responsible palm oil production and community development is ongoing and our Group will continually seek to improve its operational practices and social initiatives by keeping abreast of global and industry standards.**





# Corporate Structure



**Note:**

Only operating entities are reflected

# Corporate Governance

First Resources Limited (the "Company") is committed to maintaining high standards of corporate governance in accordance with the principles set out in the Code of Corporate Governance 2005 (the "Code") and the guidelines contained in the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited. This report sets out the practices adopted by the Company.

## Principle 1: Board's Conduct of its Affairs

The Board oversees and approves the formulation of the Group's overall long-term strategic objectives and directions, with particular attention to growth and financial performance. The Board manages the Group in the best interest of shareholders and other stakeholders, and pursues the continual enhancement of long-term shareholder value.

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

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

The 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 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 ("AC"), (ii) Nominating Committee ("NC") and (iii) Remuneration Committee ("RC"). These committees function within clearly defined terms of reference.

The Board and the various committees comprise of the following members:

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

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. If necessary, Board meetings may be conducted by way of telephone or video conferencing as permitted under the Company's Articles of Association.

# Corporate Governance

The Directors' attendance at Board and committee meetings during the financial year ended 31 December 2008 is set out as follows:

	Board Meetings	Audit Committee Meetings	Nominating Committee Meetings	Remuneration Committee Meetings
No. of meetings held	4	5	1	1
Name	Attendance			
Lim Ming Seong	4	N.A.	1	N.A.
Teng Cheong Kwee	4	5	N.A.	1
Hee Theng Fong	4	5	N.A.	1
Ng Shin Ein	4	N.A.	1	1
Ciliandra Fangiono	4	N.A.	1	N.A.
Ray Yoshuara	4	5	N.A.	N.A.
Wirastuty Fangiono	4	N.A.	N.A.	N.A.

N.A. - Not applicable

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

## Principle 2: Board Composition and Guidance

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

The Directors appointed are qualified professionals who, as a group, possess a diverse range of expertise to provide core competencies such as accounting and finance, business management, strategic planning and industry knowledge. Key information of individual Directors is set out on pages 18 and 19 of this annual report.

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

## Principle 3: Chairman and Chief Executive Officer

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

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



## Principle 4: Board Membership

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

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

In assessing the independence of the Directors, the NC has examined the relationship identified by the Code that might impair the Directors' independence and objectivity. The NC is satisfied that the four Directors, namely Mr Lim Ming Seong, Mr Teng Cheong Kwee, Mr Hee Theng Fong and Ms Ng Shin Ein, have no existing relationships with the Group and are able to act with independent judgement. The NC is of the view that although some Directors have other board representations, they are able to and have adequately carried out their duties as Directors of the Company.

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

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

## Principle 5: Board Performance

The NC undertakes a process to assess the effectiveness of the Board as whole. During the financial year, Directors were requested to complete evaluation forms to assess the overall effectiveness of the Board. The results of the evaluation exercise were considered by the NC which then make recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The appraisal process focused on evaluation of factors such as the size and composition of the Board, the Board's access to information, Board processes and accountability, communication with Senior Management and Directors' standard of conduct.

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

## Principle 6: Access to Information

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

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

# Corporate Governance

## Principle 7: Procedures for Developing Remuneration Policies

The RC comprises Ms Ng Shin Ein as Chairman and Mr Teng Cheong Kwee and Mr Hee Theng Fong as members. All three are Non-Executive and Independent Directors.

The role of the RC is to 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 RC also takes into consideration the existing compensation standards of the industry in which the Company operates in. The RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in kind.

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

The following table shows a breakdown (in percentage) of each Director's remuneration paid in the year ended 31 December 2008.

Name of Director	Directors' Fee	Salary	Benefits	Variable Bonus	Remuneration Band
Lim Ming Seong	100%	–	–	–	S\$250k and below
Teng Cheong Kwee	100%	–	–	–	S\$250k and below
Hee Theng Fong	100%	–	–	–	S\$250k and below
Ng Shin Ein	100%	–	–	–	S\$250k and below
Ciliandra Fangiono	–	100%	–	–	S\$750k - 1,000k*
Ray Yoshuara	100%	–	–	–	S\$250k and below
Wirastuty Fangiono	100%	–	–	–	S\$250k and below

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

The remuneration policy for key executives takes into consideration the Company's performance and the responsibilities and performance of individual executives. In FY2008, out of the top five key executives (who are not Directors of the Company), one received total remuneration in the band of S\$500-750k, two were in the band S\$250-500k and the other two in the band 0-S\$250k. In view of the sensitive nature of remuneration for key management executives, the Company is of the opinion that such disclosure should be on a no-name basis.

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

During the year, there were only two employees, namely Mr Cik Sigih Fangiono and Mr Tey Yee Jow, who are immediate family members of Ms Wirastuty Fangiono and Mr Ciliandra Fangiono, and whose remuneration exceeded S\$150,000.

## Principle 10: 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 SGX-ST's and the Company's website. The Management provides the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis and when deemed appropriate by particular circumstances. Both the Board and the Management will continually strive towards delivering maximum sustainable value to the shareholders of the Company.

## Principle 11: Audit Committee

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

The AC performs the following functions:

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

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

The Company has put in place a whistle blowing policy which also covers its subsidiaries. The whistle blowing policy is intended to cover serious concerns that might have a significant impact on the Company, such as actions that may lead to incorrect financial reporting, are unlawful and/or otherwise amount to serious improper conduct according to Company's policy. Serious concerns relating to financial reporting, unethical or illegal conduct, can be reported to the Company for the attention of the Chairman of the AC. The AC shall carry out independent investigations when necessary. The AC Chairman has not received any complaints up to the date of this report.

The AC has full access to and co-operation of Management. The AC 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 AC met with the external auditors without the presence of Management.

The AC has undertaken a review of all the non-audit services provided by the Company's external auditors during the financial year (amounting to S\$969,441) and is satisfied that such services has not, in the AC's opinion, affected the independence of the external auditors. The AC has recommended to the Board the re-appointment of Ernst & Young as the Company's external auditors at the forthcoming AGM.



# Corporate Governance

## Principle 12 and 13: Internal Controls and Audit

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

The Company has established an in-house internal audit function that is independent of the activities that it audits. The internal auditor's primary line of reporting is directly to the Chairman of the Audit Committee. However, the internal auditor also reports administratively to the CEO of the Company. The AC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Company. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Company is adequate to meet the needs of the Group in its current business environment.

## Principles 14 and 15: Communications 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. Price-sensitive information is publicly released on a timely basis.

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.

## Dealing in Securities

The Company has adopted an internal compliance code on securities trading, which provides guidance and internal regulations with regard to dealings in the Company's securities by its Directors and officers. The Company's internal code prohibits its Directors and officers from dealing in the Company's securities during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year, and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results.

## Interested Person Transactions

Details of interested person transactions for the year ended 31 December 2008 as required under Rule 907 of the SGX 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 SGD100,000)
PT Surya Dumai Industri	Rp3,703 million	Nil
Fangiono Resources Pte. Ltd.	Rp1,628 million	Nil
PT Plamo Karya	Rp30,305 million	Nil
Total	Rp35,636 million	Nil

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 2007.

# Financial Statements

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# Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2008.

## DIRECTORS

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

Lim Ming Seong (Chairman)  
 Ciliandra Fangiono (Chief Executive Officer)  
 Wirastuty Fangiono  
 Ray Nugraha Yoshuara  
 Teng Cheong Kwee  
 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 Companies Act, Cap. 50, an interest in shares in the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<i>Ordinary shares of the Company</i>				
Lim Ming Seong	100,000	100,000	–	–
Ciliandra Fangiono	–	–	1,075,800,130	1,075,800,130
Wirastuty Fangiono	–	–	1,075,800,130	1,075,800,130
Ray Nugraha Yoshuara	–	–	–	–
Teng Cheong Kwee	–	–	–	–
Hee Theng Fong	–	–	–	–
Ng Shin Ein	38,000	38,000	–	–
<i>Ordinary shares of US\$1 each in the ultimate holding company Lizant Investments Ltd ("Lizant")</i>				
Ciliandra Fangiono	1	1	–	–
Wirastuty Fangiono	1	1	–	–

Lizant is the sole shareholder of Eight Capital Inc. ("Eight Capital") who in turn has direct interest in the Company.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

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



## **DIRECTORS' CONTRACTUAL BENEFITS**

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

## **AUDIT COMMITTEE**

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

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

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

The AC convened five meetings during the year 2008 with full attendance from all members. The AC also meets with external auditors, without the presence of the Company's management, at least once a year.

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

# Directors' Report

## **AUDITORS**

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

On behalf of the Board of Directors,

**Lim Ming Seong**

Chairman

**Ciliandra Fangiono**

Chief Executive Officer

Singapore

31 March 2009

## Statement by Directors

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

- (i) the accompanying balance sheets, consolidated income statement, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

**Lim Ming Seong**  
Chairman

**Ciliandra Fangiono**  
Chief Executive Officer

Singapore  
31 March 2009



# Independent Auditors' Report

to the Members of First Resources Limited

We have audited the accompanying financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and Company as at 31 December 2008, the statements of changes in equity of the Group and the Company, and the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes 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 account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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,

- (a) 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 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

## **Ernst & Young LLP**

Public Accountants and  
Certified Public Accountants

Singapore  
31 March 2009

# Consolidated Income Statement

for the year ended 31 December 2008

	Note	2008 Rp./million	2007 Rp./million
Sales	4	2,782,948	1,691,368
Cost of sales	5	(922,452)	(766,244)
<b>Gross profit</b>		<b>1,860,496</b>	<b>925,124</b>
Gains arising from changes in fair value of biological assets	10	377,654	156,544
Other operating income		22,156	1,687
Selling and distribution costs	6	(166,155)	(39,371)
General and administrative expenses	6	(115,616)	(56,686)
Gains on foreign exchange		103,333	1,474
Profit from operations		2,081,868	988,772
Financial expenses	7	(553,713)	(138,962)
Financial income	7	93,881	4,786
Share of results of associates		–	36,083
Profit before taxation		1,622,036	890,679
Tax expense	8	(470,439)	(263,768)
<b>Profit for the year</b>		<b>1,151,597</b>	<b>626,911</b>
<b>Attributable to :</b>			
Equity holders of the parent		1,091,768	431,257
Minority interests		59,829	195,654
		<b>1,151,597</b>	<b>626,911</b>
<b>Earnings per share (in Rupiah)</b>			
– basic and fully diluted	9	746	404

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

# Balance Sheets

as at 31 December 2008

	Note	Group		Company	
		2008 Rp.'million	2007 Rp.'million	2008 Rp.'million	2007 Rp.'million
<b>Non-current assets</b>					
Biological assets – plantations	10	4,025,157	3,274,293	–	–
Plasma plantation receivables	11	121,202	97,065	–	–
Property, plant and equipment	12	1,504,167	981,365	3,597	967
Land use rights	13	186,754	78,275	–	–
Investment in subsidiaries	14	–	–	2,063,957	1,740,140
Goodwill	14	66,424	–	–	–
Other intangible assets	15	287,325	1,910	–	–
Tax recoverable	16	3,529	7,334	–	–
Deferred tax assets	8	65,618	9,211	103	–
Other non-current assets		322	208	–	–
<b>Total non-current assets</b>		<b>6,260,498</b>	<b>4,449,661</b>	<b>2,067,657</b>	<b>1,741,107</b>
<b>Current assets</b>					
Inventories	17	195,040	134,447	–	–
Trade receivables	18	47,226	36,945	–	–
Other receivables	19	57,419	21,219	21,945	2,467
Advances and prepayments	20	58,332	26,412	133	5,055
Advance for purchase of property, plant and equipment	21	69,051	–	–	–
Prepaid taxes	22	35,552	23,427	–	–
Loan to subsidiary	14	–	–	79,924	–
Due from related parties	23	–	–	–	888
Cash and bank balances	24	1,092,139	1,557,547	282,655	673,034
<b>Total current assets</b>		<b>1,554,759</b>	<b>1,799,997</b>	<b>384,657</b>	<b>681,444</b>
<b>Total assets</b>		<b>7,815,257</b>	<b>6,249,658</b>	<b>2,452,314</b>	<b>2,422,551</b>
<b>Current liabilities</b>					
Trade payables	25	85,298	88,172	–	–
Other payables and accruals	26	129,021	101,571	6,557	5,634
Advances from customers	27	88,039	56,752	–	–
Due to immediate holding company	23	–	3,534	–	–
Due to related parties	23	1,308	–	–	4,422
Loans and borrowings from financial institutions	28	12,971	14,545	136	98
Provision for taxation		249,099	177,237	5,125	–
<b>Total current liabilities</b>		<b>565,736</b>	<b>441,811</b>	<b>11,818</b>	<b>10,154</b>

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



# Balance Sheets

as at 31 December 2008

	Note	Group		Company	
		2008 Rp.'million	2007 Rp.'million	2008 Rp.'million	2007 Rp.'million
<b>Non-current liabilities</b>					
Loans and borrowings from financial institutions	28	6,108	9,602	601	648
Bonds payable	29	493,685	493,184	–	–
Notes payable	30	1,502,776	1,455,946	–	–
Derivative financial liability	31	196,912	3,747	–	–
Provision for post employment benefits	32	33,744	26,801	–	–
Deferred tax liabilities	8	685,404	511,925	–	–
<b>Total non-current liabilities</b>		<b>2,918,629</b>	<b>2,501,205</b>	<b>601</b>	<b>648</b>
<b>Total liabilities</b>		<b>3,484,365</b>	<b>2,943,016</b>	<b>12,419</b>	<b>10,802</b>
<b>Net assets</b>		<b>4,330,892</b>	<b>3,306,642</b>	<b>2,439,895</b>	<b>2,411,749</b>
<b>Attributable to equity holders of the parent</b>					
Share capital	33	2,350,605	2,350,605	2,350,605	2,350,605
Treasury shares	34	(63,517)	–	(63,517)	–
Differences arising from restructuring transactions involving entities under common control	35	314,410	314,410	–	–
Capital reserve	36	(274,056)	(274,056)	–	–
Asset revaluation reserve	37	2,565	2,565	–	–
Foreign translation reserve	38	126,856	65,066	128,000	65,066
Retained earnings/ (accumulated losses)		1,705,510	747,254	24,807	(3,922)
		<b>4,162,373</b>	<b>3,205,844</b>	<b>2,439,895</b>	<b>2,411,749</b>
<b>Minority interests</b>		<b>168,519</b>	<b>100,798</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>4,330,892</b>	<b>3,306,642</b>	<b>2,439,895</b>	<b>2,411,749</b>

