NURTURING GROWTH

KENCANA AGRI LIMITED
ANNUAL REPORT 2012

CORPORATE STRUCTURE

CONTENTS

CORPORATE PROFILE

Listed on the Singapore Exchange on 25 July 2008, Kencana Agri Limited ("Kencana" or the "Group") is a plantation company engaged mainly in the cultivation of oil palms; processing of Fresh Fruit Bunches ("FFB") into Crude Palm Oil (CPO), Crude Palm Kernel Oil ("CPKO") and Palm Kernel Cake ("PKC"); and operation of bulking terminals, port and logistics services.

Kencana's oil palm plantations are strategically located in Sumatra, Kalimantan and Sulawesi regions in Indonesia. Since its inception in 1996, the Group's planted area has grown rapidly from 1,215ha to 61,119ha in 2012. The Group currently has 4 palm oil mills with a total processing capacity of 210tonnes/hour and 2 kernel crushing plants with capacity of 435tonnes/day.

Currently, with its profile of relatively young oil palms (75%), the Group is in a good position to deliver strong double-digit production growth over the next few years, as its oil palms continue to mature and reach peak production stage.

Moving ahead, the Group will remain focused in growing its plantation business. The Group has 198,935 ha of land bank (Nucleus and Plasma) in which only 31% is planted. Supported by 69% or 137,816ha of unplanted area, the Group aims to increase its planted area by 5,000 to 8,000ha annually so as to achieve a better mix of palms of various ages and ensure sustainable FFB production.

In order to fully leverage and maximise the value chain of its plantation assets and logistics services, the Group, together with Louis Dreyfus Commodities, has built an integrated palm oil complex in Balikpapan comprising a deep water port, and a bulking terminal with storage capacity of up to 50,000 tonnes. The Group will continue to expand this complex in the years ahead.

A strong supporter of sustainable palm oil, Kencana strives to pursue long-term and sustainable palm oil production for the benefit of all stakeholders. It adopts environmentally friendly practices such as zero burning and zero waste management policies. Apart from this, Kencana's subsidiary PT Sawindo Kencana has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2008.

Additionally, the Group sells "green" electricity to the State Owned Electricity company ("PLN") and has signed an Emission Reductions Purchase Agreement ("ERPA") with the Danish Ministry of Climate and Energy to sell Certified Emission Reduction ("CER") credits from its renewable biomass power plant at Bangka Island.

As part of its commitment to improve the social and economic welfare of the local communities in which it operates, Kencana takes its corporate social responsibility seriously through its (a) plasma programme, (b) education initiatives which will benefit children in the villages, (c) collaboration with local hospitals and clinics to provide free basic medical services and check-ups for staff, villagers and their families, (d) sponsorship of social and cultural events, as well as (e) provision of relief programmes during natural calamities such as earthquakes and floods.

OUR VISION

To be a leading sustainable palm oil producer and supplier of choice for both local and global markets.

OUR MISSION

To expand our plantation business through sustainable and environmentally-friendly best management practices whilst reinforcing our responsibilty as a good corporate citizen.

OUR BUSINESS AND OPERATIONS

Kencana's integrated value chain comprises plantations, palm oil mills, kernel crushing plants, port & bulking facilities, logistics services and renewable biomass power plants to support and complement our plantation operations.

PLANTATION

Our oil palm plantations are strategically located in Sumatra, Kalimantan and Sulawesi.

PLANTATION

Total Land Bank : 198,935 ha
- Nucleus : 183,888 ha
- Plasma : 15,047 ha

Total Planted Area : 61,119 ha
- Nucleus : 48,014 ha
- Plasma : 13,105 ha

PROCESSING

We have four palm oil mills and two kernel crushing plants in Sumatra and Kalimantan.

PALM OIL MILLS

NO. OF MILL : 4
TOTAL PROCESSING CAPACITY : 210 MT/hour

KERNEL CRUSHING PLANTS

NO. OF PLANT : 2
TOTAL PROCESSING CAPACITY : 435 MT/day

PRODUCTS

Our main products are CPO, CPKO and PKC which are derived from the fresh fruit bunches harvested from our plantations, our plasma farmers, and/or purchased from third parties. We produce CPO, CPKO and PKC at our palm oil mills and kernel crushing plants respectively.

