INDOFOOD AGRI RESOURCES LTD. & ITS SUBSIDARIES FINANCIAL STATEMENTS

DIRECTOR'S STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively the "Group") and the balance sheet of the Company for the financial year ended 31 December 2015.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance of the business, changes in equity and cash flows of the Group for the financial 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.

DIRECTORS

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

Lee Kwong Foo, Edward	Chairman
Lim Hock San	Vice Chairman
Mark Julian Wakeford	Chief Executive Officer
Moleonoto Tjang	
Suaimi Suriady	
Tjhie Tje Fie	
Axton Salim	
Goh Kian Chee	
Hendra Susanto	

In accordance with Clause 117 of the Company's Constitution, Axton Salim, Suaimi Suriady and Moleonoto Tjang retire and, being eligible, offer themselves for re-election.

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of the year**	**At the end of the year**	**At the beginning of the year**	**At the end of the year**
Ordinary shares of the Company				
Mark Julian Wakeford	300,000	300,000	200,000	200,000

DIRECTOR'S STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, 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.

OPTIONS

No option to take up unissued shares of the Company or its subsidiaries was granted during the year.

There were no shares issued during the year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the year.

There were no unissued shares of the Company or its subsidiaries under option as at the end of the year.

AUDIT COMMITTEE

The Audit Committee performed the functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed by the Audit Committee are described in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Mark Julian Wakeford
Director

Moleonoto Tjang
Director

Singapore
15 March 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Indofood Agri Resources Ltd.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively the "Group"), set out on pages 66 to 148, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the consolidated statement of changes in equity, the consolidated statement of comprehensive income, and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet 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 financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 Rp million	2014 (Restated)* Rp million
Revenue	4	13,835,444	14,962,727
Cost of sales	5	(10,484,949)	(10,695,201)
Gross profit		3,350,495	4,267,526
Selling and distribution expenses		(547,651)	(454,530)
General and administrative expenses		(956,435)	(1,019,305)
Foreign exchange losses		(289,887)	(110,531)
Other operating income	6	131,828	133,828
Other operating expenses	7	(185,424)	(219,350)
Share of results of associate companies		(60,133)	(149,883)
Share of results of a joint venture		(171,889)	28,918
(Loss)/gain arising from changes in fair value of biological assets	13	(19,851)	59,592
Profit from operations	8	1,251,053	2,536,265
Finance income	9	140,848	253,590
Finance expense	10	(694,150)	(757,365)
Profit before tax		697,751	2,032,490
Income tax expense	11	(398,977)	(704,331)
Net profit for the year		298,774	1,328,159
Profit for the year attributable to:			
Owners of the Company		57,878	758,713
Non-controlling interests		240,896	569,446
		298,774	1,328,159
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(95,066)	(64,134)
Items that will not be reclassified to profit or loss			
Re-measurement gain/(loss) of employee benefits liability	28	200,012	(18,558)
Income tax effect related to re-measurement gain/(loss) of employee benefits liability	11	(50,004)	4,639
Share of other comprehensive loss of associate companies and a joint venture		(61,815)	–
Other comprehensive loss for the year, net of tax		(6,873)	(78,053)
Total comprehensive income for the year		291,901	1,250,106
Total comprehensive income attributable to:			
Owners of the Company		(14,174)	680,216
Non-controlling interests		306,075	569,890
Total comprehensive income for the year		291,901	1,250,106
Earnings per share (in Rupiah)	12		
- basic		41	535
- diluted		41	535

* *The restated figures were mainly due to reclassification as disclosed in Note 37.*

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

BALANCE SHEETS
As at 31 December 2015

		Group		Company	
	Note	2015 Rp million	2014 Rp million	2015 Rp million	2014 Rp million
Non-current assets					
Biological assets	13	15,878,940	15,060,646	–	–
Property, plant and equipment	14	11,496,484	11,026,669	47,232	50,918
Goodwill	15	3,253,637	3,253,637	–	–
Claims for tax refund	16	155,812	148,545	–	–
Deferred tax assets	17	1,390,334	1,152,977	–	–
Investment in subsidiary companies	18	–	–	10,533,516	10,327,919
Investment in associate companies	19	1,217,280	416,460	551,139	354,335
Investment in a joint venture	20	607,051	801,153	–	–
Amount due from a subsidiary	21	–	–	730,000	730,000
Advances and prepayments	21	500,963	746,606	36,698	36,698
Other non-current receivables	21	844,319	735,539	9	9
Total non-current assets		35,344,820	33,342,232	11,898,594	11,499,879
Current assets					
Inventories	22	1,936,731	1,773,329	–	–
Trade and other receivables	23	1,108,844	1,056,166	78,752	69,328
Advances and prepayments	23	138,457	165,898	509	6,398
Prepaid taxes		221,972	231,179	–	–
Cash and cash equivalents	24	1,969,100	3,585,780	505,017	887,447
Total current assets		5,375,104	6,812,352	584,278	963,173
Total assets		40,719,924	40,154,584	12,482,872	12,463,052
Current liabilities					
Trade and other payables and accruals	25	1,802,866	1,854,311	13,392	14,272
Advances and taxes payable	25	214,364	203,780	–	–
Interest-bearing loans and borrowings	26	4,398,801	4,749,195	1,033,655	–
Income tax payable		34,879	144,183	27	443
Total current liabilities		6,450,910	6,951,469	1,047,074	14,715

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

BALANCE SHEETS

As at 31 December 2015

	Note	Group 2015 Rp million	Group 2014 Rp million	Company 2015 Rp million	Company 2014 Rp million
Non-current liabilities					
Interest-bearing loans and borrowings	26	5,741,803	5,068,141	–	929,793
Amounts due to related parties and other payables	27	368,882	590,259	–	–
Provision and other liabilities	27	27,478	25,199	–	–
Employee benefits liabilities	28	1,744,191	1,803,240	–	–
Deferred tax liabilities	17	2,140,966	1,999,124	–	–
Total non-current liabilities		10,023,320	9,485,963	–	929,793
Total liabilities		16,474,230	16,437,432	1,047,074	944,508
Net assets		24,245,694	23,717,152	11,435,798	11,518,544
Equity attributable to owners of the Company					
Share capital	29	3,584,279	3,584,279	10,912,411	10,912,411
Treasury shares	29	(390,166)	(238,263)	(390,166)	(238,263)
Revenue reserves	30	10,743,482	10,666,852	769,401	700,244
Other reserves	30	452,154	615,829	144,152	144,152
		14,389,749	14,628,697	11,435,798	11,518,544
Non-controlling interests		9,855,945	9,088,455	–	–
Total equity		24,245,694	23,717,152	11,435,798	11,518,544

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Note	Attributable to owners of the Company						
		Share capital Rp million	Treasury shares Rp million	Other reserves Rp million	Revenue reserves Rp million	Total reserves Rp million	Non-controlling interests Rp million	Total equity Rp million
At 1 January 2014		**3,584,279**	**(238,263)**	**661,155**	**9,989,279**	**10,650,434**	**8,836,784**	**22,833,234**
Profit for the year		–	–	–	758,713	758,713	569,446	1,328,159
Other comprehensive loss		–	–	(65,155)	(13,342)	(78,497)	444	(78,053)
Total comprehensive income for the year		**–**	**–**	**(65,155)**	**745,371**	**680,216**	**569,890**	**1,250,106**
<u>Contributions by and distribution to owners:</u>								
Purchase of treasury shares by a subsidiary		–	–	28,980	–	28,980	(195,240)	(166,260)
Dividend payments by subsidiary companies		–	–	–	–	–	(176,723)	(176,723)
Dividend payment to Company's shareholders	30	–	–	–	(67,798)	(67,798)	–	(67,798)
Changes in subsidiary equity		–	–	(9,151)	–	(9,151)	53,744	44,593
Total transactions with owners in their capacity as owners		**–**	**–**	**19,829**	**(67,798)**	**(47,969)**	**(318,219)**	**(366,188)**
Balance at 31 December 2014		**3,584,279**	**(238,263)**	**615,829**	**10,666,852**	**11,282,681**	**9,088,455**	**23,717,152**

Other reserves comprise capital reserves of subsidiary companies, gain on sale of treasury shares and foreign currency translation differences.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

		Attributable to owners of the Company						
	Note	Share capital Rp million	Treasury shares Rp million	Other reserves Rp million	Revenue reserves Rp million	Total reserves Rp million	Non-controlling interests Rp million	Total equity Rp million
At 1 January 2015		**3,584,279**	**(238,263)**	**615,829**	**10,666,852**	**11,282,681**	**9,088,455**	**23,717,152**
Profit for the year		–	–	–	57,878	57,878	240,896	298,774
Other comprehensive loss		–	–	(162,677)	90,625	(72,052)	65,179	(6,873)
Total comprehensive income for the year		**–**	**–**	**(162,677)**	**148,503**	**(14,174)**	**306,075**	**291,901**
Contributions by and distribution to owners:								
Purchase of treasury shares by the Company	29	–	(151,903)	–	–	–	–	(151,903)
Dividend payments by subsidiary companies		–	–	–	–	–	(218,431)	(218,431)
Dividend payment to Company's shareholders	30	–	–	–	(71,873)	(71,873)	–	(71,873)
Non-controlling interests of acquired subsidiary companies		–	–	–	–	–	7,000	7,000
Acquisition of non-controlling interests		–	–	(998)	–	(998)	(10,856)	(11,854)
Capital injection from non-controlling interests		–	–	–	–	–	683,702	683,702
Total transactions with owners in their capacity as owners		**–**	**(151,903)**	**(998)**	**(71,873)**	**(72,871)**	**461,415**	**236,641**
Balance at 31 December 2015		**3,584,279**	**(390,166)**	**452,154**	**10,743,482**	**11,195,636**	**9,855,945**	**24,245,694**

Other reserves comprise capital reserves of subsidiary companies, gain on sale of treasury shares and foreign currency translation differences.

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2015

	Note	2015 Rp million	2014 Rp million
Cash flows from operating activities			
Profit before tax		697,751	2,032,490
Adjustments for:			
Depreciation and amortisation	8	936,956	813,387
Realisation of deferred costs	13	176,578	143,427
Unrealised foreign exchange loss		318,728	85,163
Loss on disposal of biological assets	7	135	2,413
Provision for impairment and amortised cost adjustments of plasma receivables	31(a)	42,378	45,711
Write-off of property and equipment	7	1,253	2,113
Gain on disposal of property and equipment	6	(1,725)	(7,176)
Allowance for decline in market value and obsolescence of inventories	6,7,22	3,189	21,970
Bad debt expense		–	850
Write-back of allowance of doubtful debts	8,23	–	(749)
Loss/(gain) arising from changes in fair value of biological assets	13	19,851	(59,592)
Changes in provision for asset dismantling costs	7,27	2,279	2,566
Provision for employee benefits	28	223,757	278,317
Changes in fair value of long-term receivables		(156)	191
Share of results of associate companies		60,133	149,883
Share of results of a joint venture		171,889	(28,918)
Finance income	9	(140,848)	(253,590)
Finance expense	10	694,150	757,365
Operating cash flows before changes in working capital		3,206,298	3,985,821
Changes in working capital:			
Decrease in other non-current assets		15,510	103,686
Increase in inventories		(166,592)	(226,803)
(Increase)/decrease in trade and other receivables		(38,922)	72,032
Decrease in advances and prepayments		18,727	129,930
Increase/(decrease) in prepaid taxes, advances and taxes payable		10,819	(93,426)
(Decrease)/increase in trade and other payables and accruals		(118,314)	35,597
Cash flows from operations		2,927,526	4,006,837
Interest received		124,057	234,002
Interest paid		(698,882)	(733,566)
Income tax paid		(634,351)	(724,677)
Net cash flows from operating activities		1,718,350	2,782,596

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2015

	Note	2015 Rp million	2014 Rp million
Cash flows from investing activities			
Additions to property, plant and equipment		(955,592)	(1,813,948)
Additions to biological assets	13	(1,038,636)	(1,242,758)
Increase in plasma receivables	31(a)	(182,062)	(68,459)
Proceeds from disposal of property and equipment		3,578	14,051
Proceeds from disposal of biological assets		–	1,784
Advances for projects and purchase of fixed assets		(223,086)	(354,638)
Investment in associate companies	19	(757,006)	(150,875)
Investment in a joint venture	20	(189,541)	–
Convertible note subscription in an associate company	19	–	(57,020)
Acquisition of subsidiaries, net of cash acquired	18	–	(34,952)
Acquisition of non-controlling interests	18	(11,854)	–
Net cash flows used in investing activities		(3,354,199)	(3,706,815)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		4,309,771	3,833,031
Repayment of interest-bearing loans and borrowings		(4,318,628)	(2,108,045)
Long-term borrowings from related parties		35,475	66,966
Dividend payments by subsidiaries to non-controlling interests		(218,431)	(176,723)
Purchase of treasury shares by the Company	29	(151,903)	–
Purchase of treasury shares by a subsidiary	18	–	(166,260)
Additional capital contribution from non-controlling interests		387,689	38,638
Dividend payment to Company's shareholders	30	(71,873)	(67,798)
Redemption of Bonds and Sukuk Ijarah		–	(730,000)
Net cash flows (used in)/from financing activities		(27,900)	689,809
Net decrease in cash and cash equivalents		(1,663,749)	(234,410)
Effect of changes in exchange rates on cash and cash equivalents		47,069	17,270
Cash and cash equivalents at the beginning of the financial year		3,585,780	3,802,920
Cash and cash equivalents at the end of the financial year	24	1,969,100	3,585,780

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

1. CORPORATE INFORMATION

Indofood Agri Resources Ltd. (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The registered office and principal place of business of the Company is located at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818.