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

# Statements of Changes in Equity

for the year ended 31 December 2008

	Attributable to equity holders of the parent										
	Share capital	Treasury shares	Differences arising from restructuring transactions involving entities under common control	Capital reserve	Asset revaluation reserve	Foreign translation reserve	Cash flow hedge reserve	Retained earnings	Total share capital and reserves	Minority interests	Total equity
	Rp:million (Note 33)	Rp:million (Note 34)	Rp:million (Note 35)	Rp:million (Note 36)	Rp:million (Note 37)	Rp:million (Note 38)	Rp:million	Rp:million	Rp:million	Rp:million	Rp:million
<b>Group</b>											
<b>2008</b>											
At 1 January 2008	2,350,605	–	314,410	(274,056)	2,565	65,066	–	747,254	3,205,844	100,798	3,306,642
Foreign currency translation adjustments	–	–	–	–	–	61,790	–	–	61,790	–	61,790
Net loss on fair value changes	–	–	–	–	–	–	(47,808)	–	(47,808)	–	(47,808)
Realised during the year	–	–	–	–	–	–	47,808	–	47,808	–	47,808
<b>Net income recognised directly in equity</b>	–	–	–	–	–	61,790	–	–	61,790	–	61,790
Profit for the year	–	–	–	–	–	–	–	1,091,768	1,091,768	59,829	1,151,597
<b>Total recognised income for the year</b>	–	–	–	–	–	61,790	–	1,091,768	1,153,558	59,829	1,213,387
Dividend paid (Note 40)	–	–	–	–	–	–	–	(133,512)	(133,512)	(7,193)	(140,705)
Buy-back of ordinary shares	–	(63,517)	–	–	–	–	–	–	(63,517)	–	(63,517)
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	15,085	15,085
At 31 December 2008	2,350,605	(63,517)	314,410	(274,056)	2,565	126,856	–	1,705,510	4,162,373	168,519	4,330,892

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

# Statements of Changes in Equity

for the year ended 31 December 2008

	Attributable to equity holders of the parent								
	Differences arising from restructuring transactions involving entities under common control		Capital reserve	Asset revaluation reserve	Foreign translation reserve	Retained earnings	Total share capital and reserves	Minority interests	Total equity
	Share capital								
	Rp'million (Note 33)	Rp'million (Note 35)	Rp'million (Note 36)	Rp'million (Note 37)	Rp'million (Note 38)	Rp'million	Rp'million	Rp'million	Rp'million
<b>Group</b>									
<b>2007</b>									
At 1 January 2007	330,487	324,959	–	–	(100)	315,997	971,343	624,738	1,596,081
Foreign currency translation adjustments	–	–	–	–	65,166	–	65,166	–	65,166
Revaluation on acquisition of subsidiary	–	–	–	2,565	–	–	2,565	–	2,565
<b>Net income recognised directly in equity</b>	–	–	–	2,565	65,166	–	67,731	–	67,731
Profit for the year	–	–	–	–	–	431,257	431,257	195,654	626,911
<b>Total recognised income for the year</b>	–	–	–	2,565	65,166	431,257	498,988	195,654	694,642
Acquisition of subsidiary (Note 14)	–	(10,549)	–	–	–	–	(10,549)	–	(10,549)
Issuance of ordinary shares	2,072,261	–	–	–	–	–	2,072,261	–	2,072,261
Share issue expense	(52,143)	–	–	–	–	–	(52,143)	–	(52,143)
Premium paid on acquisition of minority interest	–	–	(274,056)	–	–	–	(274,056)	–	(274,056)
Acquisition of minority interest	–	–	–	–	–	–	–	(719,594)	(719,594)
At 31 December 2007	2,350,605	314,410	(274,056)	2,565	65,066	747,254	3,205,844	100,798	3,306,642

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



# Statements of Changes in Equity

for the year ended 31 December 2008

	Share capital	Treasury shares	Foreign translation reserve	Retained earnings	Total share capital and reserves
	Rp'million (Note 33)	Rp'million (Note 34)	Rp'million (Note 38)	Rp'million	Rp'million
<b>Company</b>					
<b>2008</b>					
At 1 January 2008	2,350,605	–	65,066	(3,922)	2,411,749
Foreign currency translation adjustments	–	–	62,934	–	62,934
<b>Net income recognised directly in equity</b>	–	–	62,934	–	62,934
Profit for the year	–	–	–	162,241	162,241
<b>Total recognised income for the year</b>	–	–	62,934	162,241	225,175
Dividend paid	–	–	–	(133,512)	(133,512)
Buy-back of ordinary shares	–	(63,517)	–	–	(63,517)
At 31 December 2008	2,350,605	(63,517)	128,000	24,807	2,439,895
<b>2007</b>					
At 1 January 2007	330,487	–	(100)	(89)	330,298
Foreign currency translation adjustments	–	–	65,166	–	65,166
<b>Net income recognised directly in equity</b>	–	–	65,166	–	65,166
Loss for the year	–	–	–	(3,833)	(3,833)
<b>Total recognised income for the year</b>	–	–	65,166	(3,833)	61,333
Issuance of ordinary shares	2,072,261	–	–	–	2,072,261
Share issue expense	(52,143)	–	–	–	(52,143)
At 31 December 2007	2,350,605	–	65,066	(3,922)	2,411,749

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

# Consolidated Cash Flow Statement

for the year ended 31 December 2008

	2008 Rp'million	2007 Rp'million
<b>Cash flows from operating activities</b>		
Cash receipt from customers (Note A)	2,803,954	1,715,724
Cash payments to suppliers and employees	(1,252,273)	(1,010,525)
Effects of exchange rates	60,435	65,166
	<hr/>	<hr/>
<b>Cash generated from operations</b>	1,612,116	770,365
Receipts from:		
Interest income	28,277	20,568
Income tax refunds	4,146	–
Payments for:		
Interest expenses	(232,298)	(165,649)
Income tax	(382,051)	(82,653)
Income tax penalties	(1,190)	–
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	1,029,000	542,631
 <b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment (Note B)	(531,667)	(386,664)
Advance payment for property, plant and equipment	(69,051)	–
Proceeds from sale of property, plant and equipment	3,203	142
Payments for development of oil palm plantations	(132,594)	(199,674)
Payment for development of plasma plantations – net	(19,108)	(35,630)
Proceeds from sale of mature plantations	588	–
Net cash outflow on acquisition of subsidiaries (Note 14)	(349,664)	(335,868)
Acquisition of additional shares in an existing subsidiary	–	(129,917)
Dividend received from an associate	–	250
Acquisition of land use rights (Note 13)	(4,782)	(12,050)
Acquisition of intangible assets (Note 15)	(9,977)	(1,910)
Increase in deferred charges	(114)	–
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(1,113,166)	(1,101,321)

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

# Consolidated Cash Flow Statement

for the year ended 31 December 2008

	2008 Rp'million	2007 Rp'million
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares, net of issuance costs	–	1,076,553
Buy-back of ordinary shares	(63,517)	–
Dividends paid	(140,705)	–
Payment to minority interest shareholders	–	(731)
Proceeds from issuance of bonds payable	–	490,097
Redemption of bonds payable	–	(90,315)
Redemption of notes payable	(128,367)	–
Release of restricted fund	–	710,778
Net cash proceeds from settlement of cross currency swap transactions (Note 31)	16,852	–
Release /(placement) of secured time deposit	150,000	(150,000)
Payment of obligations under capital leases	(6,208)	(6,253)
Payment of consumer financing loans	(11,848)	(6,150)
Payment to related parties, net	(47,449)	(92,442)
<b>Net cash (used in)/generated from financing activities</b>	<b>(231,242)</b>	<b>1,931,537</b>
Net (decrease)/increase in cash and cash equivalents	(315,408)	1,372,847
Cash and cash equivalents, beginning balance	1,407,547	34,700
<b>Cash and cash equivalents, ending balance (Note 24)</b>	<b>1,092,139</b>	<b>1,407,547</b>
	<b>2008 Rp'million</b>	<b>2007 Rp'million</b>
A. The reconciliation of cash receipts from customers is as follows:		
Sales	2,782,948	1,691,368
Increase in trade receivables	(10,281)	(18,940)
Increase in advance from customers	31,287	43,296
	<b>2,803,954</b>	<b>1,715,724</b>
B. Purchase of property, plant and equipment (Note 12) consists of:		
Obligation under capital lease	1,993	7,739
Consumer financing loans	6,867	16,023
Capitalisation of financial expenses to property, plant and equipment (Note 7)	41,118	55,054
Offsetting of amount due to related party	–	408
Purchase of property, plant and equipment using cash	531,667	386,664
	<b>581,645</b>	<b>465,888</b>

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



# Notes to the Financial Statements

31 December 2008

## 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 immediate holding company is Eight Capital Inc., incorporated in the Territory of British Virgin Islands and the ultimate holding company is Lizant Investments Ltd, incorporated in the Territory of British Virgin Islands.

Related companies in these financial statements refer to 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 activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are as disclosed in Note 1(b).

### (b) Subsidiaries

As of 31 December 2008, the details of subsidiaries are as follows:

			Effective percentage of equity held by Group	
Subsidiaries	Country of incorporation	Activities	2008 %	2007 %
<b>Direct Ownership:</b>				
PT Ciliandra Perkasa ("PT CLP") <sup>(3)</sup>	Indonesia	Oil palm plantation	95.51	95.51
Pinebrook International Inc ("Pinebrook") <sup>(6)</sup>	British Virgin Islands	Investment holding	100.00	100.00
Pacific Eagle Management Ltd ("Pacific Eagle") <sup>(6)</sup>	British Virgin Islands	Investment holding	100.00	100.00
Global Paragon Investment Ltd ("Global Paragon") <sup>(6)</sup>	British Virgin Islands	Investment holding	100.00	100.00
Ivory Asset Management-7 Pte Ltd ("Ivory Asset Management") <sup>(6)</sup>	Singapore	Investment holding	100.00	100.00
PT Borneo Ketapang Permai ("PT BKP") <sup>(5)</sup>	Indonesia	Oil palm plantation	95.00	—

# Notes to the Financial Statements

31 December 2008

## 1. GENERAL (CONT'D)

### (b) Subsidiaries (cont'd)

			Effective percentage of equity held by Group	
Subsidiaries	Country of incorporation	Activities	2008 %	2007 %
<b>Indirect Ownership:</b>				
PT Meridan Sejati Surya Plantation ("PT MSSP") <sup>(3)</sup>	Indonesia	Oil palm plantation	93.56 <sup>(2)</sup>	93.56 <sup>(2)</sup>
PT Pancasurya Agrindo ("PT PSA") <sup>(3)</sup>	Indonesia	Oil palm plantation	95.32 <sup>(1)</sup>	95.32 <sup>(1)</sup>
<u>Subsidiaries of PT CLP</u>				
PT Surya Intisari Raya ("PT SIR") <sup>(3)</sup>	Indonesia	Oil palm plantation	95.50	95.50
PT Perdana Intisawit Perkasa ("PT PISP") <sup>(3)</sup>	Indonesia	Oil palm plantation	95.50	95.50
PT Bumi Sawit Perkasa ("PT BSP") <sup>(5)</sup>	Indonesia	Oil palm plantation	95.41	95.41
PT Priatama Riau ("PT PTR") <sup>(5)</sup>	Indonesia	Oil palm plantation	95.27	95.27
Ciliandra Perkasa Finance Company Pte. Ltd. ("CPFC") <sup>(4)</sup>	Singapore	Debt financing transactions facilitator	95.51	95.51
PT Surya Dumai Agrindo ("PT SDA") <sup>(5)</sup>	Indonesia	Oil palm plantation	95.40	95.40
PT Panca Surya Garden ("PT PSG") <sup>(5)</sup>	Indonesia	Oil palm seed breeding	90.73	–
<u>Subsidiaries of PT PSA</u>				
PT Pancasurya Binasejahtera ("PT PSBS") <sup>(3)</sup>	Indonesia	Investment holding	95.31	95.31
PT Muriniwood Indah Industry ("PT MII") <sup>(3)</sup>	Indonesia	Oil palm plantation	95.31	95.31
<u>Subsidiaries of PT PSBS</u>				
PT Subur Arummakmur ("PT SAM") <sup>(3)</sup>	Indonesia	Oil palm plantation	95.30	95.30
PT Arindo Trisejahtera ("PT ATS") <sup>(3)</sup>	Indonesia	Oil palm plantation	95.30	95.30
<u>Subsidiaries of PT ATS</u>				
PT Pancasurya Agrojahtera ("PT PSAS") <sup>(5)</sup>	Indonesia	Oil palm plantation	85.77	85.77
PT Pancasurya Agrindo Perkasa ("PT PSAP") <sup>(5)</sup>	Indonesia	Oil palm plantation	95.29	95.29

# Notes to the Financial Statements

31 December 2008

## 1. GENERAL (CONT'D)

### (b) Subsidiaries (cont'd)

			Effective percentage of equity held by Group	
Subsidiaries	Country of incorporation	Activities	2008 %	2007 %
Indirect Ownership: (cont'd)				
Subsidiaries of PT SDA				
PT Andalan Mitrasawit Sejati ("PT AMS") <sup>(5)</sup>	Indonesia	Dormant	95.30	95.30
PT Dharma Bhakti Utama ("PT DBU") <sup>(5)</sup>	Indonesia	Dormant	95.30	95.30
Subsidiaries of PT BKP				
PT Limpah Sejahtera ("PT LS") <sup>(5)</sup>	Indonesia	Oil palm plantation	94.97	–
PT Mitra Karya Sentosa ("PT MKS") <sup>(5)</sup>	Indonesia	Oil palm plantation	94.97	–
PT Umekah Saripratama ("PT USP") <sup>(5)</sup>	Indonesia	Oil palm plantation	94.97	–
PT Pulau Tiga Lestari Jaya ("PTLJ") <sup>(5)</sup>	Indonesia	Oil palm plantation	94.97	–
Subsidiary of Ivory Asset Management Pte Ltd				
PT Aditya Seraya Korita ("PT ASK") <sup>(5)</sup>	Indonesia	Investment holding	95.00	95.00

(1) PT PSA is 62.00% held by PT CLP and 38.00% held by PT Aditya Seraya Korita, which is 95.00% held by Ivory Asset Management.