Our products are typically sold to reputable trading companies, refineries, and oleochemical companies, among others, in Indonesia, Malaysia and other countries.

MAIN PRODUCTS	RENEWABLE BY-PRODUCTS
CRUDE PALM OIL ("CPO")	EMPTY FRUIT BUNCHES, LIQUID WASTE, KERNEL SHELLS, FIBRE
CRUDE PALM KERNEL OIL ("CPKO")	
PALM KERNEL CAKE ("PKC")	

GROWTH › EXCELLENCE › INTEGRITY ›

SUPPORTING BUSINESS

Our port & bulking facilities and logistics services complement and support our plantation operations by providing storage facilities and transportation for our products.

The "green" electricity generated by our renewable biomass power plants in Bangka and Belitung are mainly sold to the state-owned electricity company, ("PLN"). The Bangka power plant has also been approved as a Clean Design Mechanism ("CDM") project, which allows us to sell carbon credits to international markets.

PORT & BULKING FACILITIES

Total Capacity : 66,000 MT

LOGISTICS SERVICES

No of Vessels : 6
Total Capacity : 13,800 MT

BIOMASS POWER PLANTS

1st Plant (2005)
Location : Bangka
Capacity : 6.0 MW

2nd Plant (2009)
Location : Belitung
Capacity : 7.5 MW

* Joint venture with Louis Dreyfus Commodities in Balikpapan

"Currently, 75% of our oil palms are in the immature and young mature stage. With our relatively young profile, Kencana is poised to deliver strong double digit production growth over the next few years as our palms continue to mature and reach peak production."

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors, it is my pleasure to present Kencana's annual report for the year ended 31 December 2012 ("FY2012").

During the year, we continue to focus and build on our production and planting to create sustainable long-term value for all stakeholders. Despite the continuing global economic uncertainties and volatile palm oil prices, I am pleased to report that the Group continues to record satisfactory performance in 2012.

PERFORMANCE

Gross profit improved by 6% to US$ 37.8million. Net profit after tax increased by 21% to US$8.1million (excluding fair value changes on biological and other assets and foreign exchange gains or losses) while basic earnings per share attributable to shareholders was US 1.51cents.

Our sales volume increased by 10% to 342,513tonnes while revenue decreased by 4% to US$302million due to lower prices of CPO (-11%) and CPKO (-24%).

The Group's Phase 3 oil palm expansion programme in Sulawesi continued to gain momentum and made significant progress. We increased our planted area by another 6,252ha to reach 61,119ha in FY2012.

Our processing capacity also expanded in tandem with our planting and production growth. In the second half of 2012, we completed our 4th palm oil mill in our Group in East Kalimantan. This brings our total processing capacity to 210tonnes per hour.

Productivity also improved despite the fact that 25% of our oil palms are in their prime mature stage. The Group delivered its strongest FFB production growth of 34% to 424,601tonnes and FFB yield also improved 20% to 17.9tonnes per ha.

NURTURING GROWTH

Moving forward, the Group will continue to grow and nurture our plantation business .

Currently, 75% of our oil palms are in the immature and young mature stage. With the relatively young age profile, Kencana is poised to deliver strong double digit production growth over the next few years as our palms continue to mature and reach peak production. We will focus on harnessing this strong production growth into profitability.

We will continue with our disciplined planting programme and aim to increase our planted area by 5,000 to 8,000ha annually. By growing our operations in a coordinated and sustainable manner, we hope to achieve a better mix of palms of different age groups to ensure steady FFB production growth.

On our integrated value chain development, as mentioned before, we have completed Phase 1 of the project comprising of deepwater port and bulking terminal at our own integrated palm oil complex in Balikpapan. I am pleased to report that, we have started Phase 2 with the construction of a palm oil refinery with capacity of 1,500 tonnes per day. This project is expected to be commissioned in mid-2013 and will mark another milestone in Kencana's growth strategy.