The Group is a vertically-integrated agribusiness group, with its principal activities comprising research and development, oil palm seed breeding, cultivation of oil palm plantations, production and refining of crude palm oil ("CPO"), cultivation of rubber, sugar cane and industrial timber plantations and marketing and selling these end products. The Group is also involved in managing and cultivating small portions of cocoa, coconut and tea plantations, and marketing and selling the related products.

These activities are carried out through the Company's subsidiary and associate companies. The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiary companies are set out in Note 18 to the financial statements.

PT Indofood Sukses Makmur Tbk ("PT ISM"), incorporated in Indonesia, and First Pacific Company Limited, incorporated in Hong Kong, are the penultimate and ultimate parent company of the Company, respectively. The immediate holding company is Indofood Singapore Holdings Pte Ltd, incorporated in Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet 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.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 16 and FRS 41 *Agriculture – Bearer Plants*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 & FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

Except for Amendments to FRS 16 and FRS 41, FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of Amendments to FRS 16 and FRS 41, FRS 115 and FRS 109 are described below.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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

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

Amendments to FRS 16 and FRS 41 *Agriculture – Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, FRS 16 will apply. After initial recognition, bearer plants will be measured under FRS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). However, the agricultural produce growing on bearer plants will remain within the scope of FRS 41 to be measured at fair value less costs to sell. For government grants relating to bearer plants, FRS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. Amendments to FRS 16 and FRS 41 are effective for financial periods beginning on or after 1 January 2016, with early adoption permitted. These amendments may be applied retrospectively. Alternatively, an entity may elect to measure a bearer plant at its fair value at the beginning of the earliest period presented. The fair value would be used as its deemed cost at that date.

Based on the Group's preliminary assessment, the financial impact to the balance sheet of the Group as at 1 January 2016 upon the adoption of these amendments is estimated to a decrease to biological assets and deferred tax liabilities of approximate Rp4.4 trillion and Rp1.0 trillion, respectively, with a corresponding decrease of Rp3.4 trillion in total equity.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory.

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

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

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

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

(b) *Business combinations*

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.6 Foreign currency

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

(a) *Transactions and balances*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

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

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

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

2.7 Property, plant and equipment

All property, plant and equipment are initially recognized at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to its working condition and to the location where it is intended to be used. Such cost also includes initial estimation at present value of the costs of dismantling and removing items of property, plant and equipment in certain CPO refinery and fractionation plants and margarine plants of the Group located in rented sites, costs of restoring the said rented sites, as well as costs of replacing part of such property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Subsequent to initial recognition, property, plant and equipment are carried at cost less any subsequent accumulated depreciation and impairment losses.

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

• Land use rights	8 to 40 years
• Buildings and improvements	10 to 25 years
• Plant and machinery	4 to 20 years
• Heavy equipment, transportation equipment and vessel	5 to 20 years
• Furniture, fixtures and office equipment	4 to 10 years

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

Repairs and maintenance costs are taken to the profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

2.8 Biological assets

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

The fair values of the biological assets is determined in accordance with the provisions of FRS 41 Agriculture and FRS 113 Fair Value Measurement. Such fair values are computed by independent professional valuers using the discounted cash flows of the underlying biological assets. The expected net cash flows from the whole life cycle of the oil palm, rubber, sugar cane and timber plantations are determined using the projected market prices of the estimated yields of fresh fruit bunches ("FFB"), cup lump, sugar cane and felled trees, respectively, net of maintenance and harvesting costs, and any costs required to bring the oil palm, rubber, sugar cane and timber plantations to maturity. The estimated yields of the oil palm, rubber, sugar cane and timber plantations are dependent on the age of the oil palm, rubber, sugar cane and timber trees, and the location, soil type and infrastructure of the plantations. The projected market price of FFB, rubber, sugar cane and felled trees are largely dependent on the prevailing market price of CPO and palm kernel oil (PKO), RSS1 and other rubber products of the Group, sugar and logs, respectively.

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

2.8 Biological assets (cont'd)

Oil palm trees have an average life of 25 years, normally with the first 3 to 4 years at immature stage and the remaining years at mature stage.

Rubber trees have an average life of 25 years, normally with first 5 to 6 years at immature stage and the remaining years at mature stage.

Sugar cane is ready for harvest in 12 months since planting and can be harvested annually for an average of 4 years.

Timber trees are ready for harvest in 8 years since planting.

2.9 Plasma receivables

Plasma receivables represent the accumulated costs to develop plasma plantations which are currently being financed by banks and self-financed by certain subsidiaries. Upon obtaining financing from the bank, the said advances will be offset against the corresponding funds received from rural cooperatives unit (Koperasi Unit Desa or the "KUD"). For certain plasma plantations, the loans obtained from the bank are under the related subsidiaries' (acting as nucleus companies) credit facility. When the development of plasma plantation is substantially completed and ready to be transferred or handed-over to plasma farmers, the corresponding investment credit from the bank transferred to the plasma farmers.

Plasma receivables also include advances to plasma farmers for topping up the loan interest and instalment payments to banks, and advances for fertilizers and other agriculture supplies. These advances shall be reimbursed by the plasma farmers.

Plasma receivables are classified as loans and receivables under FRS 39. The accounting policy for financial instruments is set out in Note 2.15.

2.10 Intangible assets

(a) *Goodwill*

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

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

The cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(b) *Other intangible assets*

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

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

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

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

2.10 Intangible assets (cont'd)

(b) *Other intangible assets (cont'd)*

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 life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

(c) *Research and development costs*

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Following initial recognition of the development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such 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 ("CGUs") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years. For longer periods, a long term growth rate is calculated and applied to projected future cash flows after the tenth year.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

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

For assets excluding goodwill, an assessment is made at each annual reporting period 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 indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset previously. Such reversal is recognised in the profit or loss.

2.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.13 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investment in associates using the equity method from the date on which it becomes an associate.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associates and, therefore is the profit or loss after tax and non-controlling interest in the subsidiaries of associates.

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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Associates (cont'd)

Upon loss of significant influence over the associate, the Group measures and recognises the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.14 Joint venture

A joint venture is a contractual arrangement whereby two or more parties have joint control and provides the right to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises its interest in the joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

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

Upon loss of joint control over the joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.15 Financial instruments

(a) ***Financial assets***

Initial recognition and measurement

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

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

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

2.15 Financial instruments (cont'd)

(a) ***Financial assets (cont'd)***

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

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

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

(b) Loans and receivables

Non-derivative 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, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

De-recognition

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

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.15 Financial instruments (cont'd)

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

(b) Financial liabilities at amortised cost

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.16 Impairment of financial assets

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

(a) ***Financial assets carried at amortised cost***

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

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

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

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

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

(b) ***Financial assets carried at cost***

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

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks, and short term deposits with an original maturity of 3 months or less at the time of placements and are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Cash and cash equivalents carried in the consolidated balance sheet are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted-average method.

Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials, goods in transit, spare parts and factory supplies	– purchase cost; and
Finished goods and work in progress	– cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

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

2.19 Provisions

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the 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.

2.20 Financial guarantee

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

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

2.21 Borrowing costs

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

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

2.22 Employee benefits

(a) *Defined contribution plans*

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

Certain subsidiaries in the Group have defined contribution retirement plans covering all of its qualified permanent employees. The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively. The related liability arising from the difference between the cumulative funding since the establishment of the program and the cumulative pension costs charged to the profit or loss during the same period is recognised as employee benefits liabilities in the consolidated balance sheet.

(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 Labour Law No.13/2003 (the "Labour Law"). The said additional provisions, which are unfunded, are estimated by actuarial calculations using the projected unit credit method.

The estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligations at the end of the reporting period.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability; and
- Remeasurements of the net defined benefit liability

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

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

Remeasurements comprising actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

2.23 Leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.23 Leases (cont'd)

(a) *As lessee*

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

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

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

(b) *As lessor*

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(c).

(c) *Land use rights*

Land leases are considered finance leases since the arrangements transfer the substantial risks and rewards incidental to ownership of the land. As such, land leases are presented as part of property, plant and equipment.

Included as part of land leases are the costs associated with the legal transfer or renewal of land right title, such as legal fees, land survey and re-measurement fees, taxes and other related expenses.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term ranging from 8 to 40 years.

2.24 Revenue

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

(a) *Sale of goods*

Revenue from sales arising from physical delivery of CPO, Palm Kernel ("PK"), palm-based products, copra-based products, edible oils and other agricultural products is recognised when significant risks and rewards of ownership of goods are transferred to the buyer, which generally coincide with their delivery and acceptance.

(b) *Interest income*

Interest income is recognised using the effective interest method.

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

2.24 Revenues (cont'd)

(c) *Rental and storage income*

Rental and storage income is recognised on a straight-line basis over the lease terms on an ongoing basis.

(d) *Dividend income*

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

2.25 Taxes

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

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

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

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

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

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

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

2.25 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

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

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

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

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

(c) *Value-added tax ("VAT")*

Revenues, expenses and assets are recognised net of the amount of VAT except:

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

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

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

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issuance expenses

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

2.28 Treasury shares

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

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

2.29 Contingencies

A contingent liability is:

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Judgements made in applying accounting policies

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

(a) *Allowance for doubtful debts*

Individual assessment

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

Collective assessment

If the Group determines that no objective evidence of impairment exists for individually assessed trade receivables, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The characteristics chosen are relevant to the estimation of future cash flows for groups of such trade receivables by being indicative of the customers' ability to pay all amounts due. Future cash flows in a group of trade receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for the trade receivables with credit risk characteristics similar to those in the group.

The carrying amount of the Group's trade receivables before allowance for doubtful debts as at 31 December 2015 is Rp810.1 billion (2014: Rp724.2 billion). Further details are disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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

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

(b) *Allowance for uncollectible plasma receivables*

The Group evaluates the excess of accumulated development costs over the banks' and Group's funding on the amount committed by the plasma farmers. In such cases, the Group uses judgement, based on available facts and circumstances, to record allowance for uncollectible plasma receivables. These provisions are re-evaluated and adjusted as additional information received. The net carrying amount of the Group's plasma receivables as of 31 December 2015 and 2014 is disclosed in Notes 21 and 23.

3.2 Key sources of estimation uncertainty

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

(a) *Goodwill impairment*

Determining the fair values of biological assets at the date of business combination, requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial information. Future events could cause the Group to conclude that biological assets are impaired. The preparation of estimated future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to impairment charge in the future.

Impairment review is performed when certain impairment indication is present. In the case of goodwill, such assets are subject to annual impairment test and whenever there is an indication that such asset may be impaired. Management has to use its judgement in estimating the recoverable value.

The carrying amount of the Group's goodwill as at 31 December 2015 is Rp3,253.6 billion (2014: Rp3,253.6 billion). Further details are disclosed in Note 15.

(b) *Pension and employee benefits*

The determination of the Group's obligations and cost for pension and employee benefits liabilities is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turnover rate, disability rate, retirement age and mortality rate. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income as and when they occur. While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense.

The carrying amount of the Group's employee benefits liabilities as at 31 December 2015 is Rp1,744.2 billion (2014: Rp1,803.2 billion). The key assumptions applied in the determination of pension and employee benefits liabilities including a sensitivity analysis, are disclosed and further explained in Note 28.

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) *Depreciation of property, plant and equipment*

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 25 years. These are common life expectancies applied in the industries where the Group conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Group's property, plant and equipment as at 31 December 2015 is disclosed in Note 14.

(d) *Biological assets*

The Group carries its oil palm, rubber and sugar cane plantations and other smaller plantations at fair value less costs of disposal, which requires extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including forecast market prices of agricultural produces, average lives of plantations, period to reach maturity production, yield per hectare, maintenance and harvesting costs and discount rates utilised in the computation of future cash flows. 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 profit or loss and equity. The carrying amount of the Group's biological assets as at 31 December 2015 is Rp15,878.9 billion (2014: Rp15,060.6 billion). The key assumptions applied in the determination of fair value of biological assets including a sensitivity analysis, are disclosed and further explained in Note 13.

(e) *Income tax*

Significant judgement is involved in determining provision for income tax. Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income which requires future adjustments to tax income and expense already recorded. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected income tax issues based on estimates of whether additional income 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 in the year in which such decision is made by the taxation authority. The carrying amount of the Group's tax payables as at 31 December 2015 is Rp34.9 billion (2014: Rp144.2 billion).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 31 December 2015 is Rp1,390.3 billion (2014: Rp1,153.0 billion). Further details are disclosed in Note 17.

(f) *Allowance for decline in market value of inventories and obsolescence of inventories*

Allowance for decline in market value of inventories and obsolescence of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories as at 31 December 2015 is Rp1,936.7 billion (2014: Rp1,773.3 billion). Further details are disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. REVENUE

Revenue mainly comprise of net sales of palm oil, rubber, sugar, edible oils, and other agricultural products.

During the years ended 31 December 2015 and 2014., sales of edible oils and fats products to PT Indofood CBP Sukses Makmur Tbk (a related company) amounting to Rp1,526.3 billion, represented 11.03% of total consolidated revenue (2014: Rp1,763.9 billion, represented 11.79%).