(2) PT MSSP is 32.00% held by PT CLP, 27.00% held by Pinebrook, 26.00% held by Pacific Eagle and 10.00% held by Global Paragon.

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

(4) Audited by Ernst & Young LLP Singapore.

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

(6) Not statutorily required to be audited and not significant to the Group.

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

# Notes to the Financial Statements

31 December 2008

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

### 2.2 Changes in accounting policies

The following Interpretations of FRS ("INT FRS") are effective for annual period beginning 1 January 2008:

- INT FRS 111 FRS 102 – Group and Treasury Share Transactions
- INT FRS 112 Service Concession Arrangements
- INT FRS 114 FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above INT FRS has no impact on the financial statements in the period of initial application.

#### *Early adoption of accounting policy*

The Group has early adopted the amendments to *FRS 41 Agriculture* ahead of its implementation date of 1 January 2009. The amendments are applied prospectively.

The amendment requires an entity to include the net cash flows that market participants would expect the biological asset to generate, in its most relevant market and in its present location and condition, when determining the present value of expected net cash flows. This would also include value from additional biological transformation and future activities of the entity, such as those related to biological transformation, harvesting and selling.

If the Group had still complied with the requirements of FRS 41 prior to the amendments above, the fair value of biological assets would have been Rp.3,819,242 million and the profit for the year would have reduced by Rp.148,259 million to Rp.1,003,338 million.

### 2.3 Future changes in accounting policies

The Group has not adopted the following amendments or new FRS and INT FRS that have been issued but not yet effective as at the date of this report:

<i>Reference</i>	<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
FRS 1	<i>Presentation of Financial Statements</i> Revised presentation	1 January 2009
	<i>Presentation of Financial Statements</i> Amendments regarding Puttable Financial Instruments and Obligations Arising on Liquidation	
FRS 23	<i>Borrowing costs</i>	1 January 2009
FRS 27	<i>Consolidated and Separate Financial Statements</i> Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	<i>Financial Instruments: Presentation</i> Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	<i>Financial Instruments: Recognition and Measurement</i> Amendments relating to Eligible Hedged Items	1 July 2009
FRS 101	<i>First-time Adoption of Financial Reporting Standards</i> Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	<i>Share-based Payments</i> Amendments to Vesting Conditions and Cancellations	1 January 2009



# Notes to the Financial Statements

31 December 2008

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

### 2.3 Future changes in accounting policies (cont'd)

<i>Reference</i>	<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
FRS 108	<i>Operating Segments</i>	1 January 2009
INT FRS 113	<i>Customer Loyalty Programmes</i>	1 July 2008
INT FRS 116	<i>Hedges of a Net Investment in a Foreign Operation</i>	1 October 2008
INT FRS 117	<i>Distributions of Non-cash Assets to Owners</i>	1 July 2009

Management expects that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except for FRS 1, FRS 23 and FRS 108 as indicated below.

#### **FRS 1 Presentation of Financial Statements – Revised presentation**

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

#### **FRS 23 Borrowing costs**

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

#### **FRS 108 Operating Segments**

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

# Notes to the Financial Statements

31 December 2008

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

### **2.4 Basis of consolidation**

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

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the cost of the business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.13(a).

#### *Principles of consolidation*

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

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

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The 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". The consolidated income statement reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

### **2.5 Transactions with minority interests**

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

# Notes to the Financial Statements

31 December 2008

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

### **2.6 Foreign currency**

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement 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 equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the operation.

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

### **2.7 Subsidiaries**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

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

### **2.8 Associates**

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

The Group's investment in an associate is accounted for using the equity method. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment.

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

# Notes to the Financial Statements

31 December 2008

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

### **2.8 Associates (cont'd)**

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

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

### **2.9 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 change in fair value less estimated costs to sell of plantations at each reporting date are included in the income statement 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. In determining the present value of expected net cash flows, an entity includes the net cash flows that market participants would expect the asset to generate in its most relevant market. The estimated yield of the oil palm plantations is dependent on the age of the oil palm trees, the location, soil type and infrastructure.

Oil palm trees have an average life that ranges from 20 to 25 years; with the first three to four years as immature and the remaining as mature. Oil palm plantation is classified as mature plantation if 70 % of total plants per block are ready to be harvested with the average fresh fruit bunch weight of at least 3.5 kg or with the plant age of minimum of 36 months.

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

### **2.10 Property, plant and equipment**

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

Buildings and improvements	-	5-20 years
Machinery and installation	-	5-15 years
Farming equipment and motor vehicles	-	5 years
Furniture and fittings, office equipment and others	-	5 years



# Notes to the Financial Statements

31 December 2008

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

### 2.10 Property, plant and equipment (cont'd)

Depreciation of property, plant and equipment related to the plantations are allocated proportionately based on the area of mature and immature plantations.

Assets under construction included in property, plant and equipment is stated at cost and not depreciated. Accumulated cost is transferred to the related asset when the asset is completed and ready for use and is then depreciated.

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

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

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

### 2.11 Land use rights

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

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the period of 35 years.

### 2.12 Plasma plantation receivables

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

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

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

# Notes to the Financial Statements

31 December 2008

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

### 2.13 Intangible assets

#### (a) Goodwill

Goodwill arising from a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

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

Each unit to which the goodwill is so allocated:

- (i) represents the lowest level within the Group at which goodwill is monitored for internal management purposes; and
- (ii) is not larger than a segment based on either the Group's primary or secondary reporting format.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

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

#### (b) Other intangible assets

Other intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, other intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Other intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for other intangible assets with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the income statement through each line item according to the function.

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

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

### **2.14 Negative goodwill**

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

### **2.15 Impairment of non-financial assets**

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement, except for assets that are previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

### **2.16 Financial assets**

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

A financial asset is derecognised when:

- (a) the Group transfers the contractual rights to receive the cash flows of the financial asset; or
- (b) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in a 'pass-through' arrangement; or
- (c) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# Notes to the Financial Statements

31 December 2008

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

### **2.16 Financial assets (cont'd)**

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

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

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

#### *Loans and receivables*

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

### **2.17 Impairment of financial assets**

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

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

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

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

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

# Notes to the Financial Statements

31 December 2008

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

### **2.18 Inventories**

Inventories other than Fresh Fruit Bunches ("FFB") are stated at the lower of cost and net realisable value. Cost of palm oil, palm kernel, inventories for fertilizer chemicals, spare parts and other consumables is determined using the weighted average method. FFB is initially recognised at fair value and subsequently lower of net realisable value and initial recognition value.

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

### **2.19 Cash and cash equivalents**

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

### **2.20 Financial liabilities**

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

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

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

### **2.21 Provisions**

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

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

### **2.22 Derivative financial instruments**

Derivative financial instruments which do not qualify for hedge accounting, are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into (trade date) and are subsequently remeasured at fair value at each balance sheet date.

Any gains or losses arising from changes in fair value on such derivative financial instruments are taken to the income statement for the year. Net gains or losses on derivatives include exchange differences.



# Notes to the Financial Statements

31 December 2008

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

### **2.23 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;
- 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; and
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. 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 has only applied cash flow hedge during the year. Hedges which meet the strict criteria for hedge accounting for cash flow hedge are accounted for as follows:

#### ***Cash flow hedges***

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, 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 taken to equity 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, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

The full details of cash flow hedge are found in Note 39.

### **2.24 Borrowing costs**

Borrowings are recognised in the income statement except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use.

# Notes to the Financial Statements

31 December 2008

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

### 2.25 Bonds and notes issuance costs

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

### 2.26 Share capital and share issue expenses

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

### 2.27 Treasury shares

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares.

### 2.28 Employment benefits

#### (a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

In particular, the Singapore companies in the Group make contribution to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

#### (b) *Defined benefit plans*

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

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

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

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

#### (c) *Employee leave entitlement*

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

# Notes to the Financial Statements

31 December 2008

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

### 2.29 Leases

#### *As lessee*

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

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

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

### 2.30 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

#### (a) *Sale of goods*

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

#### (b) *Interest income*

Interest income is recognised using the effective interest method.

#### (c) *Dividend income*

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

### 2.31 Taxes

#### (a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

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

# Notes to the Financial Statements

31 December 2008

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

### 2.31 Taxes (cont'd)

#### (b) *Deferred tax*

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

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

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

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

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

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

#### (c) *Sales tax*

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

- Where the sales tax or VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax or VAT included.

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

# Notes to the Financial Statements

31 December 2008

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

### **2.32 Segment reporting**

A segment is a distinguishable component of the Group that is engaged in providing products or services that is subject to risks and returns that are different from those of other segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those components operating in other economic environments.

### **2.33 Contingencies**

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

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

## **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

### **3.1 Judgements made in applying accounting policies**

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

#### **(a) Income taxes**

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

As at 31 December 2008, the carrying amount of the Group's tax payables is Rp.249,099 million (2007: Rp.177,237 million).

As at 31 December 2008, the carrying amount of the Group's tax recoverable is Rp.3,529 million (2007: Rp.7,334 million).

As at 31 December 2008, the carrying amount of the Group's deferred tax assets and liabilities is Rp.65,618 million (2007: Rp.9,211 million) and Rp.685,404 million (2007: Rp.511,925 million) respectively.



# Notes to the Financial Statements

31 December 2008

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

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

#### (b) *Determination of functional currency*

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

#### (c) *VAT relating to FFB*

The Group has value added tax receivable relating to the production of FFB. With effect from 1 January 2007, FFB has been classified as a Certain Strategic Taxable Good and is therefore exempted from the imposition of VAT in Indonesia. As such, FFB is no longer subject to VAT and cannot be credited and instead such input VAT components should be charged as an expense. The directors are of the opinion that the production of CPO, which uses FFB produced by the Group, is not covered by this exemption and all input VAT in the production of the FFB can be claimed and offset against the output VAT of CPO. Accordingly, the net VAT is accounted for as a recoverable amount in the balance sheet. As at 31 December 2008, the cumulative effect of the input VAT relating to the FFB before offsetting output VAT is Rp.52,477 million (2007: Rp.18,310 million).

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) *Biological assets and agricultural products*

The Group carries its oil palm plantations and agriculture products at fair value less estimated costs to sell, which require extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including average lives of plantations, period of being immature and mature plantations, yield per hectare, average selling price and annual discount rates. The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these plantations would affect the Group's income statement and equity. As at 31 December 2008, the carrying amount of the Group's biological assets is Rp.4,025,157 million (2007: Rp.3,274,293 million). As at 31 December 2008, the carrying amount of the Group's fresh fruit bunches ("FFB") is Rp.1,509 million (2007: Rp.313 million).

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

The cost of property, plant and equipment is depreciated on a straight-line basis over its 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 development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. As at 31 December 2008, the carrying amount of the Group's property, plant and equipment is Rp.1,504,167 million (2007: Rp.981,365 million).

# Notes to the Financial Statements

31 December 2008

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

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

(c) *Defined benefit plan*

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involved making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. As at 31 December 2008, the net employee liability is Rp.33,744 million (2007: Rp.26,801 million).

(d) *Allowance for inventories*

Allowance for inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical condition, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The allowances are re-evaluated and adjusted as additional information received affects the amount estimated. No allowance is provided in respect of fresh fruit bunches as these are recorded at fair value. As at 31 December 2008, the carrying amount of the Group's inventories, excluding fresh fruit bunches, as is Rp.193,531 million (2007: Rp.134,134 million).

(e) *Impairment of loans and receivables*

The Group assesses at each balance sheet date 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 prepayments.

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

## 4. SALES

	Group	
	2008 Rp'million	2007 Rp'million
Crude Palm Oil ("CPO")	2,472,070	1,504,436
Palm Kernel ("PK")	309,522	165,561
Fresh Fruit Bunches ("FFB")	–	21,371
Others	1,356	–
	<u>2,782,948</u>	<u>1,691,368</u>

# Notes to the Financial Statements

31 December 2008

## 5. COST OF SALES

	Group	
	2008 Rp'million	2007 Rp'million
<b>FFB</b>		
Depreciation (Note 12)	22,585	21,672
Maintenance cost	279,013	202,032
Plantation general expenses	89,716	59,360
Harvesting costs	62,004	67,000
Post employment benefits (Note 32)	3,685	3,401
Net changes in FFB inventory	(1,196)	34
Cost of FFB production	455,807	353,499
Cost of FFB transferred to production of CPO and PK	(455,807)	(348,265)
Cost of sales – FFB	–	5,234
<b>CPO and PK</b>		
Cost of FFB to be processed into CPO and PK	455,807	348,265
Purchase of FFB	261,911	177,913
Depreciation (Note 12)	38,504	27,601
Processing – milling cost	51,725	34,207
Freight	56,647	31,648
Factory general expenses	19,009	15,521
Post employment benefits (Note 32)	962	920
Purchases of CPO and PK	10,612	183,315
Third party processing cost	637	6,792
Net changes in CPO and PK inventory	25,351	(65,172)
Cost of sales – CPO and PK	921,165	761,010
<b>Others</b>	1,287	–
	922,452	766,244

# Notes to the Financial Statements

31 December 2008

## 6. SELLING AND DISTRIBUTION COSTS AND GENERAL AND ADMINISTRATIVE EXPENSES

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

	Group	
	2008 Rp.'million	2007 Rp.'million
<b><u>Selling and distribution costs</u></b>		
Export taxes	136,256	29,788
Freight charges	27,471	11,054
<b><u>General and administrative expenses</u></b>		
Non-audit fees paid to:		
– Auditors of the Company	2,543	–
Salaries, wages and allowances (including directors but excluding Central Provident Fund and post employment benefits)	56,588	20,133
Post employment benefits (Note 32)	2,083	2,228
Central Provident Fund	481	200
Depreciation of property, plant and equipment (Note 12)	4,749	1,098
Amortisation of land use rights (Note 13)	6,603	2,562
Amortisation of intangible assets (Note 15)	382	–
Operating lease rentals (Note 42)	5,773	4,649