PROSPECTS AND OUTLOOK

Palm oil and other vegetable oil prices are expected to remain volatile in the near term due to the continuing global economic uncertainties and slower demand from key consuming countries. Notwithstanding this, we remain optimistic about the overall industry growth drivers.

In the longer term, the Group expects palm oil to remain lucrative in view of the continuing strong demand for biodiesel usage and from population growth, dynamic economic growth of developing countries like China and India. Demand for CPO and related products from the world's fastest growing economies of China and India is expected to recover while increased usage in the energy and biodiesel sector will be supportive of palm oil prices. We are cautiously optimistic that palm oil prices will be sustainable in the coming year.

The Group will continue to harness the strong production growth and focus on operational efficiencies and cost management to improve profitability.

DIVIDEND

In appreciation of the support of the Group's shareholders, the Board of Directors has proposed a first and final dividend of 0.13 Singapore cents per share for FY2012.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our shareholders, customers and creditors for their continued support and all our staff for their commitment, dedication and hard work.

We are confident of meeting future challenges and seizing opportunities which may come our way to take the Group to the next level of growth.

Henry Maknawi
Chairman and Chief Executive Officer

FINANCIAL AND OPERATIONAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Summary of results for FY2012

USS'000	FY2011	FY2012	% Change
Revenue	314,726	301,886	-4
Gross Profit	35,580	37,849	+6
Operating Profit	40,309	30,971	-23
EBITDA	22,968	18,099	-21
Profit before Tax	32,846	24,726	-25
Net Profit after Tax	23,181	17,304	-25

Revenue decreased from US$314.7million in FY2011 to US$301.8million in FY2012 due to lower Average Selling Price ("ASP") offsetting the 10% increase in production volume. ASP of CPO decreased by 11% from US$921 to US$816 per MT and CPKO decreased 24% from US$1,194 to US$906 per MT.

Gross profit improved from US$35.6million in FY2011 to US$37.8million in FY2012 and Gross profit margin also improved slightly from 11.3% to 12.5% in FY2012.

Operating Profit decreased from US$40.3million in FY2011 to US$30.9million in FY2012, mainly due to foreign exchange losses of US$4.8million (mainly unrealised) resulting from revaluation of US dollar borrowings against a weakening Indonesian Rupiah (FY2011: 1 US$9,068 and FY2012: 1 US$9,670) and also 22% decrease in gain from fair value of biological and other assets from US$22.6milllion in FY2011 to US$17.7million in FY2012 as a result of lower CPO and CPKO prices.

Excluding the gain from fair value of biological and other assets, and the foreign exchange gain or loss (mainly unrealised), the Group would have a higher net profit after tax of US$8.1 million in FY2012 compared to US$6.7million in FY2011. The higher profits were mainly contributed by higher production achieved and lower interest expense.

[1] The fair value of biological assets is a non-cash item included in the Group's financial statements as it has adopted the Singapore Financial Reporting Standard 41 – Agriculture. The fair value changes are prepared by an independent valuer, which take into account factors such as the CPO prices, discount rates, maturity of oil palm plantations, and general industry outlook. Whilst any gain or loss due to changes in fair value of biological assets impacts the Group's bottomline, it is non-cash and non-operational in nature, and neither impacts nor reflects its operational performance or cash position.

Balance Sheet

US$'000	As at 31 Dec 2010	As at 31 Dec 2011	As at 31 Dec 2012
Current assets	86,180	97,695	86,961
Non-current assets	301,363	380,728	439,508
Total assets	**387,543**	**478,423**	**526,469**
Current liabilities	39,260	64,901	108,301
Non-current liabilities	138,165	185,730	190,955
Total liabilities	**177,425**	**250,631**	**299,256**
Shareholders' equity	**210,118**	**227,792**	**227,213**
Net debt/Equity ratio (%)	49.2	55.2	85.5
Net debt/Total assets (%)	26.7	26.3	36.9
Net debt/EBITDA (x)	5.6	6.5	11.2
EBITDA/Interest expense (x)	4.9	3.0	2.7

Total assets increased by 10% from US$478.4million in FY2011 to US$526.5million in FY2012, mainly as a result of:

- Higher value of biological assets amounting to US$35.0million due to capital expenditure incurred on new planting, maintenance of immature plantations, fair value gain, and capitalisation of interest and depreciation;
- An increase of US$8.8million in property, plant and equipment attributable to the acquisition of vessels, capital expenditure to build up infrastructure, buildings, and heavy equipment in the Group's plantations;
- An increase of US$11.1million in the value of land rights, in relation to the acquisition during the year;
- An increase of US$1.5million in investment in Joint Venture mainly due to additional loan provided for capital expenditure purpose; and
- An increase in Investment in property of US$2.5million.