5. COST OF SALES

	Note	Group 2015 Rp million	Group 2014 (Restated) Rp million
Raw materials used		4,243,424	4,488,370
Harvesting, upkeep and cultivation costs		2,171,239	2,211,058
Manufacturing and other overhead expenses		3,294,116	3,373,272
Cost of inventories recognised as expense	22	776,170	622,501
Total		10,484,949	10,695,201

6. OTHER OPERATING INCOME

	Note	Group 2015 Rp million	Group 2014 Rp million
Sundry sales of oil palm seedlings		8,659	13,872
Management fee income		6,968	703
Rental income		6,657	7,641
Sale of green palm certificates		9,232	22,126
Gain on disposal of property and equipment		1,725	7,176
Sale of scraps		2,973	6,674
Sale of palm kernel shells		18,739	6,913
Reversal of allowance for decline in market value and obsolescence of inventories	22	21,682	–
Compensation for land and plantation		–	28,549
Others		55,193	40,174
Total		131,828	133,828

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

7. OTHER OPERATING EXPENSES

		Group	
	Note	**2015**	**2014**
		Rp million	Rp million
Plasma plantation charges and allowance for impairment		92,894	101,185
Allowance for decline in market value and obsolescence of inventories	22	24,871	21,970
Write-off of property and equipment		1,253	2,113
Loss on disposal of biological assets		135	2,413
Amortisation of deferred charges		27,890	37,343
Changes in provision for assets dismantling costs	27	2,279	2,566
Tax assessments results		14,013	1,661
Others		22,089	50,099
Total		185,424	219,350

8. PROFIT FROM OPERATIONS

The following items have been included in arriving at profit from operations:

		Group	
	Note	**2015**	**2014**
		Rp million	Rp million
Depreciation of property, plant and equipment	14	901,251	768,596
Amortisation of other non-current assets		35,705	44,791
Employee benefits expense	28	1,550,085	1,617,430
Research and development costs		37,800	55,036
Operating lease rentals	31(b)	17,063	16,438
Write-back of allowance for doubtful debts	23	–	(749)
Audit fees:			
Auditors of the Company		1,611	1,265
Other auditors		14,163	12,190
Non-audit fees:			
Auditors of the Company		29	141

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. PROFIT FROM OPERATIONS (CONT'D)

Presentation of expenses recognised in the consolidated statement of comprehensive income based on function is as follows:

	Note	Group 2015 Rp million	Group 2014 (Restated) Rp million
Revenue	4	13,835,444	14,962,727
Cost of sales	5	(10,484,949)	(10,695,201)
Gross profit		3,350,495	4,267,526
Selling and distribution costs		(547,651)	(454,530)
General and administrative expenses		(956,435)	(1,019,305)
Other operating income		131,828	193,420
Other operating expenses		(495,162)	(329,881)
Share of results of associate companies		(60,133)	(149,883)
Share of results of a joint venture		(171,889)	28,918
Finance income	9	140,848	253,590
Finance expense	10	(694,150)	(757,365)
Profit before tax		697,751	2,032,490
Income tax expense	11	(398,977)	(704,331)
Net profit for the year		298,774	1,328,159

9. FINANCE INCOME

	Group 2015 Rp million	Group 2014 (Restated) Rp million
Interest on current accounts and short term deposits	132,452	244,619
Others	8,396	8,971
Total	140,848	253,590

10. FINANCE EXPENSE

	Group 2015 Rp million	Group 2014 Rp million
Interest expense on:		
- Bank loans	642,646	640,456
- Bonds	–	49,434
- Sukuk Ijarah	–	30,430
- Others	32,148	20,504
Bank charges	19,356	16,541
Total	694,150	757,365

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group 2015	Group 2014 (Restated)
	Rp million	Rp million
Consolidated statement of comprehensive income:		
Current income tax		
- Current year income tax	528,362	814,233
- Under provision in respect of previous years	16,133	2,407
	544,495	816,640
Deferred income tax (Note 17)		
- Current year deferred income tax	(247,316)	(261,821)
- Under provision in respect of previous years	101,798	149,512
	(145,518)	(112,309)
Total	398,977	704,331
Charged to other comprehensive income		
Deferred tax related to items recognised in other comprehensive income:		
Re-measurement gain/(loss) of employee benefits liability	(50,004)	4,639

Relationship 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 years ended 31 December 2015 and 2014 is as follows:

	Group 2015	Group 2014 (Restated)
	Rp million	Rp million
Profit before tax as per consolidated statement of comprehensive income	697,751	2,032,490
Tax at the domestic rates applicable to profits in the countries where the Group operates	251,372	523,133
Income not subject to taxation	(7,067)	(19,913)
Non-deductible expenses	82,047	116,007
Under provision in respect of corporate income tax of previous years	16,133	2,407
Under provision in respect of deferred income tax of previous years	101,798	149,512
Effect of lower tax rate	(45,306)	(66,815)
Income tax expense recognised in the consolidated statement of comprehensive income	398,977	704,331

11. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit (cont'd)

For the years ended 31 December 2015 and 2014, the corporate tax rate for companies in Singapore and Indonesia was 17% and 25% respectively.

A subsidiary in Indonesia applies 20% (2014: 20%) tax rate instead of the normal tax rate of 25% (2014: 25%) in computing its income tax expense for the reporting period due to its fulfilment to qualify for a reduced corporate income tax rate.

12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2015	**2014**
	Rp million	Rp million
Profit attributable to owners of the Company	57,878	758,713
	No. of shares	No. of shares
Weighted average number of ordinary shares for basic earnings per share computation *	1,395,904,530	1,417,282,830

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.*

There were no dilutive potential ordinary shares as at 31 December 2015 and 2014.

13. BIOLOGICAL ASSETS

Biological assets primarily comprise oil palm, rubber, sugar cane and timber plantations. The following shows the movement in their carrying value:

	Group	
	2015 Rp million	**2014** Rp million
At fair value		
At 1 January	15,060,646	13,893,246
Additions	1,038,636	1,242,758
Disposal	(135)	(4,197)
Write-off	(189)	–
Realisation of deferred cost	(176,578)	(143,427)
Reclassifications (to)/from other non-current assets	(23,589)	12,674
	15,898,791	15,001,054
(Loss)/gain arising from changes in fair value of biological assets	(19,851)	59,592
At 31 December	15,878,940	15,060,646

The fair values of biological assets are determined by an independent valuer using the discounted future cash flows of the underlying plantations.

Oil Palm Plantations

Mature oil palm trees produce Fresh Fruit Bunches ("FFB"), which are used to produce CPO, PK and other PK related products. The expected future cash flows of the oil palm plantations are determined using the forecast market price of FFB, which is largely dependent on the projected selling prices of CPO and PKO in the market.

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

(a) oil palm trees have an average maturity life of 25 years, with the first 3 to 4 years as immature and the remaining years as mature stage;

(b) estimated FFB yield per hectare of oil palm trees between 5 – 31 tonnes/hectare (2014: 9 – 30 tonnes/hectare) is determined in reference to guidelines issued by the Indonesian Oil Palm Research Institute ("Pusat Penelitian Kelapa Sawit") in Indonesia, which varies with the average age of oil palm trees, as well as internal standards and results of internal assessments of other relevant factors;

(c) the discount rate used in 2015 is 13.99% (2014: 13.55%). Such a discount rate represents the asset specific rate for the Group's oil palm plantation operations which is applied in the discounted future cash flows calculation; and

(d) the projected price of CPO between US$0.63/kg – US$0.70/kg (2014: US$0.81/kg – US$0.82/kg) is based on forecast of the World Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. BIOLOGICAL ASSETS (CONT'D)

Rubber Plantations

Mature rubber trees produce cup lump. The expected future cash flows of the rubber plantations are determined using the forecast market price of cup lump which are based on the projected selling price of Rubber Smoke Sheet 1 ("RSS1") and other rubber products of the Group.

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

(a) rubber trees have an average maturity life of 25 years, with the first 5 to 6 years as immature and the remaining years as mature stage;

(b) discount rate used in 2015 is 14.25% (2014: 13.30%). Such a discount rate represents the asset specific rate for the Group's rubber plantations operations which are applied in the discounted future cash flows calculation; and

(c) the projected selling prices of RSS1 between Rp19,822/kg – Rp29,670/kg (2014: Rp22,119/kg – Rp29,509/kg) and other rubber products of the Group over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank.

Sugar Cane Plantations

The expected future cash flows of the sugar cane plantations are determined using the forecast market price of sugar canes which are based on the projected selling price of sugar.

Significant assumptions made in determining the fair values of the sugar cane plantations are as follows:

(a) Cane tree is available for annual harvest for an average of 4 years after initial planting;

(b) discount rate used in 2015 is 11.89% (2014: 12.13%). Such discount rate represents the asset specific rate for the Group's sugar cane plantations operation which are applied in the discounted future cash flows calculation; and

(c) the projected selling price of sugar at Rp9,392/kg – Rp10,140/kg (2014: Rp8,500/kg) over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher.

Timber Plantations (HTI)

The expected future cash flows of the timber plantations (HTI) are determined using the forecast market price of logs. The key assumptions of timber plantations are as follows:

(a) Timber tree is available for harvest only once about 8 years after initial planting.

(b) Discount rate used in 2015 is 9.33% (FY2014: 8.76%) represents the asset specific rate for the Group's timber plantations operations which are applied in the discounted future cash flows calculation.

(c) The projected selling price of logs at Rp529,687 to Rp590,712/m^3 (2014: Rp448,157 to Rp471,434/m^3) over the projection period are based on the extrapolation of domestic selling prices and the forecasted price trend from the World Bank.

13. BIOLOGICAL ASSETS (CONT'D)

Inputs used in determining the fair values of the biological assets are as follows:

Inputs (Hierarchy)	Range of Quantitative Inputs	Sensitivity of the Inputs to the Fair Value
Discount rate Determined using capital asset pricing model	Oil Palm: 13.99% Rubber: 14.25% Sugar cane: 11.89% Timber: 9.33%	An increase/(decrease) in the discount rate would result in a (decrease)/increase in the fair value of biological assets.
Projected price	Oil palm – CPO Price: US$0.63/kg – US$0.70/kg Rubber – RSS 1: Rp19,822/kg – Rp29,670/kg Sugar cane – sugar: Rp9,392/kg – Rp10,140/kg Timber – logs: Rp529,687 to Rp590,712/m^3	An increase/(decrease) in the prices would result in an increase/(decrease) in the fair value of biological assets.
Estimated FFB yield	Oil Palm – FFB: 5 – 31 tonnes/hectare Rubber – Cup lump: 0.18 – 1.98 tonnes/hectare Sugar Cane – Cane: 39 – 78 tonnes/hectare Timber – Felled trees: 24m^3 – 176m^3/hectare	An increase/(decrease) in FFB yield would result in an increase/(decrease) in the fair value of biological assets.
Exchange rate	Rp13,500/US$1 – Rp13,900/US$1	An increase/(decrease) in the exchange rate would result in an increase/(decrease) in the fair value of biological assets.
Inflation rate	3.5% to 4.7%	An increase/(decrease) in the inflation rate would result in a (decrease)/increase in the fair value of biological assets.

Capitalisation of borrowing costs

During the year ended 31 December 2015, borrowing costs capitalised to biological assets of the Group in the course of development amounted to Rp139.1 billion (2014: Rp73.9 billion) based on the specific identification of the related borrowings and using interest rates ranging from 8.01% to 11.67% (2014: from 7.02% to 12.28%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14. PROPERTY, PLANT AND EQUIPMENT

	Land use rights Rp million	Buildings and improvements Rp million	Plant and machinery Rp million	Heavy equipment, transportation equipment and vessels Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Group						
Cost						
At 31 December 2013 and 1 January 2014	2,126,816	4,832,288	4,510,915	1,623,191	299,289	13,392,499
Additions	219,427	1,177,072	333,068	145,431	46,950	1,921,948
Additions through business combination	100,301	237	–	311	33	100,882
Reclassification	28,420	53,200	(70,651)	12,865	668	24,502
Disposals and write-off	–	(9,890)	(14,449)	(8,771)	(3,312)	(36,422)
At 31 December 2014 and 1 January 2015	2,474,964	6,052,907	4,758,883	1,773,027	343,628	15,403,409
Additions	68,639	904,400	285,855	88,128	31,516	1,378,538
Reclassification	(117)	(152,080)	148,496	6,182	(5,452)	(2,971)
Disposals and write-off	–	(1,658)	(13,234)	(9,219)	(1,354)	(25,465)
At 31 December 2015	2,543,486	6,803,569	5,180,000	1,858,118	368,338	16,753,511
Accumulated depreciation						
At 31 December 2013 and 1 January 2014	493,746	772,564	1,430,698	728,147	186,651	3,611,806
Depreciation charge for the year	67,405	243,674	266,212	149,936	41,369	768,596
Reclassification	2,316	5,426	9,561	5,346	1,123	23,772
Disposals and write-off	–	(6,302)	(9,827)	(8,380)	(2,925)	(27,434)
At 31 December 2014 and 1 January 2015	563,467	1,015,362	1,696,644	875,049	226,218	4,376,740
Depreciation charge for the year	70,302	289,713	331,150	165,019	45,067	901,251
Reclassification	–	(80)	4,345	2,366	(5,048)	1,583
Disposals and write-off	–	(993)	(12,162)	(8,126)	(1,266)	(22,547)
At 31 December 2015	633,769	1,304,002	2,019,977	1,034,308	264,971	5,257,027
Net carrying amount						
At 31 December 2014	1,911,497	5,037,545	3,062,239	897,978	117,410	11,026,669
At 31 December 2015	1,909,717	5,499,567	3,160,023	823,810	103,367	11,496,484

Vessels are presented within the class of Heavy equipment and transportation equipment due to its similar nature of use, which is for the transportion of the Group's commodities.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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

	Buildings and improvements Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Company			
Cost			
At 1 January 2014	74,049	492	74,541
Additions	–	35	35
At 31 December 2014 and 1 January 2015	74,049	527	74,576
Additions	–	14	14
At 31 December 2015	74,049	541	74,590
Accumulated depreciation			
At 1 January 2014	19,621	341	19,962
Depreciation charge for the year	3,629	67	3,696
At 31 December 2014 and 1 January 2015	23,250	408	23,658
Depreciation charge for the year	3,628	71	3,700
At 31 December 2015	26,878	479	27,358
Net carrying amount			
At 31 December 2014	50,799	119	50,918
At 31 December 2015	47,171	62	47,232

Assets under construction

The Group's property, plant and equipment as of 31 December 2015 included Rp1,416.9 billion (2014: Rp1,758.5 billion) which relate to expenditure for building and machinery in the course of construction.