# Notes to the Financial Statements

31 December 2008

## 7. FINANCIAL EXPENSES AND FINANCIAL INCOME

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

	Group	
	2008 Rp./million	2007 Rp./million
<i>Financial expenses:</i>		
<b>Notes payable</b>		
Interest expense	(181,093)	(184,899)
Amortisation of notes issuance costs	(5,768)	(8,651)
Loss on foreign exchange translation	(237,453)	(32,723)
Interest income from time deposits placed from excess proceeds of notes	3,386	–
	(420,928)	(226,273)
Less: Capitalised to immature plantation	49,381	38,052
Capitalised to property, plant and equipment	41,118	55,054
<b>Total financial expense on notes payable</b>	(330,429)	(133,167)
<b>Bonds payable</b>		
Interest expense	(57,842)	–
Amortisation of bonds issuance costs	(501)	(912)
<b>Total financial expense on bonds payable</b>	(58,343)	(912)
Other interest payments	(38)	–
Loss on redemption of bonds	–	(1,136)
Loss on cross currency swap transaction, net of interest income (Note 31)	(164,903)	(3,747)
<b>Total financial expense</b>	(553,713)	(138,962)
<i>Financial income:</i>		
Interest income from financial institutions	24,899	2,873
Interest income from associate	–	1,913
Gain on repurchase of notes (Note 30)	68,982	–
<b>Total financial income</b>	93,881	4,786



# Notes to the Financial Statements

31 December 2008

## 8. INCOME TAX

### (a) Major components of tax expense

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

	Group	
	2008 Rp.'million	2007 Rp.'million
Current income tax	407,461	170,877
Deferred tax	41,271	81,178
Withholding tax	21,707	11,713
Income tax expense recognised in the income statement	470,439	263,768

### (b) Reconciliation between tax expense and accounting profit

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

	Group	
	2008 Rp.'million	2007 Rp.'million
Profit before taxation	1,622,036	890,679
Tax expense at domestic rate applicable to profits in the countries where the Group operates	466,646	255,490
Adjustments:		
Share of results of associate	–	(5,796)
Income not subject to taxation	(508)	(1,100)
Non-deductible expenses	5,068	2,218
Deferred tax assets not recognised	29,029	3,166
Utilisation of previously unrecognised tax losses	(517)	–
Effects of partial tax exemption and tax relief	(336)	–
Change in tax rate of subsidiaries	(44,961)	–
Withholding tax	21,707	11,713
Others	(5,689)	(1,923)
Income tax expense recognised in the income statement	470,439	263,768

Companies in Indonesia are generally subject to progressive tax rates up to a maximum of 30.0% (2007: 30%). For fiscal year 2009, the corporate tax rate will reduce from 30% to 28%. With effect from fiscal year 2010, the corporate income tax rate will be at a single rate of 25%.

In addition, with effect from Year of Assessment 2010, the corporate tax rate in Singapore will reduce from 18% to 17%. This is explained in greater detail in Note 47.

For the financial year ended 31 December 2008, the Group has not recognised deferred tax assets amounting to Rp.96,763 million (2007: Rp.10,553 million), mainly relating to PT BSP, PT PTR, PT PSAS, PT PSAP, PT PSBS, PT SDA, PT AMS, PT DBU and PT PSG due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of Indonesia.

# Notes to the Financial Statements

31 December 2008

## 8. INCOME TAX (CONT'D)

### (c) *Deferred tax assets and liabilities*

Deferred tax assets and liabilities comprise the following:

	Group		Company	
	2008 Rp.'million	2007 Rp.'million	2008 Rp.'million	2007 Rp.'million
<i>Deferred tax assets</i>				
Post employment benefits	8,534	8,042	–	–
Fair value loss on foreign currency swap	56,669	1,169	–	–
Others	415	–	103	–
Gross deferred tax assets	65,618	9,211	103	–
<i>Deferred tax liabilities</i>				
Biological assets	(534,076)	(335,126)	–	–
Differences in depreciation	(68,096)	(167,606)	–	–
Obligations under finance leases	(2,406)	(4,063)	–	–
Revaluation of property, plant and equipment arising from acquisition of subsidiary	(80,826)	(5,130)	–	–
Gross deferred tax liabilities	(685,404)	(511,925)	–	–
Net deferred tax liabilities	(619,786)	(502,714)	103	–

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

At the balance sheet date, the Group has undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the future.

# Notes to the Financial Statements

31 December 2008

## 9. EARNINGS PER SHARE

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

As at 31 December 2008 and 2007, there were no dilutive potential ordinary share.

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

	Group	
	2008	2007
Profit attributable to shareholders (Rp'million)	1,091,768	431,257
Weighted average number of shares	1,463,102,650	1,066,161,832

In 2008, the weighted average number of shares used to compute the earnings per share is adjusted for treasury shares held as of 31 December 2008:

In 2007, the weighted average number of shares used to compute the earnings per share takes into account:

- (i) the capital restructuring that occurred before the Company's initial public offering, including a share split; and
- (ii) the new ordinary shares issued pursuant to the initial public offering.

## 10. BIOLOGICAL ASSETS – PLANTATIONS

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

	Group	
	2008 Rp'million	2007 Rp'million
<b>At fair value</b>		
At 1 January	3,274,293	2,340,517
Acquisition of subsidiary (Note 14)	73,818	580,097
Additions	299,392	197,135
	3,647,503	3,117,749
Gains arising from changes in fair value less estimated point-of-sale costs	377,654	156,544
At 31 December	4,025,157	3,274,293

# Notes to the Financial Statements

31 December 2008

## 10. BIOLOGICAL ASSETS – PLANTATIONS (CONT'D)

	Group	
	2008 Rp'million	2007 Rp'million
Represented by:		
Oil palm plantations	3,801,176	3,170,914
Field preparation costs	223,981	103,379
Total	4,025,157	3,274,293

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

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

- no new planting or re-planting activities are assumed;
- oil palm trees have an average life that ranges from 25 years, with the first three years as immature and the remaining years as mature;
- yield per hectare of oil palm trees is based on a guideline issued by the Indonesian Oil Palm Research Institute ("Pusat Penelitian Kelapa Sawit"), which varies with the average age of oil palm trees;
- the discount rate used for the Group's plantation operations which is applied in the discounted future cash flows calculation is 19.33% (2007: 18.1%); and,
- the projected selling prices of CPO for the financial years ended 31 December 2008 and 2007 are presented in Note 44 (c) and referenced to independent professional valuer's report with the latest update on 24 November 2008.

	Group	
	2008 Tonnes	2007 Tonnes
Production of FFB (excluding plasma plantations)	1,243,747	1,131,179
	Hectares	Hectares
Mature oil palm plantation (planted nucleus)	54,915	50,842
Immature oil palm plantation (planted nucleus)	29,161	25,824

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

As at 31 December 2008, included in biological assets – plantations is an amount of Rp.18,001 million (2007: Rp.6,840 million) in which depreciation of property, plant and equipment has been capitalised in immature oil palm plantation.

As at 31 December 2008, borrowing costs capitalised to biological assets – plantations amounted to Rp.49,381 million (2007: Rp.38,052 million).

### *Assets pledged as security*

As at 31 December 2008, biological assets amounting to Rp.327,822 million (2007: Rp.323,787 million) were pledged to secure the Group's bonds payable (Note 29).

# Notes to the Financial Statements

31 December 2008

## 11. PLASMA PLANTATION RECEIVABLES

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

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

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

Starting 6 September 2007, the subsidiaries used their own sources of funds to finance the conversion of 315 hectares of plasma plantations as stipulated in the loan agreements between PT SAM and KKPA smallholders. The loans bear interest at 16% (2007: 16%) per annum. The repayment periods are from December 2008 to December 2017.

After the conversion of plasma plantations, the plasma farmers are obliged to sell their crops to the Group. The investment credit will be repaid through the amounts withheld by the Group on such sales. In situations where the sales proceeds are insufficient to meet the repayment obligations to the banks, the Group also provide temporary funding to the plasma farmers to meet the instalment and interest payment to the banks.

Information regarding the plasma plantations as at 31 December is as follows:

	Group			
	2008		2007	
	PIR Trans	KKPA	PIR Trans	KKPA
	Rp.'million	Rp.'million	Rp.'million	Rp.'million
Accumulated converted value of plasma plantations	55,226	7,967	55,226	7,967
	Hectares	Hectares	Hectares	Hectares
Accumulated converted area of plasma plantations	4,642	315	4,642	315



# Notes to the Financial Statements

31 December 2008

## 11. PLASMA PLANTATION RECEIVABLES (CONT'D)

Details of plasma plantation receivables as at 31 December are as follows:

	Group		
	Plasma plantations development costs	Investment credits/self financing	Net plasma plantation receivables
	Rp.'million	Rp.'million	Rp.'million
<b>Group 2008</b>			
<b>PIR - TRANS</b>			
At 1 January 2008	34,900	–	34,900
Additional development costs	2,728	–	2,728
At 31 December 2008	37,628	–	37,628
<b>KKPA</b>			
At 1 January 2008	54,242	7,923	62,165
Additional development costs	21,790	–	21,790
Payment of self financing of receivables from plasma plantations	–	(381)	(381)
At 31 December 2008	76,032	7,542	83,574
Total at 31 December 2008	113,660	7,542	121,202

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

# Notes to the Financial Statements

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## 12. PROPERTY, PLANT AND EQUIPMENT

	At Cost					Total
	Leasehold buildings and improvements	Machinery and installation	Farming equipment and motor vehicles	Furniture and fittings/ office equipment and others	Assets under construction	
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
<b>Group</b>						
<b>Cost</b>						
At 1 January 2007	253,055	316,718	106,810	8,537	51,707	736,827
Additions	3,372	3,234	35,722	1,857	421,703	465,888
Acquisition of subsidiaries (Note 14)	51,236	42,185	4,807	(99)	1,128	99,257
Reclassifications	56,633	67,392	(384)	703	(124,344)	–
Disposals	(500)	(119)	(860)	(206)	(3,917)	(5,602)
At 31 December 2007 and 1 January 2008	363,796	429,410	146,095	10,792	346,277	1,296,370
Additions	20,395	8,732	31,082	4,014	517,422	581,645
Acquisition of subsidiaries (Note 14)	9,378	792	6,606	4,110	4,407	25,293
Reclassifications	112,243	17,106	14,016	961	(108,481)	35,845
Disposals	–	–	(17,116)	–	(431)	(17,547)
Currency realignment	–	–	618	30	–	648
At 31 December 2008	505,812	456,040	181,301	19,907	759,194	1,922,254
<b>Accumulated depreciation</b>						
At 1 January 2007	92,473	88,965	71,019	6,463	–	258,920
Charge for the year	19,397	21,993	14,739	1,082	–	57,211
Reclassifications	108	(208)	(268)	368	–	–
Disposals	(182)	(65)	(710)	(169)	–	(1,126)
At 31 December 2007 and 1 January 2008	111,796	110,685	84,780	7,744	–	315,005
Charge for the year	30,387	30,213	21,128	2,111	–	83,839
Reclassifications	16,651	9,014	9,399	781	–	35,845
Disposals	–	–	(16,735)	–	–	(16,735)
Currency realignment	–	–	126	7	–	133
At 31 December 2008	158,834	149,912	98,698	10,643	–	418,087
<b>Net carrying amount</b>						
As at 31 December 2008	346,978	306,128	82,603	9,264	759,194	1,504,167
As at 31 December 2007	252,000	318,725	61,315	3,048	346,277	981,365

# Notes to the Financial Statements

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## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Motor vehicle	Furniture and fittings/ office equipment	Computers	Total
	Rp.'million	Rp.'million	Rp.'million	Rp.'million
<b>Company</b>				
<b>Cost</b>				
Additions and at 31 December 2007	1,056	–	69	1,125
Additions	2,872	44	64	2,980
Currency realignment	619	5	25	649
At 31 December 2008	4,547	49	158	4,754
<b>Accumulated depreciation</b>				
Charge for the year and at 31 December 2007	(146)	–	(12)	(158)
Charge for the year	(820)	(9)	(37)	(866)
Currency realignment	(125)	(1)	(7)	(133)
At 31 December 2008	(1,091)	(10)	(56)	(1,157)
<b>Net carrying amount</b>				
At 31 December 2008	3,456	39	102	3,597
At 31 December 2007	910	–	57	967

As at 31 December 2008, borrowing costs capitalised to property, plant and equipment amounted to Rp.41,118 million (2007: Rp.55,054 million).

### *Assets pledged as security*

Certain property, plant and equipment of a subsidiary were pledged to secure the Group's bonds payable (Note 29).

### *Assets held under finance leases*

As at 31 December 2008, the net carrying amount of property, plant and equipment held under finance leases amounted to Rp.19,462 million (2007: Rp.16,070 million).

# Notes to the Financial Statements

31 December 2008

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### Depreciation and amortisation

For the financial years ended 31 December, the depreciation and amortisation charge is as follows:

	Group	
	2008 Rp.'million	2007 Rp.'million
Depreciation in property, plant and equipment	83,839	57,211
Amortisation of land use rights (Note 13)	6,603	2,562
Amortisation of intangible assets (Note 15)	382	–
Total	90,824	59,773
Depreciation included in cost of sales (Note 5):		
– FFB	22,585	21,672
– CPO and PK	38,504	27,601
Depreciation capitalised in immature oil palm plantation (Note 10)	18,001	6,840
Depreciation included in general and administrative expenses (Note 6)	4,749	1,098
Amortisation included in general and administrative expenses	6,985	2,562
Total	90,824	59,773

## 13. LAND USE RIGHTS

	Group	
	2008 Rp.'million	2007 Rp.'million
At 1 January	78,275	56,513
Additions	4,782	12,050
Acquisition of subsidiary (Note 14)	110,300	12,274
Less: Amortisation charge during the year	(6,603)	(2,562)
At 31 December	186,754	78,275
Amount to be amortised		
– Not later than one year	8,964	3,392
– Later than one year but not more than five years	35,855	13,568
– Later than five years	141,935	61,315
	186,754	78,275

# Notes to the Financial Statements

31 December 2008

## 13. LAND USE RIGHTS (CONT'D)

As at 31 December 2008, land use rights in respect of Right to Use ("Hak Guna Usaha" or "HGU") and Right To Build ("Hak Guna Bangunan" or "HGB") in Indonesia are as follows:

HGU No.	Total Area Hectares	Location (Regency)	Expiry Date of HGU
PT Ciliandra Perkasa HGU No. 55/HGU/BPN/1995	3,787	Kampar	31 December 2030
PT Perdana Intisawit Perkasa HGU No. 60/HGU/BPN/1995	2,467	Kampar	31 December 2030
PT Surya Intisari Raya HGU No. 40/HGU/BPN/1994	3,609	Pekanbaru	31 December 2024
HGU No. 41/HGU/BPN/1994	1,430	Bengkalis	31 December 2024
HGU No. 12/HGU/BPN RI/2008	628	Siak	17 July 2043
HGU No. 13/HGU/BPN RI/2008	2,048	Siak	17 July 2043
PT Pancasurya Agrindo HGU No. 42/VIII/1995	10,600	Kampar	31 December 2020
PT Arindo Trisejahtera HGU No. 13/HGU/BPN/1993	7,741	Kampar	31 December 2028
PT Subur Arummakmur HGU No. 65/HGU/BPN/1998	7,767	Kampar	21 September 2033
PT Muriniwood Indah Industry HGU No. 10/HGU/BPN/2000	7,886	Bengkalis	4 July 2035
PT Meridan Sejatissurya Plantation HGU No. 1/HGU/BPN/1995	4,416	Siak	31 December 2024
HGU No. 2/HGU/BPN/1995	553	Bengkalis	31 December 2024
HGU No. 2/HGU/BPN/1996	1,600	Bengkalis	20 December 2031
HGU No. 6/HGU/BPN/1999	4,257	Siak	26 August 2034
PT Pria Tama Riau HGU No. 47/HGU/BPN/1996	1,346	Bengkalis	2 December 2026
HGU No. 48/HGU/BPN/1996	3,175	Bengkalis	2 December 2026
Total	63,310		

# Notes to the Financial Statements

31 December 2008

## 13. LAND USE RIGHTS (CONT'D)

HGB No.	Total Area Hectares	Location (Regency)	Expiry Date of HGB
PT Panca Surya Garden HGB No. 04	315	Kampar	24 September 2025

As at 31 December 2008, the Group's land use rights covering a total land area of 63,310 hectares represents HGU and 315 hectares represent HGB. The legal terms of the existing land rights of the Group expire on various dates between 2020 and 2043.