Total liabilities increased 19% from US$250.6million in FY2011 to US$299.2million in FY2012, largely due to:

- The advance payments received from buyers;
- An increase in long-term bank borrowings for the development of plantations development and infrastructure;
- An Increase in short-term bank borrowings of US$33.0million; and
- An increase in general trade payables and accrual in line with increased in activities.

Net asset value per ordinary share decreased slightly to US19.79 cents in FY2012 from US19.84 cents in FY2011.

Cash Flow

US$'000	FY2010	FY2011	FY2012
Cash at the beginning of period	4,692	24,216	23,551
Net cash (used in)/from operating activities	(3,507)	55,095	5,522
Net cash used in investing activities	(51,585)	(59,058)	(62,236)
Net cash from financing activities	74,616	3,298	40,308
Net increase/(decrease) in cash	19,524	(665)	(16,406)
Cash at end of period	**24,216**	**23,551**	**7,145**

The Group's closing cash and cash equivalents decreased by US$16million to US$7.1million in FY2012. The decrease was the result of more cash outflow into capital expenditure in plantations financed by the cash from operations, financing activities and reduction in cash balance. Borrowings increased by US$39.0million mainly to finance capital expenditure.

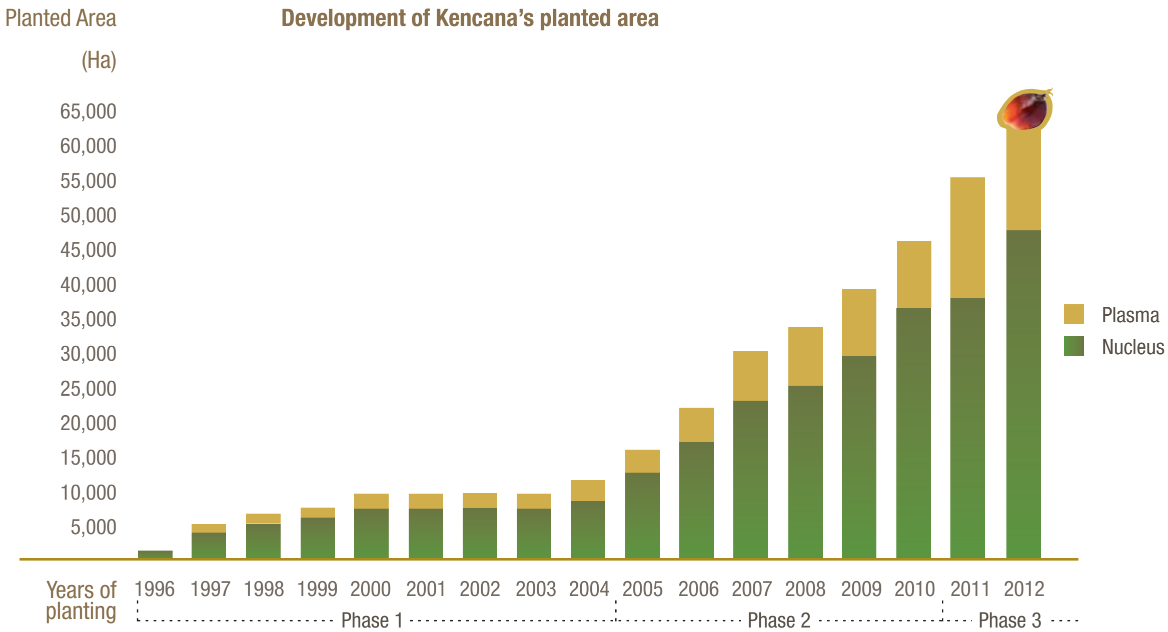
FINANCIAL AND OPERATIONAL HIGHLIGHTS

REVIEW OF OPERATIONAL PERFORMANCE

Increasing planted area

The Group continued phase 3 of its palm oil cultivation in Sulawesi region after the first two phases in Sumatra and Kalimantan regions. New planted area for the year was 6,252 ha on total planted area for nucleus and plasma to 61,119 ha as at December 2012.