Fully depreciated assets still in use

As at 31 December 2015, the cost of the Group's property, plant and equipment that have been fully depreciated but still in use amounting to Rp1,131.4 billion (2014: Rp979.0 billion), which mainly comprises of buildings and improvements, plant and machinery, heavy equipment and transportation equipment.

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

Capitalisation of borrowing costs

During the year ended 31 December 2015, borrowing costs capitalised by certain subsidiary companies to their building and machineries under construction amounted to Rp21.1 billion (2014: Rp21.0 billion) based on the specific identification of the related borrowings and using capitalisation rates ranging from 9.38% to 11.67% (2014: 6.97% to 12.28%) in 2015.

Assets under finance lease

Land Use Rights

The Group has land use rights with terms ranging from 8 to 40 years which will expire between 2016 to 2049. The cost incurred in obtaining the land use rights are depreciated in a manner that reflects the benefits to be derived from them. The management also believes that these land use rights can be renewed/extended upon expiration.

The net carrying amount of land use rights to be amortised at the end of the reporting period is as follows:

	Group	
	2015	**2014**
	Rp million	Rp million
Amount to be amortised		
- Not later than one year	71,003	71,030
- Later than one year but not later than five years	274,840	283,198
- Later than five years	1,563,874	1,557,269
	1,909,717	1,911,497

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

15. GOODWILL

	Group	
	2015	2014
	Rp million	Rp million
At 1 January	3,253,637	3,247,532
Acquisition of subsidiaries	–	6,105
At 31 December	3,253,637	3,253,637

Goodwill arising from business combination was allocated to the following cash-generating units for impairment testing:

	2015	2014
Integrated plantation estates of Lonsum	2,909,757	2,909,757
Plantation estates of PT GS	8,055	8,055
Plantation estates of PT MPI	2,395	2,395
Plantation estates of PT SBN	234	234
Plantation estates of PT KGP	29,140	29,140
Integrated plantation estates of PT CNIS	7,712	7,712
Plantation estates of PT LPI	37,230	37,230
Plantation estates and research facility of PT SAIN	113,936	113,936
Plantation estates of PT RAP	3,388	3,388
Plantation estates of PT JS	1,533	1,533
Integrated plantation estates of PT MISP	34,087	34,087
Plantation estates of PT IBP	8,319	8,319
Plantation estates of PT SAL	86,996	86,996
Plantation estates of PT WKL	4,750	4,750
Plantation estates of PT MLI	6,105	6,105
Total	3,253,637	3,253,637

Goodwill was tested for impairment as at 31 October 2015 and 2014. As at 31 December 2015 and 2014, there was no significant change in the assumptions used by management that could have a significant impact in determining the recoverable value of the goodwill.

No impairment loss was recognised as at 31 October 2015 and 2014 as the recoverable amounts of the goodwill were in excess of their respective carrying values. The summary of impairment testing on the goodwill is disclosed in the succeeding paragraphs.

Except for goodwill allocated to the plantation estates of Lonsum, PT LPI, PT IBP and PT SBN, the recoverable value of the goodwill allocated to all other plantation estates as at 31 October 2015 was determined based on fair value less costs of disposal ("FVLCD"), using discounted cash flow method. The FVLCD derived is categorised under Level 3 of the fair value hierarchy.

The recoverable value of the goodwill allocated to the plantation estates of Lonsum, PT LPI, PT IBP and PT SBN has been determined based on value-in-use calculations.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

15. GOODWILL (CONT'D)

The following key assumptions had been used:

Cash generating units	Carrying amount of goodwill	Pre-tax Discount Rate 31 October 2015	Pre-tax Discount Rate 31 October 2014	Growth Rate After Forecast Period 31 October 2015	Growth Rate After Forecast Period 31 October 2014
Recoverable amount assessment based on value-in-use					
Integrated plantation estates of Lonsum	2,909,757	14.73%	14.54%	5.30%	5.50%
Plantation estates of PT LPI	37,230	13.61%	12.95%	5.30%	5.50%
Plantation estates of PT IBP	8,319	15.47%	14.59%	5.30%	5.50%
Plantation estates of PT SBN	234	15.20%	15.07%	5.30%	5.50%
Sub-total	2,955,540				
Recoverable amount assessment based on FVLCD					
Plantation estates of PT GS	8,055	16.18%	15.67%	5.30%	5.50%
Plantation estates of PT MPI	2,395	15.66%	14.94%	5.30%	5.50%
Plantation estates of PT KGP	29,140	15.82%	15.07%	5.30%	5.50%
Integrated plantation estates of PT CNIS	7,712	15.84%	15.13%	5.30%	5.50%
Plantation estates and research facility of PT SAIN	113,936	16.54%	15.36%	5.30%	5.50%
Plantation estates of PT RAP	3,388	15.60%	14.80%	5.30%	5.50%
Plantation estates of PT JS	1,533	15.21%	14.30%	5.30%	5.50%
Integrated plantation estates of PT MISP	34,087	16.46%	15.25%	5.30%	5.50%
Plantation estates of PT SAL	86,996	11.03%	9.76%	5.30%	5.50%
Plantation estates of PT WKL	4,750	9.27%	9.97%	5.30%	5.50%
Plantation estates of PT MLI	6,105	14.19%	12.95%	5.30%	5.50%
Sub-total	298,097				
Grand total	3,253,637				

The recoverable value calculation of the CGU applied a discounted cash flow model based on cash flow projections covering a period of 10 years for plantation estates in early development stage and 5 years for established plantations.

The primary selling prices used in the cashflow model are projected prices of CPO, rubber, sugar and logs. The projected prices of the CPO are based on the World Bank forecasts for the projection period. The projected prices of rubber (RSS1 and other rubber products of the Group) over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank. The sugar prices used in the projection are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher. The projected prices of logs are based on the extrapolation of historical selling prices published by the International Tropical Timber Organization and the forecasted price trend from the World Bank.

The cash flows beyond the projected periods are extrapolated using the estimated terminal growth rate indicated above. The terminal growth rate used does not exceed the long-term average growth rate of the industry in countries where the entities operate. The discount rate applied to the cash flow projections is derived from the weighted average cost of capital of the respective CGUs.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

15. GOODWILL (CONT'D)

Changes to the assumptions used by the management to determine the recoverable value, in particular the discount and terminal growth rate, can have significant impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amount of the goodwill for each of the CGU to materially exceed their respective recoverable value, except for the following CGUs:

		Sensitivity analysis	
Cash generating units	**Reasonably possible changes in key assumptions that would cause the carrying amount of goodwill to exceed its recoverable amount**	**Additional change in key assumptions**	**Excess of carrying amount over recoverable amount that would arise from the additional change in key assumptions**
			Rp million
Discount rate			
Plantation estates and research facility of PT SAIN	53 basis points higher	1 basis point higher	550
Plantation estates of PT JS	41 basis points higher	1 basis point higher	276
Integrated plantation estates of Lonsum	74 basis points higher	1 basis point higher	13,665

16. CLAIMS FOR TAX REFUND

Claims for tax refund represent (a) advance tax payment made by each entity within the Group which is creditable against their respective corporate income tax payable; and (b) tax assessments being appealed to the taxation authorities.

17. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group	
	2015	**2014**
	Rp million	Rp million
Deferred tax assets		
Property, plant and equipment	(217,019)	(74,884)
Biological assets	(44,797)	56,890
Allowance for impairment and amortised costs adjustments of plasma receivables	95,217	78,822
Allowance for employees benefit expenses	43,874	19,621
Allowance for decline in market value and obsolescence of inventories	11,043	3,379
Employee benefits liabilities	428,793	144,970
Deferred inter-company profits	41,728	42,875
Tax losses carry forward	1,030,698	880,715
Others	797	589
Total	1,390,334	1,152,977
Deferred tax liabilities		
Property, plant and equipment	(194,177)	(320,672)
Biological assets	(1,939,582)	(1,992,913)
Allowance for impairment and amortised costs adjustments of plasma receivables	381	6,326
Allowance for employees benefit expenses	184	25,369
Allowance for decline in market value and obsolescence of inventories	31	6,912
Employee benefits liabilities	(32)	300,353
Withholding tax on distributable profit of foreign subsidiaries	(7,772)	(24,751)
Others	1	252
Total	(2,140,966)	(1,999,124)

For purposes of presentation in the consolidated balance sheet, the asset or liability classification of the deferred tax effect of each of the above temporary differences is determined based on the net deferred tax position (net assets or net liabilities) on a per entity basis.

Deferred tax assets and liabilities cover the future tax consequences attributable to differences between the financial and tax reporting bases of assets and liabilities and the benefits of tax loss carry forwards.

17. DEFERRED TAX (CONT'D)

Deferred tax income or expense recognised in consolidated statement of comprehensive income

	Group	
	2015	**2014**
	Rp million	Rp million
Deferred income tax movements:		
Property, plant and equipment	15,640	18,989
Biological assets	48,359	57,802
Allowance for impairment and amortised costs adjustments of plasma receivables	(10,450)	(7,915)
Write-back for allowance of decline in market value and obsolescence of inventories	(783)	(4,432)
Employee benefits liabilities	(33,440)	(55,765)
Deferred inter-company profits	1,147	18,917
Provision for employee benefits expense	931	3,884
Tax losses carry forward	(149,983)	(152,763)
Withholding tax on distributable profit of foreign subsidiaries	(16,979)	9,539
Others	40	(565)
Net deferred tax benefit reported in the consolidated statement of comprehensive income (Note 11)	(145,518)	(112,309)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses amounting to Rp4,882.7 billion (2014: Rp4,127.3 billion) that are available for offset against future taxable profits for up to five years from the date the losses were incurred. Deferred tax benefits of Rp190.0 billion (2014: Rp151.1 billion) attributable to Rp760.0 billion (2014: Rp604.4 billion) of these tax losses were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

The Group has not recognised deferred tax liability of Rp562.7 billion (2014: Rp568.2 billion) as at 31 December 2015 in respect of undistributed profits of subsidiaries because the distribution is controlled and there is currently no intention for the profits to be remitted to Singapore.

Unrecognised temporary differences relating to unremitted foreign-sourced interest income

The Group has not recognised deferred tax liability of Rp76.0 billion (2014: Rp57.0 billion) as at 31 December 2015 in respect of unremitted foreign-sourced interest income as the Group has control over the remittance and there is currently no intention for the income to be remitted to Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2015	**2014**
	Rp million	Rp million
Shares, at cost	10,533,516	10,327,919

The Group held less than 50% effective shareholdings in certain subsidiaries but owned, directly and indirectly, more than half of the voting power in these subsidiaries.