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

Deferred land rights acquisition costs represent cost associated with the legal transfer or renewal for titles of land rights such as, among others, legal fees, land survey and re-measurement fees, taxes and other related expenses. They are deferred and amortised using the straight-line method over the period of 25 to 35 years.

Land use rights with net carrying amount of Rp.11,864 million (2007: Rp.12,273 million) are used to secure the Group's bonds payable (Note 29).

## 14. INVESTMENT IN SUBSIDIARIES

	Company	
	2008 Rp'million	2007 Rp'million
Unquoted equity shares, at cost	2,063,957	1,740,140
At 1 January	1,740,140	429,800
Issuance of shares for acquisition of subsidiaries	–	832,203
Payment in cash for acquisition of subsidiaries	323,817	478,137
At 31 December	2,063,957	1,740,140

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

### Acquisition of subsidiaries

#### (a) Acquisition of PT Panca Surya Garden

In September 2008, a subsidiary PT CLP had entered into a sales and purchase agreement with PT Plamo Karya ("PT PK"), and 4 individual shareholders to acquire a total of 95.0% of the shares in PT Panca Surya Garden ("PT PSG") for a total consideration of Rp.30,305 million (approximately US\$3.2 million).

PT PK, from whom PT CLP acquired 56.0% of the shares of PT PSG from, is a related party of the Company, as two of the directors of the Company are deemed interested parties of PT PK prior to the acquisition. Hence, details of this acquisition are also included in Note 43 - Related Party Disclosures.



# Notes to the Financial Statements

31 December 2008

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### Acquisition of subsidiaries (cont'd)

#### (a) Acquisition of PT Panca Surya Garden (cont'd)

PT PSG's assets comprise mainly of 366 hectares of land located in the Riau province of Sumatra, Indonesia. The Group will develop a seed garden as well as a new research centre on the land. The Group is investing in a seed garden for the production of high-quality seedlings to support its future expansion and replanting programmes. The new research centre will be equipped to undertake greater scope of research and agronomic trials to improve the Group's plantation yields.

This transaction was entered into on an arm's length basis and the terms were determined after taking into consideration business valuations performed by 2 independent valuers PT Artanilai Permai and PT Pronilai Konsulis Indonesia, dated 12 May 2008 and 27 June 2008 respectively. The two valuations of PT PSG's land were commissioned by PT CLP and PT PSG, respectively. The valuation of the land (excluding any land improvements) determined based on the above factors is Rp.110,300 million. PT CLP financed the above acquisition using its cash from operations.

If the acquisition had taken place at the beginning of the financial year ended 31 December 2008, PT PSG would have contributed a loss for the year of Rp.24,329 million and the revenue would have remained at nil.

The fair values of the identifiable assets and liabilities of PT PSG on the date that PT CLP acquired 95% of PT PSG were:

	Recognised on date of acquisition	Carrying amount before acquisition
	Rp'million	Rp'million
<b>Assets</b>		
Land use rights	110,300	67,789
Property, plant and equipment	8,149	8,149
Cash and cash equivalents	1,082	1,082
Trade and other receivables	314	314
Other assets	120	120
	<u>119,965</u>	<u>77,454</u>
<b>Liabilities</b>		
Trade and other payables	(4,324)	(4,324)
Due to related parties	(60,567)	(60,567)
Due to members	(10,400)	(10,400)
Due to shareholders	(2,548)	(2,548)
Other liabilities	(187)	(187)
Minority interest	29	–
Deferred tax liabilities	(10,628)	–
	<u>(88,625)</u>	<u>(78,026)</u>
Net identifiable assets	<u>31,340</u>	<u>(572)</u>

# Notes to the Financial Statements

31 December 2008

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### Acquisition of subsidiaries (cont'd)

#### (a) Acquisition of PT Panca Surya Garden (cont'd)

The total cost of the business combination is as follows:

	Rp./million
Consideration paid for the 95.0% interest acquired	30,305
Goodwill is computed as follows:	
Consideration paid	30,305
Share of net identifiable assets acquired (95.0%)	(29,773)
Goodwill	532

As management does not believe that the goodwill of Rp.532 million will bring in future economic benefits, it has been written off during the financial year ended 31 December 2008.

#### (b) Acquisition of PT Borneo Ketapang Permai

On 22 August 2008, the Company entered into a sale and purchase agreement to acquire 95.0% in PT BKP and subsidiaries ("PT BKP group") from Minbal Resources Limited for a cash consideration of Rp.323,817 million (US\$33.25 million).

The subsidiaries referred to above are namely PT Limpah Sejahtera ("PT LS"), PT Mitra Karya Sentosa ("PT MKS"), PT Umekah Saripratama ("PT USP") and PT Pulau Tiga Lestari ("PT PTLJ"). Further details can be found in Note 1(b).

The PT BKP group has been issued permits for an aggregate land bank of approximately 91,940 hectares, of which 573 hectares have already been planted with oil palm (immature plantation) as at 31 December 2008.

This transaction was entered into on an arm's length basis and the terms were determined on a willing seller, willing buyer basis. The Company financed the acquisition of PT BKP group using the proceeds from the Initial Public Offering ("IPO") in December 2007.

As a result of the above acquisitions, the Group held effectively 95.00% of PT BKP as at 31 December 2008.

As a significant portion of plantations are currently in the stage of development, only operating expenses have been incurred. As such, the acquisition has no material impact to the Group's results for the financial year. If the acquisition had taken place at the beginning of the financial year ended 31 December 2008, the PT BKP group would have contributed a loss for the year of Rp.6,963.7 million and the revenue would have remained nil.

Loan to PT BKP group is interest-free, unsecured and expected to be converted to shares within the next twelve months.

# Notes to the Financial Statements

31 December 2008

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (b) Acquisition of PT Borneo Ketapang Permai (cont'd)

The fair values of the identifiable assets and liabilities of PT Borneo group on the date that the Company acquired 95% of PT BKP group were:

	Recognised on date of acquisition	Carrying amount before acquisition
	Rp'million	Rp'million
<b>Assets</b>		
Land permit	275,820	2,011
Biological assets	73,818	94,198
Property, plant and equipment	17,144	10,298
Inventories	6,182	6,182
Cash and cash equivalents	3,376	3,376
Other assets	5,797	5,797
	<u>382,137</u>	<u>121,862</u>
<b>Liabilities</b>		
Amount due to related companies	(30,240)	(30,240)
Trade and other payables	(3,975)	(3,975)
Borrowings from financial institutions	(3,327)	(3,327)
Amount due to contractors	(7,530)	(7,530)
Income tax payable	(493)	(493)
Deferred tax liabilities	(65,069)	–
Other liabilities	(563)	(563)
	<u>(111,197)</u>	<u>(46,128)</u>
Net identifiable assets	<u>270,940</u>	<u>75,734</u>

#### Total cost of business combination

The total cost of the business combination is as follows:

	Rp'million
Consideration paid for the 95.0% interest acquired	<u>323,817</u>
Goodwill is computed as follows:	
Consideration paid	323,817
Share of net identifiable assets acquired (95.0%)	<u>(257,393)</u>
Goodwill	<u>66,424</u>

As at the date of acquisition, a goodwill of Rp.66,424 million was determined. The goodwill is stated at cost less any impairment losses. Management has assessed that the goodwill is not impaired as at 31 December 2008.

# Notes to the Financial Statements

31 December 2008

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (c) Acquisition of PT MSSP

On 2 August 2007, a subsidiary PT CLP entered into a sale and purchase agreement to acquire an additional 7% interest in PT MSSP from PT Payung Negeri Utama for a cash consideration of Rp.8.750 million.

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

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

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

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

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

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

# Notes to the Financial Statements

31 December 2008

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (c) Acquisition of PT MSSP (cont'd)

#### Total cost of business combination

The total cost of the business combination is as follows:

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

Goodwill is computed as follows:

Consideration paid	8,750
Net identifiable assets acquired	(8,750)
Goodwill	—

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

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

# Notes to the Financial Statements

31 December 2008

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (c) Acquisition of PT MSSP (cont'd)

Total cost of business combination

The total cost of the business combination is as follows:

	Rp./million
Consideration paid for the 63% interest acquired	348,219

Goodwill is computed as follows:

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

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

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

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

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

### (e) Acquisition of PT PSA

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

The total consideration payable by the Company for this acquisition was US\$115 million (equivalent to Rp.962,120 million), for which US\$15 million (equivalent to Rp.129,918 million) was settled in cash and the remaining US\$100 million (equivalent to Rp.832,203 million) in newly issued shares of the Company. The acquisition was completed concurrently with the Initial Public Offering. The Company allotted and issued 133,909,091 ordinary shares equivalent to US\$100 million based on the Offering Price of S\$1.10 to Infinite Capital Fund Limited.

As a result of the above acquisition, the Group held effectively 95.32% of PT PSA at 31 December 2007.

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



# Notes to the Financial Statements

31 December 2008

## 14. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (e) Acquisition of PT PSA (cont'd)

The effect on acquisition of subsidiaries on cash flows is as follows:

	Group		
	2008		
	PT BKP (95%)	PT PSG (91%)	Total
	Rp'million	Rp'million	Rp'million
Total cash consideration for equity interest acquired	323,817	30,305	354,122
Less: Cash and cash equivalents of subsidiary acquired	(3,376)	(1,082)	(4,458)
Net cash outflow on acquisition	320,441	29,223	349,664

	2007		
	PT MSSP (7%)	PT MSSP (63%)	PT SDA (95%)
	Rp'million	Rp'million	Rp'million
Total cash consideration for equity interest acquired	8,750	348,219	6,250
Less: Cash and cash equivalents of subsidiary acquired	–	(27,351)	–
Net cash outflow on acquisition	8,750	320,868	6,250

## 15. OTHER INTANGIBLE ASSETS

	Group		
	Land permit	Software	Total
	Rp'million	Rp'million	Rp'million
Cost:			
Additions, at 31 December 2007 and 1 January 2008	–	1,910	1,910
Additions	350	9,627	9,977
Acquisition of subsidiary (Note 14)	275,820	–	275,820
At 31 December 2008	276,170	11,537	287,707
Accumulated amortisation:			
Charge for the year	–	(382)	(382)
Net carrying amount:			
At 31 December 2008	276,170	11,155	287,325
At 31 December 2007	–	1,910	1,910

# Notes to the Financial Statements

31 December 2008

## 15. OTHER INTANGIBLE ASSETS (CONT'D)

### Land permit

Land permit relates to *Ijin Lokasi* which is an approval, generally renewable annually, granted by the Indonesian Government which permits that company to use the land covered by the approval in accordance with a regional plan to apply for the transfer of the rights with respect to that land. A holder of *Ijin Lokasi* must develop the land subject to those rights within one to three years depending on the size of the land, otherwise the holder may lose their rights. Amortisation would commence upon reclassification of land permit to Land Use Rights.

### Software

PT CLP entered into an agreement with PT Mitra Integrasi Informatika for the license and implementation for the Oracle Financial and Purchasing modules. The contract value amounted to US\$132,000. The project has been successfully implemented for the Group.

The Group has extended the implementation of Oracle software to include Oracle e-Business Suite, Oracle Database, Human Resources and Payroll Oracle, Oracle Plantation and Oracle Business Intelligent in which the contract value amounts to US\$1,580,000.

## 16. TAX RECOVERABLE

	Group	
	2008 Rp'million	2007 Rp'million
VAT	3,314	610
Income Tax Article 23	123	213
Income Tax Article 26	92	43
Corporate income tax	–	6,468
Total	3,529	7,334

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

## 17. INVENTORIES

	Group	
	2008 Rp'million	2007 Rp'million
<i>At lower of cost and net realisable value</i>		
Crude Palm Oil	54,937	76,926
Palm Kernel	5,304	8,666
Fertilizer and chemicals	95,806	20,033
Spare parts and other consumables	31,039	22,057
Goods- in- transit	6,445	6,452
Inventories carried at lower of cost and net realisable value	193,531	134,134
<i>At fair value</i>		
Fresh fruit bunches	1,509	313
Total inventories	195,040	134,447
Inventories recognised as an expense in cost of sales	518,270	414,574

# Notes to the Financial Statements

31 December 2008

## 18. TRADE RECEIVABLES

	Group	
	2008 Rp'million	2007 Rp'million
Third parties	47,226	32,965
Related parties	–	3,980
	<u>47,226</u>	<u>36,945</u>

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

Trade receivables are denominated in the following currencies:

	Group	
	2008 Rp'million	2007 Rp'million
Indonesian Rupiah	3,290	3,980
US Dollars	43,936	32,965
	<u>47,226</u>	<u>36,945</u>

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

### Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp.47,226 million (2007: Rp.32,965 million) that are past due but not impaired. These receivables are unsecured and the analysis of their ageing is as follows:

	Group	
	2008 Rp'million	2007 Rp'million
Overdue:		
1 - 30 days	47,212	32,965
31 - 90 days	–	–
More than 90 days	14	–
	<u>47,226</u>	<u>32,965</u>

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

All the above trade receivable balances have been repaid subsequent to the financial year ended 31 December 2008.