Nucleus planted area increased by 5,300 ha to 48,014 ha whereas plasma planted area increased by 952 ha to 13,105 ha.



Young profile of oil palms drives potential for double-digit FFB production growth

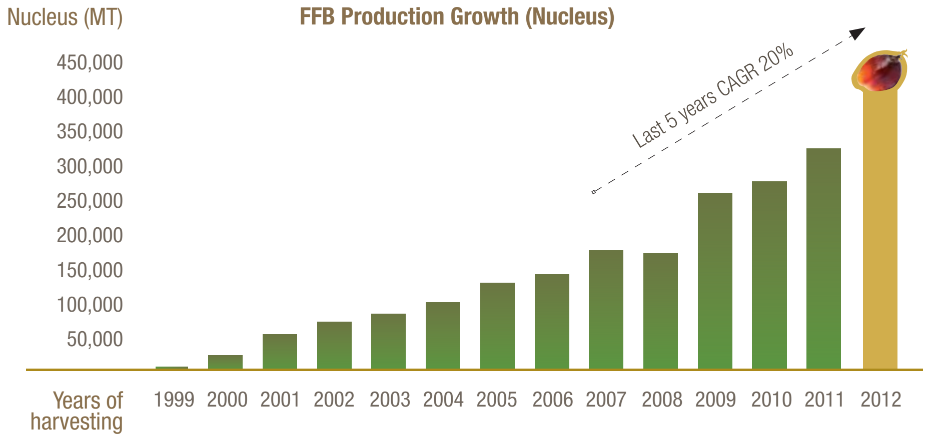
Kencana's growth potential is not fully realised yet because 75% of its nucleus oil palms are in the immature and young mature stage. This shows that Kencana's current profitability is derived mostly from 25% production of it's prime mature oil palms.

The young profile of oil palms, with a weighted average age of 6.1 years, will soon enter the prime mature phase. This will drive the potential for strong double-digit FFB production growth over the next few years, as the relatively young palms continue to mature and reach peak production stage.

Age Profile	Immature	%	Young Mature	%	Prime Mature	%	Total
Nucleus	24,351	51	11,595	24	12,068	25	48,014
Plasma	4,403	34	4,434	34	4,268	32	13,105
Total	28,754	47	16,029	26	16,336	27	61,119

Higher yields from maturing oil palms will lead to increasing production volume

Production of Nucleus FFB continued to grow, recording a year-on-year jump of 33.8 % to 424,601 MT in FY2012 or a compounded annual growth rate ("CAGR") of 20% over the last 5 years. This growth was mainly supported by Kencana's prime mature oil palms, which comprised about 25% of its total oil palms. With more mature oil palms coming on stream in the next few years and barring unforeseen circumstances, the Group expects its FFB production to continue on an uptrend. With more FFB, CPO production is also expected to ramp up.

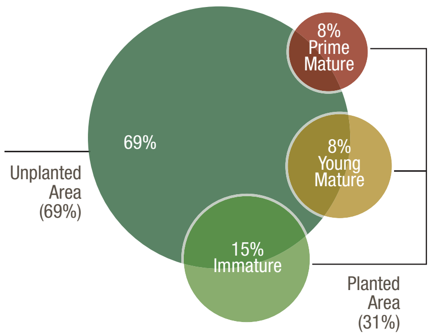


In general, oil palms start to yield FFB after approximately 36 months of age as they enter the young mature phase. After which, their average FFB yields will increase exponentially from the initial 5-6 MT/ha to up to 22-28MT/ha when they enter their prime years.