(a) Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2015	Effective percentage of equity held % 2014	Principal activities
Name (Abbreviated name)				
Held by the Company				
PT Salim Ivomas Pratama Tbk (PT SIMP) [2]	Indonesia	73.46	73.46	Ownership of oil palm plantations, mills and production of cooking oil, margarine, shortening, and other related products
IFAR Brazil Pte. Ltd. [1]	Singapore	100.00	100.00	Investment holding
IndoAgri Brazil Participações Ltda *	Brazil	100.00	100.00	Investment holding
Held by PT Salim Ivomas Pratama Tbk				
IndoInternational Green Energy Resources Pte. Ltd. (IGER) [1]	Singapore	44.08	44.08	Investment holding
PT Indoagri Inti Plantation (PT IIP) [2]	Indonesia	72.73	72.73	Investment holding, management services and transportation
Silveron Investments Limited (SIL) [3]	Mauritius	73.46	73.46	Investment holding
PT Kebun Mandiri Sejahtera (PT KMS) [3]	Indonesia	68.64	68.64	Ownership of rubber and oil palm plantations
PT Manggala Batama Perdana (PT MBP) *	Indonesia	73.46	73.46	Non-operating

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2015	2014	Principal activities
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Sarana Inti Pratama (PT SAIN) [3]	Indonesia	73.45	73.45	Investment, research, management and technical services, oil palm seed breeding, and ownership of oil palm plantations
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	21.87	21.87	Investment and ownership of oil palm plantations
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	21.83	21.83	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	21.91	21.91	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.44	22.44	Ownership of sugar cane plantations and sugar mills/ refineries
PT Mitra Inti Sejati Plantation (PT MISP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT PP London Sumatra Indonesia Tbk (Lonsum) [2]	Indonesia	43.72	43.72	Business of breeding, planting, milling and selling of oil palm products, rubber and other crops
PT Cakra Alam Makmur (PT CAM) [3]	Indonesia	73.46	73.46	Ownership of bulking facilities
PT Hijaupertiwi Indah Plantations (PT HPIP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Cangkul Bumisubur (PT CBS) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Samudera Sejahtera Pratama (PT SSP) [3]	Indonesia	73.46	73.46	Transportation service
PT Kebun Ganda Prima (PT KGP) [3]	Indonesia	73.46	73.45	Ownership of oil palm plantations

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2015	2014	Principal activities
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Riau Agrotama Plantation (PT RAP) [3]	Indonesia	73.46	73.45	Ownership of oil palm plantations and mill
PT Citra Kalbar Sarana (PT CKS) [3]	Indonesia	73.46	73.45	Ownership of oil palm plantations
PT Jake Sarana (PT JS) [3]	Indonesia	73.46	73.39	Ownership of oil palm plantations
PT Pelangi Inti Pertiwi (PT PIP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Mentari Pertiwi Makmur (PT MPM) [7]	Indonesia	58.53	58.53	Investment holding
PT Citranusa Intisawit (PT CNIS) [3]	Indonesia	73.46	73.45	Ownership of oil palm plantations and mill
Held by IndoInternational Green Energy Resources Pte. Ltd.				
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	22.20	22.20	Investment and ownership of oil palm plantations and mill
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	22.25	22.25	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	22.17	22.17	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.72	22.72	Ownership of sugar cane plantations and sugar mills/ refineries
Held by PT Indoagri Inti Plantation				
PT Gunung Mas Raya (PT GMR) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Indriplant (PT IP) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Country of incorporation	Effective percentage of equity held %		Principal activities
		2015	2014	
Held by PT Indoagri Inti Plantation (cont'd)				
PT Serikat Putra (PT SP) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Cibaliung Tunggal Plantations (PT CTP) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations
Held by PT Serikat Putra				
PT Intimegah Bestari Pertiwi (PT IBP) [3]	Indonesia	72.01	72.01	Ownership of oil palm plantations
PT Kencana Subur Sejahtera (PT KSS) [8]	Indonesia	72.01	72.01	Macronutrients mix fertilizer industry
PT Pratama Citra Gemilang (PT PCG) [8]	Indonesia	72.01	72.01	Prefabrication industry
Held by Silveron Investments Limited				
Asian Synergies Limited (ASL) [3]	British Virgin Islands	73.46	73.46	Investment holding
Held by PT Mentari Subur Abadi				
PT Agro Subur Permai (PT ASP) [3]	Indonesia	44.07	44.07	Ownership of oil palm plantations
Held by PT Mega Citra Perdana				
PT Gunta Samba (PT GS) [4]	Indonesia	44.07	44.07	Ownership of oil palm plantations
PT Multi Pacific International (PT MPI) [4]	Indonesia	44.06	44.06	Ownership of oil palm plantations

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2015	2014	Principal activities
Held by PT PP London Sumatra Indonesia Tbk				
PT Multi Agro Kencana Prima (PT MAKP) [5]	Indonesia	43.71	43.71	Rubber mill and trading
Lonsum Singapore Pte. Ltd. (LSP) [6]	Singapore	43.72	43.72	Trading and marketing
PT Tani Musi Persada (PT TMP) [5]	Indonesia	43.68	43.68	Ownership of oil palm plantations
PT Sumatra Agri Sejahtera (PT SAS) [5]	Indonesia	43.71	43.71	Ownership of oil palm plantations
PT Tani Andalas Sejahtera (PT TAS) [5]	Indonesia	39.35	39.35	Ownership of oil palm plantations
Agri Investment Pte. Ltd. (AIPL) [6]	Singapore	43.72	43.72	Investment holding
PT Wushan Hijau Lestari ("PT WHL") [#]	Indonesia	28.41	–	Agriculture, forestry, fishing and trading
Held by PT Mentari Pertiwi Makmur				
PT Sumalindo Alam Lestari ("PT SAL") [7]	Indonesia	58.53	58.53	Development of industrial timber plantations
Held by PT Sumalindo Alam Lestari and PT Mentari Pertiwi Makmur				
PT Wana Kaltim Lestari ("PT WKL") [7]	Indonesia	58.53	58.53	Development of industrial timber plantations
Held by Lonsum Singapore Pte. Ltd.				
Sumatra Bioscience Pte. Ltd. (SBPL) [6]	Singapore	43.72	43.72	Non-operating

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2015	2014	Principal activities
Held by PT Lajuperdana Indah				
PT Madusari Lampung Indah ("PT MLI") [8]	Indonesia	45.16	45.16	Ownership of sugar cane plantations

* *Not required to be audited in the country of incorporation*
\# *Auditor has not been appointed since the date of incorporation in December 2015*

Audited by:
[1] *Ernst & Young LLP, Singapore*
[2] *Purwantono, Suherman & Surja, Indonesia (member firm of Ernst & Young Global)*
[3] *Hendrawinata Eddy & Siddharta, Indonesia*
[4] *Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)*
[5] *Aria Kangka, Indonesia (member firm of Parker Randall)*
[6] *Saw Meng Tee & Partners PAC, Singapore*
[7] *Anwar, Sugiharto & Rekan, Indonesia*
[8] *Jimmy Budhi & Rekan, Indonesia*

(b) Interest in a subsidiary with material non-controlling interest (NCI)

The Group has the following subsidiary that has NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest %	Profit allocated to NCI during the reporting period Rp million	Accumulated NCI at the end of reporting period Rp million	Dividends paid to NCI Rp million
31 December 2015:					
PT SIMP	Indonesia	26.54	240,896	9,855,945	218,431
31 December 2014:					
PT SIMP	Indonesia	26.54	569,446	9,088,455	176,723

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Summarised financial information about a subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of the subsidiary with material non-controlling interests is as follows:

	PT SIMP [1]	
	2015	**2014**
	Rp million	Rp million
Summarised balance sheet		
Current		
Assets	4,863,496	5,914,531
Liabilities	(5,414,671)	(6,945,698)
Net current liabilities	(551,175)	(1,031,167)
Non-current		
Assets	33,669,550	31,687,678
Liabilities	(10,745,548)	(9,261,420)
Net non-current assets	22,924,002	22,426,258
Net assets	22,372,827	21,395,091
Summarised statement of comprehensive income		
Revenue	13,835,444	14,962,727
Profit before income tax	908,424	2,002,664
Income tax expense	(385,083)	(658,885)
Profit after tax	523,341	1,343,779
Other comprehensive income	164,331	(12,048)
Total comprehensive income	687,672	1,331,731
Other summarised information		
Net cash flows from operations	1,665,381	2,765,289

[1] *The financial information of PT SIMP is based on the FRS consolidated financial statements of PT SIMP and its subsidiaries. The list of subsidiaries held under PT SIMP is disclosed in Note 18 (a).*

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(d) Acquisition of non-controlling interest by the Company

During the financial year, the Company acquired 7,570,300 of Lonsum shares by way of market purchases on Indonesia Stock Exchange for Rp11.8 billion.

(e) Acquisition of subsidiary

PT Wushan Hijau Lestari ("PT WHL")

In December 2015, Lonsum and PT Lentera Sukses Sejati, a third party, incorporated PT WHL with a total issued and fully paid share capital of Rp20 billion. Lonsum's capital contribution was Rp13 billion representing 65% interest in PT WHL.

PT WHL is engaged in the development of agriculture, forestry, fishery and trading.

19. INVESTMENT IN ASSOCIATE COMPANIES

The Group's material investments in associate companies are summarised below:

	Group	
	2015	**2014**
	Rp million	Rp million
Associate companies which are strategic to the Group activities		
Heliae Technology Holdings, Inc	132,946	74,775
FP Natural Resources Limited	554,286	335,783
Asian Assets Management Pte Ltd	523,413	–
PT Prima Sarana Mustika	6,635	5,902
	1,217,280	416,460

	Group	
	2015	**2014**
	Rp million	Rp million
Cost of investment, at cost	1,431,967	611,003
Share of results and other comprehensive loss of associate companies	(341,880)	(256,619)
Foreign currency translation	127,193	62,076
Carrying value of investment in associate companies	1,217,280	416,460

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Name of associate	Country of incorporation	Principal activities	Effective percentage of equity held % 2015	2014
Held by the Company				
FP Natural Resources Limited ("FPNRL") [i]	British Virgin Islands	Investment Holdings	30.00	30.00
Held by Agri Investment Pte Ltd				
Heliae Technology Holdings, Inc ("Heliae") [ii]	USA	Agricultural technology and cultivation business	8.93 *	10.99 *
Held by PT PP London Sumatra Indonesia Tbk				
Asian Assets Management Pte. Ltd. ("AAM") [ii]	Singapore	Investment in property business	21.85	–
Held by PT Salim Ivomas Pratama Tbk				
PT Prima Sarana Mustika ("PT PSM") [iii]	Indonesia	Construction services, rental of heavy equipment and trading of agriculture equipment	29.38	29.38

* *The Group held less than 20% effective shareholdings in certain associates but owned, directly and indirectly, more than 20% shareholdings in these associates.*

[i] *Audited by Ernst & Young (HK)*
[ii] *Audited by PricewaterhouseCoopers LLP, Arizona*
[iii] *Audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)*

FP Natural Resources Limited ("FPNRL")

FPNRL is an investment holding company which in turn owns 50.9% and 16.4% interest in Roxas Holdings Inc ("RHI") and Victoria Milling Company Inc.("VMC") respectively. RHI and VMC are engaged in processing of sugar cane for the production and marketing of sugar and ethanol in the Philippines.

Heliae Technology Holdings, Inc. ("Heliae")

During the year, AIPL's equity interest in Heliae was diluted to 20.42% (2014: 25.14%) due to additional capital contribution by the other shareholders. Heliae is a private entity engaged in technology and production solutions for the algae industry.

<u>Capital injections during the year</u>

In March 2014, AIPL subscribed for convertible notes of US$5.0 million (approximately Rp62.2 billion) issued by Heliae Development, LLC, a subsidiary of Heliae. The convertible notes earn an interest of 3% plus the one-month London Interbank Offered Rate (LIBOR) rate. The convertible notes can be converted into the common shares of Heliae within 5 years from the date of issue. The convertible notes do not contain derivative as their value is fixed to the value of the shares and requires considerable investment on initial subscription. In 2015, this convertible note together with its interest amounting to US$5.1 million were converted into 1,474,853 shares of common stocks of Heliae at the fair market value on the date of conversion approximately Rp64.0 billion.

In October 2015, AIPL injected additional capital of US$3.0 million (approximately Rp 40.8 billion) in Heliae.

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Asian Assets Management Pte. Ltd.("AAM")

In June 2015, Lonsum and a subsidiary of PT ISM, PT Indofood CBP Sukses Makmur Tbk acquired for a combined of 100% equity interest in AAM, whereby each entity subscribed for 56,700,000 of new shares representing 50% equity interest in AAM for a consideration of US$39 million (approximately Rp519.3 billion). AAM became a-50% associate company of Lonsum. AAM is a private limited company incorporated and domiciled in Singapore, which in turn owns 100% equity interest in PT Aston Inti Makmur, an Indonesian-incorporated company engages in the property business and operates an office building.

PT Prima Sarana Mustika ("PT PSM")

In January 2014, PT Wahana Inti Selaras ("PT WIS"), a related party, and PT SIMP, established PT PSM with a total issued and fully paid share capital of Rp15 billion. PT SIMP's capital contribution was Rp6 billion representing 40% interest in PT PSM. PT PSM is engaged primarily in the development of plantations' infrastructures, land clearing, rental services of heavy equipment, transportation and trading of agricultural equipments.

The summarised financial information in respect of FPNRL and AAM, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	FPNRL		AAM	
	2015	**2014**	**2015**	**2014**
	Rp million	Rp million	Rp million	Rp million
Current assets	1,494,716	74,354	140,268	–
Non-current assets	6,112,868	1,169,994	991,099	–
Total assets	7,607,584	1,244,348	1,131,367	–
Current liabilities	2,892,784	76,954	8,461	–
Non-current liabilities	1,712,456	29,271	75,988	–
Total liabilities	4,605,240	106,225	84,449	–
Net assets	3,002,330	1,138,123	1,046,918	–
Proportion of the Group's ownership	30.00%	30.00%	50.00%	–
Group's share of net assets	900,699	341,437	523,459	–
Foreign currency translation	(346,413)	(5,654)	(46)	–
Carrying amount of the investment	554,286	335,783	523,413	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Summarised statement of comprehensive income

	FPNRL		AAM	
	2015	2014	2015	2014
	Rp million	Rp million	Rp million	Rp million
Revenue	2,606,658	–	–	–
(Loss)/profit after tax	(10,046)	(110,896)	8,178	–
Other comprehensive (loss)/profit for the year	(104,916)	20,860	–	–

The aggregate information of the Group's cost of investments in associate companies that are not individually material are as follows:

	Group	
	2015	2014
	Rp million	Rp million
Share of loss after tax and other comprehensive loss	(278,293)	(37,954)

20. INVESTMENT IN A JOINT VENTURE

The Group has 50% (2014: 50%) interest in a jointly-controlled entity, Companhia Mineira de Açúcar e Álcool Participações ("CMAA") that is held through the Company's wholly-owned subsidiaries, IFAR Brazil Pte Ltd and IndoAgri Brazil Participações Ltda.