# Notes to the Financial Statements

31 December 2008

## 19. OTHER RECEIVABLES

	Group		Company	
	2008 Rp.'million	2007 Rp.'million	2008 Rp.'million	2007 Rp.'million
Amount due from a financial institution (Note 31)	21,031	–	21,031	–
Interest receivable	113	530	113	530
Sundry receivables	36,275	20,689	801	1,937
	57,419	21,219	21,945	2,467

Other receivables are denominated in the following currencies:

	Group		Company	
	2008 Rp.'million	2007 Rp.'million	2008 Rp.'million	2007 Rp.'million
Indonesian Rupiah	9,618	18,752	–	–
US Dollars	47,252	–	21,396	–
Singapore Dollars	549	2,467	549	2,467
	57,419	21,219	21,945	2,467

## 20. ADVANCES AND PREPAYMENTS

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

## 21. ADVANCE FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Advance for purchase of property, plant and equipment represents advance payments made to suppliers and contractors in relation to the biodiesel facility of the Group which is under construction.

## 22. PREPAID TAXES

	Group	
	2008 Rp.'million	2007 Rp.'million
Income Tax Article 22	–	27
VAT, net	35,552	23,400
	35,552	23,427

The Group has a net value added tax receivable relating to the production of FFB. With effect from 1 January 2007, FFB has been classified as a Certain Strategic Taxable Good and is therefore exempted from the imposition of VAT in Indonesia. As such, FFB is no longer subject to VAT and cannot be credited and instead such input VAT components should be charged as an expense. Management is of the opinion that the production of CPO, which uses FFB produced by the Group, is not covered by this exemption and all input VAT in the production of the FFB can be claimed and offset against the output VAT of CPO. Accordingly, the net VAT is accounted for as a recoverable amount in the balance sheet. As at 31 December 2008, the cumulative effect of the input VAT relating to the FFB before offsetting output VAT is Rp.52,477 million (2007: Rp.18,310 million).

# Notes to the Financial Statements

31 December 2008

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

Due to related parties are non-trade related, unsecured, non-interest bearing and repayable on demand.

Due from related parties and due to immediate holding company have been repaid during the year.

## 24. CASH AND BANK BALANCES

	Group		Company	
	2008 Rp'million	2007 Rp'million	2008 Rp'million	2007 Rp'million
Cash on hand and in banks	121,612	239,134	5,632	23,074
Time deposits, secured	–	150,000	–	–
Time deposits, unsecured	970,527	1,168,413	277,023	649,960
	<u>1,092,139</u>	<u>1,557,547</u>	<u>282,655</u>	<u>673,034</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates, which range between 0.19% and 4.34% (2007: 1.13% and 8.25%) per annum.

In 2007, time deposits amounting to Rp.150,000 million, which belonged to PT CLP, were pledged to secure the Ciliandra Perkasa Bond II Year 2007 (Note 29). The pledge has been released in 2008 upon PT MSSP satisfactorily meeting the terms and conditions governing use of its land use rights (Note 13).

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2008 Rp'million	2007 Rp'million	2008 Rp'million	2007 Rp'million
Indonesian Rupiah	80,191	453,720	–	–
US Dollars	861,315	430,793	132,022	–
Singapore Dollars	150,633	673,034	150,633	673,034
Total	<u>1,092,139</u>	<u>1,557,547</u>	<u>282,655</u>	<u>673,034</u>

# Notes to the Financial Statements

31 December 2008

## 24. CASH AND BANK BALANCES (CONT'D)

For the purposes of the Cash Flow Statement, cash and cash equivalents represent the following:

	Group	
	2008 Rp./million	2007 Rp./million
Cash on hand and in banks	121,612	239,134
Time deposits, unsecured	970,527	1,168,413
	<u>1,092,139</u>	<u>1,407,547</u>

## 25. TRADE PAYABLES

	Group	
	2008 Rp./million	2007 Rp./million
Third parties	85,298	84,192
Related parties	–	3,980
Total	<u>85,298</u>	<u>88,172</u>

### *Amounts due to third parties*

These amounts are non-interest bearing. The Group's policy is to settle its trade payables within 30 to 90 days from the date of the invoice.

Trade payables are denominated in the following currencies:

	Group	
	2008 Rp./million	2007 Rp./million
Indonesian Rupiah	64,462	69,784
US Dollars	13,592	18,328
Others	7,244	60
Total	<u>85,298</u>	<u>88,172</u>

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

	Group	
	2008 Rp./million	2007 Rp./million
1 - 30 days	43,671	22,663
31 - 90 days	10,037	41,129
More than 90 days	31,590	24,380
Total	<u>85,298</u>	<u>88,172</u>



# Notes to the Financial Statements

31 December 2008

## 26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008 Rp'million	2007 Rp'million	2008 Rp'million	2007 Rp'million
Accrued staff costs	17,209	14,125	214	462
Accrued professional fees	6,176	10,632	2,453	5,165
Accrued interest	17,029	16,393	–	–
Accrued contractor fees and retention sums	75,086	50,322	–	–
Other payables and accruals	13,521	10,099	3,890	7
Total	129,021	101,571	6,557	5,634

Other payables are denominated in the following currencies:

	Group		Company	
	2008 Rp'million	2007 Rp'million	2008 Rp'million	2007 Rp'million
Indonesian Rupiah	71,707	88,546	–	–
US Dollars	53,429	7,391	2,672	–
Singapore Dollars	3,885	5,634	3,885	5,634
Total	129,021	101,571	6,557	5,634

## 27. ADVANCES FROM CUSTOMERS

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

# Notes to the Financial Statements

31 December 2008

## 28. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

	Group		Company	
	2008 Rp.'million	2007 Rp.'million	2008 Rp.'million	2007 Rp.'million
Consumer financing loans	11,753	14,509	737	746
Obligations under finance lease	7,326	9,638	–	–
Total	19,079	24,147	737	746
<b><u>Current</u></b>				
Consumer financing loan	8,280	9,089	136	98
Obligations under finance leases	4,691	5,456	–	–
	12,971	14,545	136	98
<b><u>Non-current</u></b>				
Consumer financing loan	3,473	5,420	601	648
Obligations under finance leases	2,635	4,182	–	–
	6,108	9,602	601	648
Total	19,079	24,147	737	746

Details of the loans and borrowings are as follows:

### Consumer financing loans

The Group entered into consumer financing loan agreements for purchase of farming equipment and motor vehicles incidental to the ordinary course of the business. These consumer financing loans expire within the next three years. The discount rates implicit in these consumer financing loans range from 5.5% to 13.9% (2007: 6.6% to 27.8%) per annum respectively.

### Obligation under financing lease

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 discount rates implicit in these capital leases range from 6.9% to 12.8% (2007: 5.0% to 12.8%) per annum respectively.

Future minimum lease payments under finance leases and consumer financing loans together with the present value of the net minimum lease payments are disclosed in Note 42.

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

	Group		Company	
	2008 Rp.'million	2007 Rp.'million	2008 Rp.'million	2007 Rp.'million
Indonesian Rupiah	18,342	23,400	–	–
Singapore Dollars	737	747	737	747
Total	19,079	24,147	737	746

# Notes to the Financial Statements

31 December 2008

## 29. BONDS PAYABLE

	Group	
	2008 Rp./million	2007 Rp./million
Nominal value	500,000	500,000
<b>Less:</b>		
Bond issuance costs	6,932	6,932
Accumulated amortisation	(617)	(116)
Total	6,315	6,816
Bonds payable, net	493,685	493,184

On 27 November 2007, PT CLP issued Rp.500 billion bonds ("Bonds") which are listed on the *Bursa Efek Indonesia*. The Bonds will be due on 27 November 2012 and bear interest at 11.50% (2007: 11.50%) per annum payable on a quarterly basis from 27 February 2008 until 27 November 2012.

The Bonds are collateralised with the biological assets, land use rights and property, plant and equipment belonging to PT MSSP amounting to Rp.500,000 million (2007: Rp.350,000 million) (Notes 10, 12 and 13).

The collateral over the time deposits amounting to Rp.150,000 million has been released in 2008 (Note 24).

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

In addition, PT CLP is required to deposit a Bond Sinking Fund of 10% of the Bonds' Nominal Value payable should the Bonds' rating fall below idBBB+ as assessed by *PT Pemeringkat Efek Indonesia* (Pefindo). Based on the report from Pefindo as at 6 November 2008, the Bonds are classified as A (Single A Minus; stable outlook). As at 31 December 2008, the balance in the Bond Sinking Fund is nil (2007: nil).

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

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

PT CLP and its subsidiaries have complied with all the above covenants for the financial years ended 31 December 2008 and 2007.

# Notes to the Financial Statements

31 December 2008

## 29. BONDS PAYABLE (CONT'D)

The proceeds obtained from issuance of the Bonds after deducting issuance costs, will be used as follows:

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

The costs incurred relating to the issuance of the Bonds are deferred and presented as discounts amortised over 5 years, using the effective interest method.

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

## 30. NOTES PAYABLE

	Group	
	2008 Rp:million	2007 Rp:million
Nominal value	1,541,760	1,507,040
Less:		
Notes issuance costs	53,276	60,541
Accumulated amortisation	(14,292)	(9,447)
Total	38,984	51,094
Notes payable, net	1,502,776	1,455,946

On 8 December 2006, CPFC issued US\$160,000,000 Guaranteed Secured Notes (the "Notes"). The Notes will be due on 8 December 2011 and bears interest at 10.75% (2007: 10.75%) per annum payable semi-annually on 8 June and 8 December each year, beginning on 8 June 2007.

The Notes are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and are guaranteed by PT CLP and certain subsidiaries (collectively the "Guarantors"). The Notes will be effectively subordinated to all of the Guarantors' existing and future secured indebtedness to the extent of assets securing such indebtedness.

At any time prior to 8 December 2009, the issuer may redeem up to 35% of the principal amount of the Notes using the net cash proceeds from one or more equity offerings of PT CLP's capital stock at the redemption price of 110.75% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the redemption date.

# Notes to the Financial Statements

31 December 2008

## 30. NOTES PAYABLE (CONT'D)

The Notes are secured by:

- (a) a security interest in a pre-funded interest reserve account;
- (b) a security interest in the escrow account;
- (c) a security interest in the new biodiesel plant to be constructed by PT CLP;
- (d) a security interest in all moveable assets of the Guarantors, whether located in Republic of Indonesia or Singapore, including cash accounts, but excluding accounts receivable and inventories;
- (e) a pledge by CPFC of its rights in the intercompany loans made with the net proceeds of the Notes; and
- (f) pledges by the shareholders of PT CLP of 100% of the share capital of PT CLP and a pledge by the Guarantors holding the shares of another subsidiary of all such shares held.

The costs incurred related to the Notes issuance are deferred and presented as discounts amortised over 5 years, using the effective interest method.

The subsidiaries have repurchased a total of US\$19,200,000 of the notes payable, through several redemptions which has a total gain of US\$6,718,000 (equivalent to Rp68,982 million). Gain on repurchase of notes including deferred notes issuance cost is represented as financial income in the income statement (Note 7).

## 31. DERIVATIVE FINANCIAL LIABILITIES

### (i) Cross currency swap

On 4 December 2007, PT CLP entered into a Cross Currency Swap Transaction (Non-deliverable) Agreement ("the Agreement") with a financial institution ("Bank A"). The effective date is 27 November 2007 and the termination date is 27 November 2012.

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

The changes in the cross currency swap is as follows:

	Group	
	2008 Rp.'million	2007 Rp.'million
At 1 January	3,747	–
Mark to market losses (Note 7)	181,145	5,661
Interest income (Note 7)	(16,242)	(1,914)
Net cash proceeds from settlement	16,852	–
Loss on foreign exchange	11,410	–
At 31 December	196,912	3,747

### (ii) Biodiesel swap

On 15 September 2008 to 18 September 2008, the Company entered into Biodiesel Commodity Swap Agreements ("Agreements") with a financial institution ("Bank B"). The trade dates are on 15 September 2008 to 18 September 2008 while the settlement dates are on 1 April 2009 to 31 March 2010.

The biodiesel swap is used to hedge price risks, specifically forecasted sales price differences of biodiesel and crude palm oil. On 2 December 2008, the Company has completely squared its position with Bank B. The amount due from Bank B amounting to Rp.21,031 million would be repaid in 12 monthly instalments commencing April 2009 (Note 19).

# Notes to the Financial Statements

31 December 2008

## 32. PROVISION FOR POST EMPLOYMENT BENEFITS

The Group recognised employment benefits for all its permanent employees in Indonesia pursuant to Indonesian Labor Law No. 13/2003. The provision for employment benefits is based on the calculation of independent actuary, PT Sienco Aktuarindo Utama using the "Projected Unit Credit" method. No fund was provided for such liability for employment benefits. As at 31 December 2008, there are a total number of 6,429 (2007: 4,994) employees entitled for such benefits.

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

	2008	2007
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	12% per annum	10% per annum
Mortality Rate	The Commissioners 1980 Standard Ordinary Mortality Table	The Commissioners 1958 Standard Ordinary Mortality Table
Disability Rate	1 % of mortality rate	1 % of mortality rate
Resignation Rate	0 % to 1 %	0 % to 1 %
Calculation Method	Projected Unit Credit	Projected Unit Credit

The balance of the post employment benefits liability amounted to Rp.33,744 million (2007: Rp.26,801 million).