FFB Yield Parameters & Assumptions	Immature	Young Mature			Prime Mature
Oil Palm Age (years)	1 - 3	4	5	6	7 - 20
Average FFB yield (MT/ha)	0	5 - 6	10 - 12	16 - 18	22 - 28

Significant unplanted land bank presents immense opportunities for future expansion

As at 31 December 2012, the Group had a total land bank of 198,935 ha (Nucleus and Plasma), with 69% of the area unplanted. There is ample headroom for the Group to pursue its planting programme and gradually achieve a better mix of immature and mature oil palms to deliver sustainable production growth.



Kencana's land bank (Nucleus + Plasma)

Land Bank (ha)	Planted Area (ha)	%	Unplanted Area (ha)	%	Total	%
Nucleus	48,014	24	135,874	68	183,888	92
Plasma	13,105	7	1,942	1	15,047	8
Total	61,119	31	137,816	69	198,935	100

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	FY2010		FY2011		FY2012	
Land Bank (ha)	185,888		176,051		198,935	
Nucleus	174,884	(94%)	161,004	(91%)	183,888	(92%)
Plasma	11,004	(6%)	15,047	(9%)	15,047	(8%)
Planted Area (ha)	46,713		54,867		61,119	
Nucleus	35,709	(76%)	42,714	(78%)	48,014	(79%)
Plasma	11,004	(24%)	12,153	(22%)	13,105	(21%)
Age Profile						
Nucleus	35,709		42,714		48,014	
1 - 3 years (Immature)	16,645	(47%)	21,377	(50%)	24,351	(51%)
4 - 6 years (Young Mature)	11,850	(33%)	12,951	(30%)	11,595	(24%)
7 - 20 years (Prime Mature)	7,214	(20%)	8,386	(20%)	12,068	(25%)
Plasma	11,004		12,153		13,105	
1 - 3 years (Immature)	4,454	(40%)	3,975	(33%)	4,403	(34%)
4 - 6 years (Young Mature)	4,459	(41%)	5,076	(42%)	4,434	(34%)
7 - 20 years (Prime Mature)	2,091	(19%)	3,102	(25%)	4,268	(32%)
Production Volume (MT)						
FFB	335,865		429,006		550,888	
Nucleus	269,899	(76%)	317,383	(74%)	424,601	(77%)
Plasma	85,966	(24%)	111,623	(26%)	126,287	(23%)
CPO	94,154		116,515		126,422	
CPKO	16,513		13,231		10,650	
Average FFB yield (MT/ha)						
Nucleus	14.2		14.9		17.9	
Plasma	13.1		13.6		14.5	
Oil extraction rates						
CPO	20.2%		20.6%		20.2%	
CPKO	40.3%		41.5%		41.7%	
Sales Volume (MT)						
CPO	136,734		300,248		330,380	
CPKO	22,009		17,036		12,133	
Average Selling Price (US$/MT)						
CPO	822		921		816	
CPKO	1,011		1,194		906	

KEY MILESTONES

2012

- Commenced construction of the Group's first palm oil refinery in Balikpapan (JV with Louis Dreyfus Commodities)
- Acquired 23,000 ha of landbank in Sulawesi region
- Acquired 2 additional vessels to support logistics operations

2009 - 2011

- Commenced joint venture port operations in East Kalimantan with Louis Dreyfus Commodities, lifting total port and bulking capacity to 66,000 MT
- Built fourth palm oil mill in East Kalimantan; commenced operations in March 2012
- Started phase 3 of palm oil cultivation in Sulawesi, after the first two phases in Sumatra and Kalimantan
- Raised S$52.5 million when the Wilmar Group became a 20% strategic shareholder in Kencana Agri in 2010
- Signed an Emission Reductions Purchase Agreement ("ERPA") with the Danish Ministry of Climate and Energy to sell Certified Emission Reduction ("CER") credits from our biomass power plant at Bangka Island in 2010
- Acquired 80,000 hectares of land in Sulawesi, Indonesia in 2009
- Entered into a joint venture with Louis Dreyfus Group to build and operate a deep water port in Balikpapan in 2009