The joint venture is incorporated in Brazil and is a strategic venture. The Group jointly controls the venture with the other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

The joint venture company is engaged in the cultivation and processing of sugar cane for the production and marketing of sugar and ethanol, as well as co-generation of electric power from sugar cane bagasse in Brazil.

On acquisition of CMAA in June 2013, the Group completed a Purchase Price Allocation ("PPA") exercise in 2014 to identify any intangible assets and/or goodwill from the acquisition. As at 31 December 2015, goodwill amounting to Rp298.3 billion has been determined and included in the carrying amount of the investment.

The external auditor of CMAA is KPMG Auditores Independentes.

	Group	
	2015	2014
	Rp million	Rp million
Cost of investment in a joint venture (including acquisition related costs)	878,614	689,073
Share of results and other comprehensive loss of a joint venture	(115,952)	93,071
Foreign currency translation	(155,611)	19,009
Carrying value of investment in a joint venture	607,051	801,153

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

20. INVESTMENT IN A JOINT VENTURE (CONT'D)

Summarised financial information in respect of CMAA based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group	
	2015 Rp million	**2014** Rp million
Cash and cash equivalents	173,610	221,727
Other current assets	778,568	890,437
Current assets	952,178	1,112,164
Non-current assets	2,396,215	3,512,985
Total assets	3,348,393	4,625,149
Current liabilities	1,805,826	2,139,057
Non-current liabilities	1,069,900	1,612,438
Total non-current liabilities	1,069,900	1,612,438
Total liabilities	2,875,726	3,751,495
Net assets	472,667	873,654
Proportion of the Group's ownership	50.0%	50.0%
Group's share of net assets	236,333	436,827
Acquisition costs capitalised	52,405	52,405
Goodwill on acquisition	298,336	298,336
Foreign currency translation	19,977	13,585
Carrying amount of the investment	607,051	801,153

Summarised statement of comprehensive income

	Group	
	2015 Rp million	**2014** Rp million
Revenue	1,861,777	2,315,675
Depreciation and amortisation	(341,436)	(367,218)
Interest income	22,289	69,572
Interest expense	(332,716)	(415,776)
Other operating expenses	(1,494,414)	(1,532,703)
(Loss)/profit before tax	(284,500)	69,550
Income tax expense	(24,318)	(11,714)
(Loss)/profit after tax	(308,818)	57,836
Other comprehensive loss	(42,062)	(31,310)
Total comprehensive (loss)/income	(350,880)	26,526

21. OTHER NON-CURRENT ASSETS

		Group		Company	
	Note	2015	2014	2015	2014
		Rp million	Rp million	Rp million	Rp million
Non-current:					
Non-financial assets					
Advances		416,398	648,594	36,698	36,698
Prepayments		6,984	11,041	–	–
Others		77,581	86,971	–	–
Total advances and prepayments		500,963	746,606	36,698	36,698
Financial assets					
Loans to employees		33,070	31,793	–	–
Plasma receivables	31(a)	785,773	618,026	–	–
Deposits		25,476	23,520	9	9
Investment in convertible note	19	–	62,200	–	–
Total other non-current receivables		844,319	735,539	9	9
Total other non-current assets		1,345,282	1,482,145	36,707	36,707

Advances and deposits

Advances and deposits mainly relate to utility and rental deposits, advance payments for land and payments made to suppliers and contractors in relation to the purchases of capital equipment and services.

Loans to employees

The Group provides non-interest bearing loans to officers and employees subject to certain terms and criteria. Such loans, which are being collected through monthly salary deductions over five years, from the date of the loan, are carried at amortised cost using effective interest method, with discount rate of 8.74% in 2015 (2014: 7.77%) per annum.

Amount due from a subsidiary

Amount due from a subsidiary is non-trade related, unsecured, bears interest at long-term commercial lending rates, repayable in November 2017 and is to be settled in cash.

22. INVENTORIES

	Group	
	2015	2014
	Rp million	Rp million
Balance sheet:		
Raw materials	685,041	517,942
Finished goods	783,637	746,094
Spare parts and factory supplies	468,053	509,293
Total inventories at the lower of cost and net realisable value	1,936,731	1,773,329

		Group	
	Note	2015	2014
		Rp million	Rp million
Consolidated Statement of Comprehensive Income:			
Inventories recognised as an expense in cost of sales, net	5	(776,170)	(622,501)
Inclusive of the following charges:			
- Reversal of allowance for decline in market value and obsolescence of inventories	6	(21,682)	–
- Allowance for decline in market value and obsolescence of inventories	7	24,871	21,970

23. RECEIVABLES

		Group		Company	
	Note	2015	2014	2015	2014
		Rp million	Rp million	Rp million	Rp million
Current:					
Financial assets					
Trade receivables					
Third parties		394,978	360,971	–	–
Related parties		415,133	363,221	–	–
Other receivables					
Plasma receivables	31(a)	9,860	7,572	–	–
Loans to employees		9,351	10,589	–	–
Subsidiary companies		–	–	76,677	67,673
Related parties		779	65,858	–	–
Claims from contractors		119,026	116,568	–	–
Others		159,717	131,387	2,075	1,655
Total trade and other receivables		1,108,844	1,056,166	78,752	69,328

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

23. RECEIVABLES (CONT'D)

	Group		Company	
	2015	2014	2015	2014
	Rp million	Rp million	Rp million	Rp million
Non-financial assets				
Advances and prepayments				
Advances to suppliers	111,546	130,274	–	–
Prepayments	26,911	35,624	509	6,398
Total advances and prepayments	138,457	165,898	509	6,398
Total receivables	1,247,301	1,222,064	79,261	75,726

Trade receivables are non-interest bearing and are generally on 1 to 35 days' terms. All trade receivables will be settled in cash. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's trade receivables relate to a large number of diversified customers, there is no concentration of credit risk.

Other receivables from related parties and receivables from subsidiary companies are unsecured, interest-free and are generally settled within the next 12 months in cash.

The Group and Company's receivables denominated in foreign currencies are as follows:

	Group		Company	
	2015	2014	2015	2014
	Rp million	Rp million	Rp million	Rp million
US Dollars	99,486	200,766	66,286	59,527
Others	8,686	8,521	3,497	1,269

Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp282.6 billion (2014: Rp204.8 billion) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2015	2014
	Rp million	Rp million
Overdue but not impaired:		
1 – 30 days	233,458	175,164
31 – 60 days	33,128	16,887
61 – 90 days	1,872	2,822
More than 90 days	14,157	9,950
	282,615	204,823

23. RECEIVABLES (CONT'D)

Receivables that are impaired

As at 31 December 2015, there was no allowance for impairment of trade receivables (2014: Rp749.0 million). Trade receivables that are determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties and have defaulted on payments.

Movement in allowance for doubtful debts account:

	Note	Group 2015 Rp million	Group 2014 Rp million
At 1 January		–	749
Write-back for the year	8	–	(749)
At 31 December		–	–

Advances to suppliers

Advances to suppliers represent advance payments to suppliers and contractors in relation to the following purchases:

	Group 2015 Rp million	Group 2014 Rp million
Raw materials	51,954	41,029
Factory supplies, spare parts and others	59,592	89,245
	111,546	130,274

Advances to suppliers are unsecured, interest-free and obligations of the suppliers are expected to be fulfilled within the next 12 months.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 Rp million	2014 Rp million	2015 Rp million	2014 Rp million
Cash at bank and in hand	826,357	1,426,780	37,104	109,247
Short term deposits	1,142,743	2,159,000	467,913	778,200
Cash and cash equivalents	1,969,100	3,585,780	505,017	887,447

24. CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents denominated in foreign currencies are as follows:

	Group		Company	
	2015 Rp million	**2014** Rp million	**2015** Rp million	**2014** Rp million
US Dollars	475,915	874,233	24,848	445,937
Singapore Dollars	9,623	16,913	9,040	16,068
Others	1,957	642	–	–

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods ranging from one day to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Short term deposits denominated in US dollars and Rupiah earned interest at annual rates between 0.50% to 3.00% (2014: 0.50% to 3.50%) and 5.00% to 10.25% (2014: 7.00% to 11.00%), respectively.

25. PAYABLES

	Group		Company	
	2015 Rp million	**2014** Rp million	**2015** Rp million	**2014** Rp million
Current				
Financial liabilities				
Trade payables				
Third parties	786,400	849,269	–	–
Related parties	26,115	12,931	–	–
Other payables and accruals				
Third parties	499,523	510,394	9	35
Due to a parent company	23,795	18,454	–	–
Related parties	14,100	27,397	–	–
Accrued operating expenses	228,240	247,657	13,383	14,237
Total trade and other payables and accruals	1,578,173	1,666,102	13,392	14,272
Short-term employee benefits liabilities	224,693	188,209	–	–
Total	1,802,866	1,854,311	13,392	14,272
Non-financial liabilities				
Advances from customers	170,980	169,395	–	–
Taxes payable	43,384	34,385	–	–
Total advances and taxes payable	214,364	203,780	–	–
Total payables	2,017,230	2,058,091	13,392	14,272

25. PAYABLES (CONT'D)

Trade payables are normally settled on 1 to 60 days credit payment terms. These amounts are unsecured and will be settled in cash. The carrying amounts of the Group's trade payables, other payables and accruals approximate their fair values.

Payables to a parent company and other payables to related parties are unsecured, repayable on demand and non-interest bearing. These amounts will be settled in cash.

Advances from customers represent advance payments relating to future sales of finished goods. These advances are trade in nature, unsecured, interest-free, and the obligations to the customers are expected to be fulfilled within the next 12 months.

The Group and Company's payables denominated in foreign currencies are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	Rp million	Rp million	Rp million	Rp million
US Dollars	265,785	276,231	–	2,386
Euro	5,641	22,419	–	–
Singapore Dollars	17,597	13,071	13,392	11,886
Others	1,612	10,822	–	–

26. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	Collateral	Group		Company	
			2015	**2014**	**2015**	**2014**
			Rp million	Rp million	Rp million	Rp million
Current						
Rupiah denominated loans	2016	Unsecured	1,578,000	1,004,000	–	–
Rupiah denominated loans	2016	Secured [1]	715,600	1,356,680	–	–
US Dollar denominated loans	2016	Unsecured	1,514,756	1,677,845	1,033,655	–
Add: current portion of non-current loans			590,445	710,670	–	–
Total current portion			4,398,801	4,749,195	1,033,655	–
Non-current						
Rupiah denominated loans	2016 – 2018	Unsecured	14,475	20,982	–	–
Rupiah denominated loans	2016 – 2022	Secured [1]	4,423,016	4,352,325	–	–
Rupiah denominated loans	2016 – 2019	Secured [2]	15,496	19,620	–	–
US Dollar denominated loans	2016 – 2018	Unsecured	1,379,500	933,000	–	933,000
US Dollar denominated loans	2016 – 2019	Secured [1]	554,559	503,820	–	–
Less: deferred charges on bank loans			(54,798)	(50,936)	–	(3,207)
Less: current portion			(590,445)	(710,670)	–	–
Total non-current portion			5,741,803	5,068,141	–	929,793

[1] *Corporate guarantees from PT SIMP in proportion to its equity ownership in the subsidiaries*

[2] *Secured by land rights under name of the plasma farmers as the members of rural cooperative units (Koperasi Unit Desa or the "KUD"), plasma plantations and infrastructures, and corporate guarantee from a subsidiary*

26. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Current loans and borrowings

Effective Interest Rates

The short-term loans denominated in Rupiah bear effective interest rates that are ranging from 8.50% to 10.75% (2014: 8.00% to 11.15%) per annum for the year ended 31 December 2015. The credit facilities denominated in US Dollar bear interest at annual rates ranging from 1.64% to 2.11% (2014: 1.66% to 5.00%) per annum.

Covenants

The above-mentioned credit agreements obtained by the subsidiaries are subject to several negative covenants, include among others, to merge or consolidate with other entity; to change the Constitution; to reduce their share capital; making new investments and capital expenditures in excess of certain thresholds; to sell or dispose off significant portion of their assets used in the operations; as well as granting/obtaining credit facilities to/from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

Compliance with Loan Covenants

As at 31 December 2015 and 2014, the Group has complied with all of the covenants of the short-term loans as disclosed in this Note or obtained the necessary waivers as required.

Non-current loans and borrowings

Effective Interest Rates

The long-term loans denominated in US Dollar and Rupiah bear effective interest rates that are ranging from 1.57% to 3.41% per annum and from 8.03% to 11.15% per annum, respectively, for the year ended 31 December 2015 (2014: 1.98% to 3.50% per annum and from 8.53% to 11.15% per annum).

Covenants

The above-mentioned credit agreements obtained by the Group provides for several negative covenants for the subsidiaries, include among others, to pledge their assets to other parties (except for the existing assets already pledged as at the credit agreement date); to lend money to unaffiliated parties; to merge or consolidate with other entity unless the subsidiaries will be the surviving legal entity; to change the current course of their businesses; to reduce their share capital; making new investments and capital expenditures in excess of certain threshold; to sell or dispose off significant portion of their assets used in the operations in excess of certain thresholds; to change their legal status; to pay dividends exceeding 50% of the previous year net profit; as well as to obtain credit facilities from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

Compliance with Loan Covenants

As of 31 December 2015 and 2014, the Group has complied with all of the covenants of the long-term loans as disclosed in this Note or obtained the necessary waivers as required.