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

	Group	
	2008 Rp.'million	2007 Rp.'million
<b>Estimated liability for employee benefits</b>		
Present value of employee benefits obligation in addition to the defined contribution scheme	30,336	30,992
Unrecognised net actuarial gain/(loss)	3,773	(1,092)
Unrecognised past service cost	(365)	(3,099)
Post employment benefits liability	33,744	26,801

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

At 1 January	26,801	19,903
Acquisition of subsidiary (Note 14)	–	2,551
Net employee benefit expense	9,883	6,661
Benefits paid	(2,940)	(2,314)
At 31 December	33,744	26,801



# Notes to the Financial Statements

31 December 2008

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

The following table summarises the component of net employee benefits expense recognised in the income statement:

	Group	
	2008 Rp./million	2007 Rp./million
Net employee benefit expense		
Current service cost	6,009	4,388
Interest cost on benefit obligation	2,952	2,107
Amortisation of past service cost	247	144
Allowance of internal movement of employee	675	22
Net employee benefit expense	9,883	6,661

The breakdown of net employee benefit expense is as follows:

	Group	
	2008 Rp./million	2007 Rp./million
Cost of goods sold (Note 5)		
– FFB	3,685	3,401
– CPO and PK	962	920
General and administrative expense (Note 6)	2,083	2,228
Capitalised to immature oil palm plantation	3,153	112
	9,883	6,661

## 33. SHARE CAPITAL

	Group and Company	
	No. of shares	Cost Rp./million
At 1 January 2007	58,023,865	330,487
Issued to offset against debts owing to immediate holding company	18,010,327	106,801
Issued pursuant to loan and novation agreement	769,150	4,561
Issued to immediate holding company	500,000	2,965
Sub-total	77,303,342	444,814
After share split <sup>(1)</sup>	1,159,550,130	444,814
Issued pursuant to Initial Public Offering	175,000,000	1,125,731
Initial Public Offering expenses	–	(52,143)
Issued for acquisition of minority interest	133,909,091	832,203
At 31 December 2008 and 2007	1,468,459,221	2,350,605

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.

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

# Notes to the Financial Statements

31 December 2008

## 34. TREASURY SHARES

	Group and Company			
	2008		2007	
	No. of shares '000	Rp.'million	No. of shares '000	Rp.'million
At 1 January	–	–	–	–
Acquired during the financial year	15,000	63,517	–	–
At 31 December	15,000	63,517	–	–

Treasury shares relate to ordinary shares of the Company that is held by the Company. Pursuant to the share buyback mandate approved by its shareholders, the Company acquired 15,000,000 (2007: nil) shares in the Company through purchases on the SGX-ST during the financial year. The total amount paid to acquire the shares was Rp.63,517 million (equivalent to S\$9.6 million) (2007: nil) and this was presented as a separate component within shareholders' equity. The weighted average price per share bought back amounted to S\$0.64.

## 35. DIFFERENCE ARISING FROM RESTRUCTURING TRANSACTIONS INVOLVING ENTITIES UNDER COMMON CONTROL

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

## 36. CAPITAL RESERVE

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

## 37. ASSET REVALUATION RESERVE

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

## 38. FOREIGN TRANSLATION RESERVE

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

## 39. CASH FLOW HEDGE RESERVE

The Group had adopted hedge accounting to account for the biodiesel swap, as explained in detail in Note 31. As the Group had already squared its position as at 31 December 2008, the balance in the cash flow hedge reserve which initially arose from the effective portion of the value of the biodiesel swap are transferred to the income statement.

# Notes to the Financial Statements

31 December 2008

## 40. DIVIDEND PAID

	Group	
	2008 Rp.'million	2007 Rp.'million
<b>Declared and paid during the financial year:</b>		
Dividends on ordinary shares:		
– Interim tax exempt (one-tier) dividend for 2008: 1.4 cents (2007: nil) per share	133,512	–

## 41. CLASSES OF FINANCIAL ASSETS AND LIABILITIES

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

	Group		Company	
	2008 Rp.'million	2007 Rp.'million	2008 Rp.'million	2007 Rp.'million
<b>Assets</b>				
<u>Loans and receivables</u>				
Loan to subsidiary	–	–	79,924	–
Trade receivables	47,226	36,945	–	–
Other receivables	57,419	21,219	21,945	2,467
Due from related parties (current)	–	–	–	888
Cash and bank balances	1,092,139	1,557,547	282,655	673,034
<b>Total</b>	<b>1,196,784</b>	<b>1,615,711</b>	<b>384,524</b>	<b>676,389</b>
<b>Liabilities</b>				
<u>At amortised cost</u>				
Trade payables	85,298	88,172	–	–
Other payables and accruals	129,021	101,571	6,557	5,634
Due to immediate holding company	–	3,534	–	–
Due to related parties	1,308	3,534	–	4,422
Loans and borrowings (current)	12,971	14,545	136	98
Loans and borrowings (non-current)	6,108	9,602	601	648
Bonds payable	493,685	493,184	–	–
Notes payable	1,502,776	1,455,946	–	–
<b>Total</b>	<b>2,231,167</b>	<b>2,166,554</b>	<b>7,294</b>	<b>10,802</b>
<u>At fair value through profit or loss</u>				
Derivative financial liabilities	196,912	3,747	–	–

# Notes to the Financial Statements

31 December 2008

## 42. COMMITMENTS AND CONTINGENCIES

### (a) Sales Contracts

As at 31 December 2008, the Group has commitment to deliver 112,500 tonnes (2007: 60,000 tonnes) of CPO at pre-determined terms to its customers.

### (b) Capital commitments

Capital commitments contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2008 Rp'million	2007 Rp'million	2008 Rp'million	2007 Rp'million
Capital commitments in respect of property, plant and equipment	2,519,419	447,535	–	–
Capital commitments in respect of intangible assets	17,301	1,233	–	–

### (c) Operating lease commitments

#### *As lessee*

The Group has entered into commercial leases to lease land and buildings. These non-cancellable operating leases have remaining lease terms of between one to two years. There are no restrictions placed upon the lessee by entering into these leases. Operating lease payments recognised in the income statement are Rp.5,773 million (2007: Rp.4,649 million).

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

	Group	
	2008 Rp'million	2007 Rp'million
Within one year	7,435	17,926
After one year but not more than five years	5,610	9,212
	13,045	27,138

# Notes to the Financial Statements

31 December 2008

## 42. COMMITMENTS AND CONTINGENCIES (CONT'D)

### (d) Finance lease and consumer financing loan commitments

#### *As lessee*

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

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

	Group			
	2008 Rp'million		2007 Rp'million	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Not later than one year	16,113	12,971	17,441	14,545
Later than one year but not more than five years	7,090	6,108	11,112	9,554
More than five years	–	–	60	48
Total minimum lease payments	23,203	19,079	28,613	24,147
Less: Amount representing finance charges	(4,124)	–	(4,466)	–
Present value of minimum lease payments	19,079	19,079	24,147	24,147

### (e) Contingent liabilities

The Group has guaranteed Rp.55,236 million (2007: Rp.55,236 million) in respect of plasma farmers' loans repayable to the bank at the time when the plasma plantations are converted. These loans are being repaid by the plasma farmers on an instalment basis through a withholding mechanism on sales of the plasma crops to the Group.

# Notes to the Financial Statements

31 December 2008

## 43. RELATED PARTY DISCLOSURES

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

In addition to those related party information provided elsewhere in the relevant notes to the consolidated financial statements, the following are the significant transactions between the Group and related parties (who are not members of the Group) that took place during the financial years ended 31 December 2008 and 2007 at the terms agreed between the parties, which are conducted at arm's length.

	Group	
	2008 Rp.'million	2007 Rp.'million
<i>Associate</i>		
– Purchase of goods, processing fees, management fees and others	–	3,980
– Interest income	–	1,913
– Dividend income	–	250
<i>Director-related companies</i>		
– Acquisition of subsidiary (Note 14)	30,305	–
– Lease of office space	5,331	3,020

### Compensation of key management personnel

	Group	
	2008 Rp.'million	2007 Rp.'million
Salaries, wages, allowances and other benefits	30,038	13,105
Director fees	343	564
Post employment benefits	1,333	958
Central Provident Fund	67	18
	31,781	14,645
Comprise amounts paid to:		
– Directors of the Group	31,781	14,645



# Notes to the Financial Statements

31 December 2008

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

The main risks arising from the Group's operations and use of financial instruments are interest rate risk, market risk (including currency risk and commodity price risk), credit risk and liquidity risk. The directors review and agree policies for managing each of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and also has been throughout the current and previous financial year, that the Group's policy is that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

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.

### (a) Interest rate risk

Interest rate risk is the risk that the fair value of 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 interest rate risk mainly arises from notes payable, bonds payable, cross currency swap, time deposits, consumer financing loans and obligations under finance leases. Borrowings at variable rates expose the Group to fair value interest rate risk.

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

#### Sensitivity analysis for interest rate risk

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

Increase/(decrease) in basis points	Effect on profit before tax	
	2008 Rp.'million	2007 Rp.'million
+25	3,350	258
-25	(3,112)	(590)
+50	6,582	681
-50	(6,343)	(1,013)
+100	13,044	1,529
-100	(12,806)	(1,861)

# Notes to the Financial Statements

31 December 2008

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

### (a) Interest rate risk (cont'd)

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

	Interest bearing			Non-Interest bearing	Total
	Less than 1 year	Within 1 to 5 years	More than 5 years		
	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million
<b>Group</b>					
<b>As at 31 December 2008</b>					
<b>Assets</b>					
Trade receivables	–	–	–	47,226	47,226
Other receivables	113	–	–	57,306	57,419
Cash and cash equivalents	1,092,139	–	–	–	1,092,139
<b>Liabilities</b>					
Trade payables	–	–	–	85,298	85,298
Other payables and accruals	17,029	–	–	111,992	129,021
Due to related parties	–	–	–	1,308	1,308
Loans and borrowings from financial institutions	12,971	6,108	–	–	19,079
Bonds payable	–	493,685	–	–	493,685
Notes payable	–	1,502,776	–	–	1,502,776
Derivative financial liabilities	–	196,912	–	–	196,912
<b>As at 31 December 2007</b>					
<b>Assets</b>					
Trade receivables	–	–	–	36,945	36,945
Other receivables	530	–	–	20,689	21,219
Cash and cash equivalents	1,318,413	–	–	239,134	1,557,547
<b>Liabilities</b>					
Trade payables	–	–	–	88,172	88,172
Other payables and accruals	16,393	–	–	85,178	101,571
Due to immediate holding company	–	–	–	3,534	3,534
Loans and borrowings from financial institutions	14,545	9,554	48	–	24,147
Bonds payable	–	493,184	–	–	493,184
Notes payable	–	1,455,946	–	–	1,455,946
Derivative financial liability	–	3,747	–	–	3,747

# Notes to the Financial Statements

31 December 2008

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

### (a) Interest rate risk (cont'd)

	Interest bearing			Non-Interest bearing	Total
	Less than 1 year	Within 1 to 5 years	More than 5 years		
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
<b>Company</b>					
<b>As at 31 December 2008</b>					
<b>Assets</b>					
Other receivables	113	–	–	21,832	21,945
Loan to subsidiary	–	–	–	79,924	79,924
Cash and bank balances	282,655	–	–	–	282,655
<b>Liabilities</b>					
Other payables and accruals	–	–	–	6,557	6,557
Loans and borrowings from financial institutions	136	601	–	–	737
<b>As at 31 December 2007</b>					
<b>Assets</b>					
Other receivables	530	–	–	1,937	2,467
Due from related parties	–	–	–	888	888
Cash and bank balances	649,960	–	–	23,074	673,034
<b>Liabilities</b>					
Other payables and accruals	–	–	–	5,634	5,634
Due to related parties	–	–	–	4,422	4,422
Loans and borrowings from financial institutions	98	600	48	–	746

### (b) Foreign currency risk

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 Singapore Dollars and Indonesian Rupiah. The foreign currency in which these transactions are denominated is mainly United States Dollars (USD).

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

# Notes to the Financial Statements

31 December 2008

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

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

The Group's foreign currency exposures are highlighted in Notes 18, 19, 24, 25, 26 and 28.

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

#### Sensitivity analysis for foreign currency risk

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

	Group			
	2008 Rp:million		2007 Rp:million	
	Profit net of tax	Equity	Profit net of tax	Equity
USD				
– strengthened 13.24% (2007: 5.11%)	(10)	–	(6)	–
– weakened 17.34% (2007: 3.60%)	16	–	4	–
SGD				
– strengthened 7.85% (2007: 0.28%)	–	3	–	–
– weakened 15.52% (2007: 11.70%)	–	6	–	(12)

### (c) Commodity price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market price (other than interest or exchange rates).

The Group's exposure to commodity price risk arising from its sales of CPO, is contributed by certain factors, such as weather, government policy, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its sales of CPO in a situation where the market sales price of CPO decreases and the revenue from CPO is not able to cover the operating costs.

The Group's policy is to minimise the risks arising from the fluctuations in the commodity prices by being almost self-sufficient in CPO as this provides a hedge against such cost fluctuations. To the extent that it is unable to do so, the Group may minimise such risks through forward contracts and swap contracts.

# Notes to the Financial Statements

31 December 2008

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

### (c) **Commodity price risk (cont'd)**

Sensitivity analysis for CPO price risk

As at 31 December 2008, the following CPO prices were used to determine the impact to the profit before tax arising from changes in fair value of biological assets, with the other factors held constant:

#### **Group**

##### **Financial year ended 31 December 2008**

Year	Base case	Scenario 1	Scenario 2
	USD	USD	USD
2009	582	632	682
2010	632	695	758
2011	667	734	800
2012 - 2022	682	750	818

##### **Financial year ended 31 December 2007**

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

The impact to the profit before tax is as follows:

Year	Scenario 1		Scenario 2	
	Increase in profit before tax	Increase from original value	Increase in profit before tax	Increase from original value
	Rp.' million	%	Rp.' million	%
2008	882,380	24	1,802,168	49
2007	1,056,081	35	1,788,323	59

# Notes to the Financial Statements

31 December 2008

## 44. 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's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

#### Exposure to credit risk

As at 31 December 2008, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Information regarding credit enhancements for trade and other receivables is disclosed in Notes 18 and 19.

As at 31 December 2008, approximately:

- 93% (2007: 89%) of the Group's trade receivables were due from a major customer located in Singapore; and
- None (2007: 11%) of the Group's trade receivables were due from related parties.

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2008		2007	
	Rp:million	% of total	Rp:million	% of total
<b>By country:</b>				
Singapore	43,936	93	32,965	89
Indonesia	3,290	7	3,980	11
	47,226	100	36,945	100
<b>By industry sectors:</b>				
Plantation	47,226	100	36,945	100

# Notes to the Financial Statements

31 December 2008

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

### (d) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

### (e) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

As at 31 December 2008, approximately 0.66% (2007: 0.74%) of the Group's total loans and borrowings (Notes 28, 29 and 30) will mature in less than one year based on the carrying amount reflected in the financial statements. 18% (2007: 13%) of the Company's loans and borrowings will mature in less than one year at the balance sheet date.