2008

- Listed on the Main Board of the Singapore Exchange in July 2008

2004 - 2007

- Signed a contract to supply green electricity from our biomass power plant at Bangka Island to the state owned electricity firm, PT Persusahaan Listrik Negara ("PLN") in 2007
- Received a "Good" and a "Very Good" classification award from the local governor for our subsidiaries PT. Sawindo Kencana ("SWK") and PT. Alamraya Kencana Mas ("AKM") respectively in 2006
- Acquired 46,000 hectares of land in East Kalimantan in 2005
- Built our first biomass power plant on Bangka Island in 2005
- Built and operated our first oil barge in 2004
- Carried out approximately 4,513 hectares of new planting in 2006
- Acquired 12,000 hectares of land in East Kalimantan in 2004

1995 - 2003

- Started CPO and CPKO storage operations at our bulking terminal in Belinyu in 2002
- Began CPKO production at our first kernel crushing plant on Bangka Island with a capacity of 100 MT/day in 2002
- Began CPO production at our palm oil mill at Bangka Island with a capacity of 30 MT/hour in 2001
- Commenced planting oil palms in South Kalimantan in 1998
- Acquired 15,000 hectares of land in South Kalimantan in 1997
- Began planting oil palms in Sumatra in 1996
- Began operations by acquiring 9,000 hectares of land on Bangka Island in 1995

ENVIRONMENTALLY FRIENDLY PRACTICES

We are always cognizant of the environmental impact that plantations may have, and we have been deeply committed to the implementation of environmentally friendly practices at our plantations since our establishment. Our environmentally friendly practices include:

ZERO BURNING

We adhere strictly to a 'zero burning' policy in our land-clearing methods to avoid polluting the air and posing a health hazard in the region.

We are mindful that some aspects of our plantation and mill operations impact the environment. Therefore, prior to expanding any of our plantation and mill operations, we undertake a comprehensive and participatory independent social and environmental impact assessment to identify any potential negative impact and ensure that we comply with the prevailing governmental rules and regulations. The findings from the assessments are taken into account when planning and managing any new plantings.

ZERO WASTE MANAGEMENT

We apply a "zero waste" policy by recycling waste products from our production facilities. The Empty Fruit Bunches (EFB) and liquid waste/effluents emitted from our palm oil mills are captured and re-used as natural fertiliser in the plantations. In addition, the EFB and kernel shells are used by our power plant as a biomass fuel source, reducing carbon emissions.

OTHER PRACTICES

Kencana is proud to pioneer the first commercialised biomass power plant project in Indonesia which sells "green" electricity to PLN. Located within the Group's plantation in Sumatera, the 6.0 MW biomass power plant utilises waste products from palm oil mills, such as EFB and palm kernel shells, as fuel for the generation of "green" electricity.

In addition, the renewable biomass power plant has been registered as a Clean Design Mechanism ("CDM") project, and in August 2010 we signed an Emission Reductions Purchase Agreement ("ERPA") with the Danish Ministry of Climate and Energy to sell Certified Emission Reduction ("CER") credits from our biomass power plant.

We also adopt eco-friendly plantation management practices such as the use of owls to control pests and gall flies to control weed populations.

CORPORATE SOCIAL RESPONSIBILTY

As part of our commitment to improve the social and economic welfare of the local communities in the areas where we operate, we have been implementing a multi-pronged Corporate Social Responsibility ("CSR") programme. We believe that through these community development programmes, we are able to establish good rapport with the local community, which is one of the key factors in ensuring the success of our plantation management.

PLASMA PROGRAMME

The Plasma Programme is an initiative by the Indonesian Government that seeks to encourage plantation owners in Indonesia to provide economic and social assistance to surrounding villagers (small landholders) by helping them increase their income and improve their welfare. Under the Plasma Programme, Kencana is committed to helping villagers cultivate their land and purchase FFB from them at a price set by a pricing committee established by the Indonesian government.

Through our Plasma Programme, over 6,500 local villagers who were previously plantation workers have now become new plantation owners. As plantation owners, local villagers benefit economically and socially with increased incomes and better welfare. They also receive training and education in oil palm cultivation. We believe that the improvement in their income will have a multiplier effect on the economy of the entire local community.