S$500 million Euro Medium Term Note (the "MTN")

In September 2013, the Company established a 5-year S$500 million Euro MTN Programme. Under the Programme, the Company may from time to time issue notes (the "Notes") in series or tranches. Each series or tranche of Notes may be issued in any currency, in various amounts and tenors, and may bear interest at a fixed, floating, variable or hybrid rates (as applicable), as agreed between the Company and the relevant dealer(s).

As at 31 December 2015 and 2014, the Company has not issued any Notes under the programme.

27. OTHER NON-CURRENT PAYABLES

	Group	
	2015	**2014**
	Rp million	Rp million
Non-current:		
Financial liabilities		
Due to related parties	338,794	586,764
Others	30,088	3,495
Total amount due to related parties and other payables	368,882	590,259
Non-financial liabilities		
Provision for assets dismantling costs	27,478	25,199
Total provision and other liabilities	27,478	25,199
Total other non-current payables	396,360	615,458

The amounts due to related parties represents loans provided to the subsidiaries by their non-controlling shareholders, which are not expected to be repaid within 3 years, unsecured and subject to effective interest rate of 8.8% – 10.0% (2014: 8.0% – 10.5%).

Provision for assets dismantling costs

Provision for assets dismantling costs represents estimated liabilities for the costs to dismantle, remove and restore the sites of refinery, fractionation and margarine plants located in Jakarta and Surabaya, Indonesia. Gain/(loss) arising from changes in estimates of provision for asset dismantling costs are presented as part of "Other Operating Income" and "Other Operating Expenses" accounts in profit or loss, as shown in Note 6 and 7. The resulting outflows of economic benefits of this provision are expected to take place in 2016, 2021 and 2032.

The movement in provision for assets dismantling costs is:

		Group	
	Note	**2015**	**2014**
		Rp million	Rp million
Balance at 1 January		25,199	22,633
Changes in present value due to the passage of time and changes in discount rates	7	2,279	2,566
Balance at 31 December		27,478	25,199

28. EMPLOYEE BENEFITS

Certain subsidiaries of the Group have defined benefit retirement plans covering substantially all of their qualified permanent employees.

The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively. Total pension cost charged to operations in 2015 is Rp19.4 billion (2014: Rp16.8 billion).

On top of the benefits provided under the above-mentioned defined benefit retirement plans, the Group has also recorded additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to the qualified employees, as required under the labor law in Indonesia. The amounts of such additional provisions were determined based on actuarial computations prepared by an independent firm of actuaries using the "Projected Unit Credit" method.

		Group	
	Note	**2015**	**2014**
		Rp million	Rp million
Employee benefits expenses (including directors):			
Wages and salaries		1,254,012	1,278,468
Provision for employee benefits		223,757	278,317
Contribution to defined contribution pension plan		52,947	16,846
Training and education		19,369	43,799
	8	1,550,085	1,617,430

As at 31 December 2015, the balance of the related actuarial liability for employee benefits is presented as "Employee benefits liabilities" in the consolidated balance sheet.

Changes in the defined benefit obligations are as follows:

	Group	
	2015	**2014**
	Rp million	Rp million
Benefit obligation at 1 January	1,803,240	1,555,851
Benefits paid	(82,794)	(49,486)
Changes charged to profit or loss		
Current service cost	134,062	144,426
Past service cost	(49,312)	55
Interest cost on benefit obligations	144,316	140,027
Net actuarial (gain)/loss recognised during the year	(5,152)	3,169
Gain on curtailments and settlements	(157)	(9,360)
Sub-total	223,757	278,317
Re-measurement (gain)/loss in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	(135,545)	(6,576)
Experience adjustments	(64,467)	25,134
Sub-total	(200,012)	18,558
Benefit obligation at 31 December	1,744,191	1,803,240

28. EMPLOYEE BENEFITS (CONT'D)

The principal assumptions used in determining post-employment obligations for the Group's plan are as follows:

Annual discount rate	:	9.0% (2014: 8.0%)
Future annual salary increase	:	9.0% (2014: 9.0%)
Annual employee turnover rate	:	6.0% (2014: 6.0%) for employees under the age of 30 years and linearly decrease until 0% at the age of 52 years
Disability rate	:	10% (2014: 10%) from mortality rate
Mortality rate reference	:	Indonesian Mortality Table ("IMT") 2011 (2014: IMT 2011)
Retirement age	:	55 years (2014: 55 years)

Sensitivity analysis to the principal assumptions used in determining employee benefits obligations are as follows:

	Quantitative Sensitivity Analysis	
Assumptions	**Increase /(Decrease)**	**(Decrease)/Increase in the Net Employee Benefits Liabilities** Rp million
Annual discount rate	100/(100) basis points	(136,363)/155,459
Future annual salary increase	1%/(1%)	156,887/(139,421)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the defined benefit plan obligation in future years:

	2015 Rp million	**2014** Rp million
Within the next 12 months	70,053	42,594
Between 1 and 2 years	88,452	101,147
Between 2 and 5 years	855,217	643,583
Beyond 5 years	21,191,564	17,252,977
Total expected payments	22,205,286	18,040,301

The average duration of the defined benefit plan obligation at the end of the reporting period is 13.4 years (2014: 13.5 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group			
	2015		2014	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	3,584,279	1,447,782,830	3,584,279

	Company			
	2015		2014	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	10,912,411	1,447,782,830	10,912,411

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

(b) Treasury shares

	Company			
	2015		2014	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	51,878,300	390,166	30,500,000	238,263

Treasury shares relate to ordinary shares of the Company that is held by the Company.

During the financial year, the Company acquired 21,378,300 treasury shares in the share capital of the Company by way of market purchases on the SGX-ST. The shares were purchased for Rp151.9 billion and is presented as a component within shareholders' equity.

30. RESERVES

(a) *Revenue reserves*

	Company 2015 Rp million	Company 2014 Rp million
Retained earnings:		
Balance at 1 January	700,244	642,630
Dividends	(71,873)	(67,798)
Profit for the year	141,030	125,412
Balance at 31 December	769,401	700,244

(b) *Other reserves*

	Company 2015 Rp million	Company 2014 Rp million
Other reserves:		
Balance at 1 January and 31 December	144,152	144,152

Other reserve of the Company pertains to the gain on sale of treasury shares in the previous financial year.

Movement in the reserves of the Group are shown in the Consolidated Statement of Changes in Equity.

(c) *Dividends*

	Company 2015 Rp million	Company 2014 Rp million
Declared and paid during year:		
Dividends on ordinary shares:		
- Final tax exempt (one-tier) dividend for 2014:0.52 Singapore cents (2013: 0.52 Singapore cents) per share	71,873	67,798
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the forthcoming AGM:		
- Final tax exempt (one-tier) dividend for 2015: 0.50 Singapore cents (2014: 0.52 Singapore cents) per share	68,057	69,440

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. COMMITMENTS AND CONTINGENCIES

(a) Plasma receivables

The Indonesian government requires oil palm plantation companies to develop new plantations together with the local small landholders. This form of assistance to local small landholders is generally known as the "Plasma Scheme". Once developed, the plasma plantations are transferred to the small landholders who then operate the plasma plantations under the supervision of the developer. In line with this requirement, certain subsidiary companies of the Group have commitments to develop plantations under the Plasma Scheme. The funding for the development of the plantations under the Plasma Scheme is provided by the designated banks and/or by the subsidiary companies. This includes the subsidiary companies providing corporate guarantees for the loans advanced by the banks.

When the plasma plantations start to mature, the plasma farmers are obliged to sell all their harvests to the subsidiary companies and a portion of the resulting proceeds will be used to repay the loans from the banks or the subsidiary companies. In situations where the sales proceeds are insufficient to meet the repayment obligations to the banks, the subsidiary companies also provide temporary funding to the plasma farmers to develop the plasma plantations and to repay the instalment and interest payments to the banks. The plasma farmers will repay the temporary funding to the subsidiary companies once the plantations have positive cash flows.

The loans advanced by the banks under the Plasma Scheme are secured by the sales proceeds of FFB of the respective plasma plantations and corporate guarantees from certain subsidiary companies for a maximum amount of Rp1,012.6 billion (2014: Rp1,132.7 billion) as at 31 December 2015.

The Group recorded an allowance for uncollectible plasma receivables in its consolidated balance sheet amounting to Rp160.1 billion (2014: Rp160.9 billion). Based on a review of the plasma receivables of each project as at 31 December 2015, management believes that the above-mentioned allowance for uncollectible plasma receivables is sufficient to cover possible losses arising from the uncollectible plasma receivables.

An analysis of the movement in allowance for uncollectible plasma receivables is as follows:

	Group	
	2015	**2014**
	Rp million	Rp million
At 1 January	160,931	170,356
Allowance for the year	–	167
Write-off	(561)	(9,440)
Reversal of allowance	(235)	(152)
At 31 December	160,135	160,931

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(a) *Plasma receivables (cont'd)*

The accumulated development costs net of funds received are presented as Plasma receivables in the consolidated balance sheet and in the Plantations segment. An analysis of the movement in the plasma receivables is as follows:

	Note	Group 2015 Rp million	Group 2014 Rp million
Balance at 1 January		625,598	644,545
Allowance for uncollectible and loss arising from changes in amortised costs of plasma receivables		(42,378)	(45,711)
Additional net investment		182,062	68,459
Reclassifications		30,351	(41,695)
Balance at 31 December	21,23	795,633	625,598

(b) *Operating lease commitments*

As Lessee

The Group has entered into commercial leases to lease land and buildings, equipment and transportation equipment. These non-cancellable operating leases have remaining lease terms from 1 to 3 years. Operating lease payments recognised in the statement of comprehensive income in 2015 amounted to Rp17.1 billion (2014: Rp16.4 billion).

Future minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

	2015 Rp million	2014 Rp million
Within one year	19,533	13,861
After one year but not more than five years	7,979	5,814
	27,512	19,675

As Lessor

The Group has entered into a short-term commercial lease on its storage tanks. Operating lease income recognised in the consolidated statement of comprehensive income for the financial year ended 31 December 2015 amounted to Rp9.1 billion (2014: Rp9.5 billion).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) Contingent liabilities

Dispute of PT LPI's HGU certificate

In May 2011, an individual filed a legal case against PT LPI for losses of Rp17.4 billion in respect of an area of approximately 143 hectares located at Campany Tiga village. On 27 August 2015, PT LPI received the Supreme Court's decision to dismiss the appeal by the said individual. The case was considered closed and binding.

(d) Sales commitments

As at 31 December 2015, the Group has sales commitments to deliver the following products to local and overseas customers within the next three months:

	2015 (Tonnes)	2014 (Tonnes)
Palm products	46,636	25,213
Rubber	595	1,109
Tea	126	83
Cocoa	143	95
Total	47,500	26,500

As at 31 December 2015, Lonsum also has sales commitments to deliver 1,075,153 (2014: 1,648,090) of oil palm seeds to third party domestic customers within one month after the reporting date.

(e) Commitments for capital expenditures

As of 31 December 2015, capital expenditure contracted for but not recognised in the financial statements relating to purchase of property, plant and equipment as well as development of plantations amounting to Rp806 billion, US$7.9 million, and JP¥ 58.4 million (2014: Rp1,357.6 billion, US$17.0 million, EUR0.5 million, MYR0.3 million and JP¥ 40.2 million).

32. RELATED PARTY TRANSACTIONS

In addition to those related party information disclosed elsewhere in the relevant notes to the consolidated financial information, the following transactions between the Group and related parties took place during the financial year at terms agreed between the parties during the financial year:

Nature of transactions	Year	A Shareholder of the Group Rp million	Related companies Rp million	Other related parties Rp million
Sales of goods	2015	1,179	3,010,599	842,030
	2014	–	3,443,891	849,107
Purchases of packaging materials	2015	–	62,133	–
	2014	–	27,730	–
Purchases of services, transportation equipment and spare parts	2015	–	9,009	22,850
	2014	–	7,877	78,637
Royalty fee expenses	2015	6,107	–	–
	2014	5,556	–	–
Pump services expenses	2015	–	–	5,828
	2014	–	–	5,349
Rental expenses	2015	–	–	34,349
	2014	–	–	25,526
Freight services expenses	2015	–	–	–
	2014	–	2,548	–
Insurance expenses	2015	–	–	32,466
	2014	–	–	24,448
Other operating income	2015	–	3,981	50
	2014	–	4,967	50

Compensation of key management personnel of the Group

	2015 Rp million	2014 Rp million
Salaries and short-term employee benefits	177,661	165,992
Termination benefits	10,976	3,540
Post-employment benefits	15,211	11,767
Total compensation paid to the key management personnel	203,848	181,299
Comprise amounts paid to:		
- Directors of the Company	79,689	65,878
- Other key management personnel	124,159	115,421
	203,848	181,299

33. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group measures non-financial assets, such as biological assets, at fair value at each reporting date.

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

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

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

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

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

The following table provides the fair value hierarchy of the Group's assets and liabilities in accordance with the level of inputs to valuation techniques used to measure fair value:

	Quoted prices in active markets for identical assets (Level 1) Rp million	**Significant other observable inputs (Level 2)** Rp million	**Significant unobservable inputs (Level 3)** Rp million
As at 31 December 2015			
Recurring fair value measurements			
Biological assets (Note 13)	–	–	15,878,940
As at 31 December 2014			
Recurring fair value measurements			
Biological assets (Note 13)	–	–	15,060,646

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no transfers between Level 1 and Level 2, and into or out from Level 3 during the year. Other fair value disclosures are made in the respective notes of the assets or liabilities.