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

	1 year or less	1 to 5 years	Over 5 years	Total
<b>Group</b>				
<b>2008</b>				
Trade and other payables	214,319	–	–	214,319
Due to related parties	1,308	–	–	1,308
Derivative financial liabilities	43,766	127,331	–	171,097
Loans and borrowings from financial institutions	16,113	7,090	–	23,203
Bonds payable	58,299	675,056	–	733,355
Notes payable	186,712	1,915,185	–	2,101,897
	520,517	2,724,662	–	3,245,179
<b>2007</b>				
Trade and other payables	189,743	–	–	189,743
Due to immediate holding company	3,534	–	–	3,534
Derivative financial liabilities	36,151	140,940	–	177,091
Loans and borrowings from financial institutions	17,441	11,112	60	28,613
Bonds payable	58,458	733,354	–	791,812
Notes payable	183,008	2,054,563	–	2,237,571
	488,335	2,939,969	60	3,428,364



# Notes to the Financial Statements

31 December 2008

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

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

	1 year or less	1 to 5 years	Over 5 years	Total
<b>Company</b>				
<b>2008</b>				
Trade and other payables	6,557	–	–	6,557
Loans and borrowings from financial institutions	170	749	–	919
	<u>6,727</u>	<u>749</u>	<u>–</u>	<u>7,476</u>
<b>2007</b>				
Trade and other payables	5,634	–	–	5,634
Amounts due to related parties	4,422	–	–	4,422
Loans and borrowings from financial institutions	145	725	60	930
	<u>10,201</u>	<u>725</u>	<u>60</u>	<u>10,986</u>

### (f) Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

On 29 April 2008, the Company obtained a mandate from its shareholders to buy-back up to 10% of its existing number of shares in issue as at that date (Note 34). Other than the above, no other changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which is gross debt divided by Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"). The Group's policy is to maintain a gross debt to EBITDA ratio of no more than 3.75 times.

	<b>Group</b>	
	<b>2008 Rp.'million</b>	<b>2007 Rp.'million</b>
Notes payable (Note 30)	1,502,776	1,455,946
Bonds payable (Note 29)	493,685	493,184
Interest bearing loans and borrowings (Note 28)	19,079	24,147
Gross debt	<u>2,015,540</u>	<u>1,973,277</u>
EBITDA	1,790,755	897,287
Gearing ratio	<u>1.13</u>	<u>2.20</u>

# Notes to the Financial Statements

31 December 2008

## 45. FINANCIAL INSTRUMENTS

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

The methodologies and assumptions used in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

**(a) Financial instruments carried at fair value**

The fair value of the cross currency swap highlighted in Note 31 is based on its market price as at the end of the financial year.

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

The fair value of cash and cash equivalents, current trade and other receivables, current trade and other payables, short-term and current portion of long-term and loans and borrowings and amounts due/to from related parties and immediate holding company approximate their carrying values due to their short-term nature.

**(c) Financial instruments carried at other than fair value**

The fair value of bonds payable is estimated by discounting expected future cash flows at market incremental lending rate adjusted for credit risk premium specific to the issuer at the balance sheet date.

The fair value of notes payable is determined directly by reference to their published market bid price at the balance sheet date.

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

	Group			
	2008 Rp:million		2007 Rp:million	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
Bonds payable	493,685	447,803	493,184	448,726
Notes payable	1,502,776	953,566	1,455,946	1,682,814
Total	1,996,461	1,401,369	1,949,130	2,131,540

# Notes to the Financial Statements

31 December 2008

## 46. SEGMENT INFORMATION

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

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

## 47. SUBSEQUENT EVENTS

On 22 February 2009, the Singapore Ministry of Finance announced in the Singapore Budget Statement for 2009 a number of changes:

### Reduction in corporate tax rate

The corporate income tax rate will be reduced from 18% to 17% with effect from Year of Assessment 2010.

At the corporate income tax rate of 17%, the Company's deferred tax asset as at 31 December 2008 would have reduced by Rp.5 million to Rp.98 million.

### Job Credit Scheme

Employers will receive a 12% cash grant on the first \$2,500 of each month's wages for each employee on their CPF payroll. The Jobs Credit is for one year, and employers will receive the Jobs Credit in 4 payments: March, June, September and December 2009.

For each payment, employers will receive Jobs Credits on the employees that are on their CPF payrolls at the start of the quarter in which payment is made. The wages paid to these employees in the previous quarter will be the qualifying wages used to calculate the 12 % cash credit that employers will receive.

The job credit scheme would save the Group Rp.319 million in salary expenses for the financial year ending 31 December 2009.

In accordance to FRS 12 *Income Taxes* and FRS 10 *Events after the Balance Sheet*, both the items above are non-adjusting subsequent events and the financial effects will be reflected in the 31 December 2009 financial statements.

# Notes to the Financial Statements

31 December 2008

## 48. COMPARATIVES

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

	Group	
	2007 Rp.'million	2007 Rp.'million
	Restated	Previous
<b>Balance sheet</b>		
Biological assets	3,274,293	3,257,804
Inventories	134,447	150,936
	<u>3,408,740</u>	<u>3,408,740</u>
Other receivables	21,219	44,180
Advances and prepayments	26,412	–
Cash and bank balances	1,557,547	1,558,077
Bonds payable	(493,184)	(490,263)
	<u>1,111,994</u>	<u>1,111,994</u>
Other payables and accruals	(101,571)	(158,323)
Advances from customers	(56,752)	–
	<u>(158,323)</u>	<u>(158,323)</u>
<b>Income statement</b>		
Gains on foreign exchange	1,474	(27,953)
Financial expenses	(138,962)	(109,535)
	<u>(137,488)</u>	<u>(137,488)</u>

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

## 49. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 31 March 2009.

# Statistics of Shareholdings

as at 13 March 2009

## SHARE CAPITAL

Number of issued shares (excluding treasury shares)	:	1,453,459,221
Number/percentage of treasury shares	:	15,000,000 (1.03%)
Class of shares	:	Ordinary shares
Voting rights (excluding treasury shares)	:	One vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	5	0.11	2,297	0.00
1,000 - 10,000	3,227	68.95	18,028,010	1.24
10,001 - 1,000,000	1,421	30.36	67,089,570	4.62
1,000,001 and above	27	0.58	1,368,339,344	94.14
Total	4,680	100.00	1,453,459,221	100.00

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Eight Capital Inc	700,800,130	48.22
2.	ABN AMRO Nominees Singapore Pte Ltd	300,000,000	20.64
3.	DB Nominees (Singapore) Pte Ltd	136,861,578	9.42
4.	Citibank Nominees Singapore Pte Ltd	114,698,395	7.89
5.	Silvia Caroline	31,513,000	2.17
6.	HSBC (Singapore) Nominees Pte Ltd	16,383,938	1.13
7.	OCBC Securities Pte Ltd	10,882,000	0.75
8.	Cheryl Darmadi	9,063,000	0.62
9.	Meryani	6,038,000	0.42
10.	DBS Nominees Pte Ltd	5,960,000	0.41
11.	DBS Vickers Securities (S) Pte Ltd	5,096,000	0.35
12.	UOB Kay Hian Pte Ltd	3,317,000	0.23
13.	United Overseas Bank Nominees Pte Ltd	3,139,400	0.22
14.	Raffles Nominees Pte Ltd	2,894,303	0.20
15.	Kim Eng Securities Pte Ltd	2,878,000	0.20
16.	Irawaty	2,750,000	0.19
17.	Yenny Juwita	2,236,000	0.15
18.	Lim Seck Yeow	1,850,000	0.13
19.	CIMB-GK Securities Pte Ltd	1,826,000	0.13
20.	Phillip Securities Pte Ltd	1,595,000	0.11
	Total	1,359,781,744	93.58

# Statistics of Shareholdings

as at 13 March 2009

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Eight Capital Inc	1,075,800,130	74.02	–	–
Lizant Investment Ltd.	–	–	1,075,800,130 <sup>(1)</sup>	74.02
Ciliandra Fangiono	–	–	1,075,800,130 <sup>(2)</sup>	74.02
Wirastuty Fangiono	–	–	1,076,965,130 <sup>(2) (3)</sup>	74.10
Cik Sigih Fangiono	–	–	1,075,800,130 <sup>(2)</sup>	74.02
Wirasneny Fangiono	–	–	1,075,800,130 <sup>(2)</sup>	74.02
Ciliandrew Fangiono	4,900,000	0.34	1,075,800,130 <sup>(2)</sup>	74.02
Wirashery Fangiono	–	–	1,075,800,130 <sup>(2)</sup>	74.02
Infinite Capital Fund Limited	133,909,091	9.21	–	–
King Fortune International Inc.	–	–	133,909,091 <sup>(4)</sup>	9.21
DB International Trust (Singapore) Limited	–	–	133,909,091 <sup>(5)</sup>	9.21

### Notes:

1. Lizant Investment Ltd. ("Lizant") is the sole shareholder of Eight Capital Inc. ("Eight Capital") and is deemed to be interested in the shares held by Eight Capital.
2. Ciliandra Fangiono, Wirastuty Fangiono, Cik Sigih Fangiono, Wirasneny Fangiono, Ciliandrew Fangiono and Wirashery Fangiono are deemed to be interested in the shares held by Eight Capital by virtue of their interest in Lizant.
3. Wirastuty Fangiono is deemed to be interested in the shares held by her spouse.
4. King Fortune International Inc. ("King Fortune") holds the entire issued and paid-up share capital of Infinite Capital Fund Limited and is deemed to be interested in the shares held by Infinite Capital Fund Limited.
5. DB International Trust (Singapore) Limited (the "Trustee") is the sole shareholder of King Fortune and the trustee of the King Fortune Trust (the "Trust"), a discretionary family trust. The shares held indirectly by King Fortune are property that is subject to the Trust. Distribution of the income and capital of the Trust to the beneficiaries of the Trust are at the discretion of the Trustee.

## SHAREHOLDINGS HELD BY THE PUBLIC

As at 13 March 2009, approximately 16.2% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST which requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

# Notice of Annual General Meeting

## FIRST RESOURCES LIMITED

(Company Registration No. 200415931M)

(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of First Resources Limited ("the Company") will be held at Suntec Singapore International Convention and Exhibition Centre, Meeting Room 201, Level 2, Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 27 April 2009 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 2008 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Article 93 of the Articles of Association of the Company:  
  

Ms Ng Shin Ein	(Retiring under Article 93)	<b>(Resolution 2)</b>
Mr Ciliandra Fangiono	(Retiring under Article 93)	<b>(Resolution 3)</b>

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

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

*Ms Wirastuty Fangiono who is due to retire by rotation pursuant to Article 93 of the Articles of Association of the Company, will not be seeking re-election as Director of the Company.*
3. To approve the payment of Directors' fees of S\$370,000 for the year ended 31 December 2008. (2007: S\$92,500) **(Resolution 4)**
4. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS

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

#### 6. Authority to issue shares

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,



**FIRST RESOURCES LIMITED**

(Company Registration No. 200415931M)

(Incorporated in Singapore with limited liability)

# Notice of Annual General Meeting

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 and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares 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) the 50% limit in sub-paragraph (1) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issues;
- (4) 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
- (5) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.  
[See Explanatory Note (i)]

**(Resolution 6)**

7. **Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid general mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST.**

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares other than on a pro-rata basis at a discount not exceeding twenty per centum (20%) to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that :-

- (a) in exercising the authority conferred by this Resolution, the Company complies with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST); and
- (b) unless revoked or varied by the Company in 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 7)**

By Order of the Board

**Tan San-Ju**

Secretary

Singapore, 9 April 2009

# Notice of Annual General Meeting

## FIRST RESOURCES LIMITED

(Company Registration No. 200415931M)

(Incorporated in Singapore with limited liability)

### Explanatory Notes:

- (i) The Ordinary Resolution 6 in item 6 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. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues.

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.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

- (ii) The Ordinary Resolution 7 in item 7 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20.0% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders' approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

### Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 8 Temasek Boulevard #36-02 Suntec Tower Three Singapore 038988 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

# Proxy Form

## FIRST RESOURCES LIMITED

(Company Registration No. 200415931M)

(Incorporated in Singapore with limited liability)

### IMPORTANT:

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

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec Singapore International Convention and Exhibition Centre, Meeting Room 201, Level 2, Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 27 April 2009 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 2008		
2	Re-election of Ms Ng Shin Ein as a Director		
3	Re-election of Mr Ciliandra Fangiono as a Director		
4	Approval of Directors' fees amounting to S\$370,000		
5	Re-appointment of Ernst & Young LLP as Auditors		
6	Authority to issue new shares		
7	Authority to issue new shares up to discount of 20%		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

*\*Delete where inapplicable*

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

**(Please see notes overleaf before completing this Form)**

# Proxy Form

**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.

# Corporate Information

## BOARD OF DIRECTORS

### Lim Ming Seong

Chairman and Independent Director

### Ciliandra Fangiono

Director and Chief Executive Officer

### Teng Cheong Kwee

Independent Director

### Hee Theng Fong

Independent Director

### Ng Shin Ein

Independent Director

### Ray Yoshuara

Non-Executive Director

### Wirastuty Fangiono

Non-Executive Director

## AUDIT COMMITTEE

Teng Cheong Kwee (Chairman)

Ray Yoshuara

Hee Theng Fong

## REMUNERATION COMMITTEE

Ng Shin Ein (Chairman)

Hee Theng Fong

Teng Cheong Kwee

## NOMINATING COMMITTEE

Lim Ming Seong (Chairman)

Ng Shin Ein

Ciliandra Fangiono

## COMPANY SECRETARY

Tan San-Ju, FCIS

## REGISTERED OFFICE

8 Temasek Boulevard #36-02

Suntec Tower Three

Singapore 038988

Tel: +65 6333 6788

Fax: +65 6333 6711

## PLACE & DATE OF INCORPORATION

Singapore, 9 December 2004

## COMPANY REGISTRATION NUMBER

200415931M

## SHARE REGISTRAR

Boardroom Corporate & Advisory

Services Pte. Ltd.

3 Church Street #08-01

Samsung Hub

Singapore 049483

## AUDITORS

Ernst & Young LLP

One Raffles Quay

North Tower, Level 18

Singapore 048583

Partner-In-Charge : Vincent Toong

(Appointed since 11 June 2007)

## STOCK EXCHANGE LISTING

Singapore Exchange Securities Trading

Limited

### Note:

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

**FIRST RESOURCES LIMITED**

8 Temasek Boulevard  
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Singapore 038988

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[www.first-resources.com](http://www.first-resources.com)