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

(b) Valuation policy

The Group's subsidiary company, PT SIMP's financial reporting team in charge of valuation ("Valuation Team") determines the policies and procedures for recurring fair value measurement, such as biological assets and fair value (less costs of disposal) of CGUs (for goodwill impairment test purpose).

External valuers are involved for valuation of significant assets, in particular, the biological assets. Involvement of external valuers is decided annually by the Valuation Team after discussion with and approval by PT SIMP's Audit Committee and Board of Directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers normally rotate when required by local regulation for independent valuers. The Valuation Team decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use.

At each reporting date, the Valuation Team analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Valuation Team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to the relevant documents and data.

The Valuation Team, in conjunction with the Group's external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable. On an interim basis, the Valuation Team and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations as well as the integrity of the model and reasonableness of the key inputs.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including currency risk and commodity price risk), credit risk and liquidity risk. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in financial instruments shall be undertaken.

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

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

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk mainly arises from loans and borrowings for working capital and investment purposes. There are no loans and borrowings of the Group at fixed interest rates.

For working capital loans and borrowings, the Group may seek to mitigate its interest rate risk by passing it on to its customers.

Sensitivity analysis for interest rate risk

As at 31 December 2015, had the interest rates of the loans and borrowings been 50 basis points higher/lower (2014: 50 basis points higher/lower) with all other variables held constant, profit before tax for the year ended 31 December 2015 would have been Rp6.1 billion (2014: Rp5.8 billion) lower/higher accordingly, mainly as a result of higher/lower interest charge on the loans and borrowings with floating interest rates.

(b) Foreign currency risk

The Group's reporting currency is Indonesian Rupiah. The Group faces foreign exchange risk as its borrowings, export sales and the costs of certain key purchases which are either denominated in the United States dollars or whose price is significantly influenced by their benchmark price movements in foreign currencies (mainly US Dollar) as quoted on international markets. To the extent that the revenue and purchases of the Group are denominated in currencies other than Indonesian Rupiah, and are not evenly matched in terms of quantum and/or timing, the Group has exposure to foreign currency risk.

The Group does not have any formal hedging policy for foreign exchange exposure. Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities against assets in the same currency to minimise foreign exchange exposure.

As at 31 December 2015, had the exchange rate of Rupiah against US Dollar depreciated/appreciated by 10% (2014: 10%) with all other variables held constant, profit before tax for the year ended 31 December 2015 would have been Rp308.6 billion (2014: Rp166.7 billion) lower/higher, mainly as a result of foreign exchanges gains/losses on the translation of cash and cash equivalents, trade receivables, interest-bearing loans and borrowings and trade payables denominated in US Dollar.

(c) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of changes in market prices. The Group is exposed to commodity price risk due to certain factors, such as weather, government policy, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its purchase of CPO where the profit margin on sale of its finished products may be affected if the cost of CPO (which is the main raw material used in the refinery plants to manufacture cooking oils and fats products) increases and the Group is unable to pass such cost increases to its customers.

During 2015 and 2014, it is, and has been, the Group's policy that no hedging in financial instruments shall be undertaken.

The Group's policy is to minimise the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in CPO for the refinery operations (through the purchase of CPO from the Group's own plantations).

34. 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 has credit risk arising from the credit granted to its customers and plasma farmers and placement of current accounts and deposits in the banks.

Other than as disclosed below, the Group has no concentration of credit risk.

Cash and cash equivalents

Credit risk arising from placements of current accounts and deposits is managed in accordance with the Group's policy. Such limits are set to minimise the concentration of credit risk and therefore mitigate financial loss through potential failure of the banks.

Trade receivables

The Group has policies in place to ensure that sales of products are made only to creditworthy customers with proven track record or good credit history. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For export sales, the Group requires cash against the presentation of documents of title. For domestic sales, the Group may grant its customers credit terms from 1 to 35 days from the issuance of invoice. The Group has policies that the limit amount of credit exposure to any particular customer, such as, requiring sub-distributors to provide bank guarantees. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

When a customer fails to make payment within the credit terms granted, the Group will contact the customer to act on the overdue receivables. If the customer does not settle the overdue receivable within a reasonable time, the Group will proceed to commence legal proceedings. Depending on the Group's assessment, specific provisions may be made if the debt is deemed uncollectible. To mitigate credit risk, the Group will cease the supply of all products to customers in the event of late payment and/or default. See Note 23 for details.

Plasma Receivables

As disclosed in Notes 2.9 and 31(a), plasma receivables represent costs incurred for plasma plantation development which include costs for plasma plantations funded by the banks and temporarily self funded by the subsidiaries awaiting banks' funding.

Plasma receivables also include advances to plasma farmers for topping up loan instalments to the banks, advances for fertilisers and other agriculture supplies. These advances shall be reimbursed by the plasma farmers and the collateral in form of titles of ownership of the plasma plantations will be handed over to the plasma farmers once the plasma receivables have been fully repaid.

The Group through partnership scheme also provides technical assistance to the plasma farmers to maintain the productivity of plasma plantations as part of the Group's strategy to strengthen relationship with plasma farmers which is expected to improve the repayments of plasma receivables.

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

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

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities in its financial assets and liabilities. The Group manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and borrowings and equity market issues.

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

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Group				
As at 31 December 2015				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	83,298	6,168,108	750,870	7,002,276
Other payables (non-current)	369,015	–	–	369,015
Trade and other payables and accruals	1,589,009	–	–	1,589,009
Current interest-bearing loans and borrowings	4,951,167	–	–	4,951,167
Total undiscounted financial liabilities	6,992,489	6,168,108	750,870	13,911,467
As at 31 December 2014				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	20,122	5,558,961	587,054	6,166,137
Other payables (non-current)	32,379	619,232	–	651,611
Trade and other payables and accruals	1,675,362	–	–	1,675,362
Current interest-bearing loans and borrowings	5,393,389	–	–	5,393,389
Total undiscounted financial liabilities	7,121,252	6,178,193	587,054	13,886,499

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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

(e) Liquidity risk (cont'd)

Undiscounted loans and borrowings with floating rates had been determined with reference to the applicable rates as at balance sheet dates.

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Company				
As at 31 December 2015				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	–	–	–	–
Trade and other payables and accruals	13,392	–	–	13,392
Current interest-bearing loans and borrowings	1,044,222	–	–	1,044,222
Total undiscounted financial liabilities	1,057,614	–	–	1,057,614
As at 31 December 2014				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	20,122	939,854	–	959,976
Trade and other payables and accruals	14,272	–	–	14,272
Current interest-bearing loans and borrowings	–	–	–	–
Total undiscounted financial liabilities	34,394	939,854	–	974,248

35. CAPITAL MANAGEMENT

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

Certain subsidiary companies are required to comply with loan covenants imposed by their lenders, such as maintaining the level of existing share capital. This externally imposed requirement has been complied with by the relevant subsidiary companies for the financial year ended 31 December 2015 and 2014. Additionally, certain subsidiary companies in Indonesia are required by the Corporate Law to maintain a non-distributable reserve until it reaches 20% of the issued and paid share capital. This externally imposed capital requirement will be complied by the relevant subsidiary companies by their next annual general meeting.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

The Group monitors capital using gearing ratios, by dividing net loans and borrowings with total equity. The Group's policy is to keep the gearing ratio within the range of gearing ratios of leading companies in similar industry in Indonesia in order to secure access to finance at a reasonable cost.

	2015 Rp million	**2014** Rp million
Non-current interest-bearing loans and borrowings	5,741,803	5,068,141
Current interest-bearing loans and borrowings	4,398,801	4,749,195
	10,140,604	9,817,336
Less: Cash and cash equivalents	(1,969,100)	(3,585,780)
Net debts	8,171,504	6,231,556
Total equity	24,245,694	23,717,152
Gearing ratio	34%	26%

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

36. SEGMENT INFORMATION

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

Plantations segment

Plantations segment is mainly involved in the development and maintenance of oil palm, rubber and sugar cane plantations and other business activities relating to palm oil, rubber and sugar cane processing, marketing and selling. This segment is also involved in the cultivation of cocoa, coconut, tea and industrial timber plantations (Hutan Tanaman Industri or "HTI").

Edible oils and fats segment

Edible oils and fats segment produces, markets and sells edible oil, margarine, shortening and other related products and CNO and its derivative products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income), foreign exchange gains/losses and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between business segments are based on terms agreed between the parties. Segment revenues, segment expenses and segment results include transfers between business segments. Those transfers are eliminated for purposes of consolidation.

Others/eliminations for segment assets and liabilities relates primarily to eliminations between inter-segment receivables and payable, and the Company's asset and liabilities.

36. SEGMENT INFORMATION (CONT'D)

The following table presents revenue and profit and certain asset and liability information regarding the Group's business segments:

Business segments

	Plantations	Edible Oils and Fats	Others/ eliminations	Total
	Rp million	Rp million	Rp million	Rp million
Year ended 31 December 2015				
Revenue				
Sales to external customers	5,418,895	8,416,549	–	13,835,444
Inter-segment sales	3,730,115	2,849	(3,732,964)	–
Total sales	9,149,010	8,419,398	(3,732,964)	13,835,444
Share of results of associate companies	(55,442)	–	(4,691)	(60,133)
Segment results	1,581,704	240,293	(220,924)	1,601,073
Net finance expense				(553,302)
Foreign exchange losses				(289,887)
Profit before tax				697,751
Income tax expense				(398,977)
Net profit for the year				298,774
Assets and liabilities				
Segment assets	31,809,957	3,513,977	374,237	35,698,171
Goodwill	3,253,637	–	–	3,253,637
Prepaid taxes				221,972
Deferred tax assets				1,390,334
Claims for tax refund				155,812
Total assets				40,719,926
Segment liabilities	3,105,147	1,940,172	(922,677)	4,122,642
Unallocated liabilities				10,175,743
Deferred tax liabilities				2,140,966
Income tax payable				34,879
Total liabilities				16,474,230
Other segment information:				
Investment in associate companies	662,994	–	554,286	1,217,280
Capital expenditure	2,369,206	51,430	14	2,420,650
Depreciation and amortisation	813,812	119,445	3,699	936,956
Loss from changes in fair value of biological assets	19,851	–	–	19,851
Provision for employee benefits	173,092	50,665	–	223,757

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

36. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations	Edible Oils and Fats	Others/ eliminations	Total
	Rp million	Rp million	Rp million	Rp million
Year ended 31 December 2014				
Revenue				
Sales to external customers	5,149,364	9,813,363	–	14,962,727
Inter-segment sales	5,128,167	21,284	(5,149,451)	–
Total sales	10,277,531	9,834,647	(5,149,451)	14,962,727
Share of results of associate companies	(112,026)	–	(37,857)	(149,883)
Segment results	2,599,979	100,667	96,033	2,796,679
Net finance expense				(503,775)
Foreign exchange losses				(110,531)
Profit before tax				2,032,490
Income tax expense				(704,331)
Net profit for the year				1,328,159
Assets and liabilities				
Segment assets	31,470,666	3,293,934	603,646	35,368,246
Goodwill	3,253,637	–	–	3,253,637
Prepaid taxes				231,179
Deferred tax assets				1,152,977
Claims for tax refund				148,545
Total assets				40,154,584
Segment liabilities	3,244,437	2,105,572	(1,260,192)	4,089,817
Unallocated liabilities				10,204,308
Deferred tax liabilities				1,999,124
Income tax payable				144,183
Total liabilities				16,437,432
Other segment information:				
Investment in associate companies	80,677	–	335,783	416,460
Capital expenditure	3,084,078	94,036	–	3,178,114
Depreciation and amortisation	697,596	112,095	3,696	813,387
Gain from changes in fair value of biological assets	59,592	–	–	59,592
Provision for employee benefits	235,328	42,989	–	278,317

36. SEGMENT INFORMATION (CONT'D)

Geographical segments

The following table presents sales to customers based on the geographical location of the customers:

	2015 Rp million	2014 Rp million
Region		
Indonesia	12,649,116	13,441,849
Singapore	410,142	500,122
China	278,578	346,757
Nigeria	153,435	159,255
Malaysia	22,801	89,559
Philippines	53,759	83,729
Timor Leste	68,031	67,270
Others (each below Rp50.0 billion)	199,582	274,186
Segment revenue	13,835,444	14,962,727

The Group's capital expenditure and segment assets are primarily incurred and located in Indonesia.

37. COMPARATIVE FIGURES

The following accounts in the statement of comprehensive income have been reclassified to conform to full year's presentation.

In the opinion of the directors, such reclassifications will allow a more appropriate presentation and better reflects the nature of the transactions/balances.

	As restated 2014 Rp million	As previously reported 2014 Rp million
Consolidated statement of comprehensive income		
Cost of sales	(10,695,201)	(10,594,799)
General and administrative	(1,019,305)	(1,119,707)
Financial income	253,590	228,466
Income tax expense	(704,331)	(679,207)

38. EVENT OCCURRING AFTER THE REPORTING PERIOD

Acquisition of a subsidiary

In January 2016, PT WHL entered into an agreement to acquire 99.97% interest in PT Perusahaan Perkebunan dan Perdagangan Umum Pasir Luhur ("Pasir Luhur") for a cash consideration of Rp55 billion. Pasir Luhur owns a tea plantation in West Java. Upon the completion of the transaction on 29 February 2016, Pasir Luhur has become a subsidiary of the Group.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 15 March 2016.