EDUCATION INITIATIVES

Since 2002, we have offered over 5,500 scholarships to children from the local communities. Scholarship recipients comprise the top three students from the local schools, as well as orphans or children from single-parent households, and they are offered employment opportunities with us when they graduate. We also contribute to the local schools by sponsoring local teachers.

HEALTHCARE SERVICES

We have been collaborating with local hospitals and clinics since 2002 to provide free basic medical services, such as medical checkups to the local communities.

SOCIAL AND CULTURAL ACTIVITIES

We value the diverse culture of Indonesia, and to further foster cultural values, we sponsor and participate in traditional events and social functions. We also contribute to the social and cultural welfare of the local communities by helping to build and repair places of worship such as mosques, churches and temples. In this way, we are able to maintain strong ties with the local communities.

BOARD OF DIRECTORS

MR. HENRY MAKNAWI
Chairman and
Chief Executive Officer

Mr. Henry Maknawi is responsible for the overall business strategies and policies of the Group. He has developed his expertise in business operations and development based on his knowledge and experience gained in the plantation industry over 18 years. In November 1994, he was conferred the Primaniyarta award for outstanding export from 1989 to 1993 by the late President Soeharto, the second President of the Republic of Indonesia who held office from 1967 to 1998. The Primaniyarta award is the highest award from the Indonesian Government issued by the Menteri Perdagangan Republik Indonesia (Trade Minister of the Republic of Indonesia) and National Agency for Export Development given to exporters at the national and provincial levels for their achievements in increasing non-oil and gas exports.

TENGKU ALWIN AZIZ
Vice-Chairman and
Non-Executive Director

Tengku Alwin Aziz has been appointed as Vice-Chairman and Non-Executive Director since 2008. Since 2000, he has been an Independent Commissioner of PT. London Sumatra Indonesia Tbk, an Indonesian-listed company in the palm oil and rubber plantations. He was appointed by the Indonesian authorities as an interim President Director of PT. Bank Umum Nasional from 1998 to 1999 to oversee the structuring of the bank. Prior to this, he served as an executive director of Bank Dagang Negara from 1992 to 1997 and as President Commissioner of various finance companies (including subsidiaries of Bank Dagang Negara) from 1990 to 1998. He also held the post of Managing Director of Staco International Financial Ltd in Hong Kong from 1990 to 1992. He graduated in 1968 with an Economics degree majoring in Accountancy from Universitas Sumatera Utara, Medan.

MS. RATNA MAKNAWI
Deputy Chief Executive Officer

Ms. Ratna Maknawi is responsible for managing the Group's overall business operations and development. She started as Finance Manager in 1993 and had played pivotal senior management roles in the growth and development of the Group's diverse businesses before advancing to her present position as Deputy Chief Executive Officer. Ms. Ratna Maknawi graduated cum laude from the University of Wisconsin – Whitewater, USA with a Bachelor of Business Administration (Accounting major) in 1993.

MR. KENT SURYA
Finance Director

Mr. Kent Surya is responsible for treasury and cash flow management, finance and corporate finance, IT, tax compliance, and financial reporting at our Group. He is engaged as a Director for most of the Group's companies since 2004. In 1981-1987, he has held various positions relating to the commercial and housing developer industries. Between 1987 and 1998, as well as 2000 and 2003, he has held various positions related to banking (PT Bank Danamon Indonesia, listed co) and consumer finance (PT Olympindo Multi Finance). In addition, he oversaw a business in the wood-based industry (Hutrindo group) as Chief Operating Officer and Deputy Chief Executive Officer from 1999 to 2000. Since 2004, he has been engaged by some of our Group's companies, namely SWK, AKM and AIK, first as a senior Financial Advisor and later on as Vice President Director in charge of the Group's finances and operations. Since August 2004, he was engaged as President Director of PT Graha Meruya, a company related to the Group. Mr. Surya graduated in 1983 with a degree in Civil Engineering from the University of Tarumanagara in Jakarta, Indonesia, and obtained his Masters in Business Administration (International-Strategic Management major) in 1994 from the Institut Management Prasetya-Mulya, Jakarta-Indonesia.

MR. SOH YEW HOCK
Lead Independent Director

Mr Soh Yew Hock has been appointed as Lead Independent Director since 2008. Mr Soh has extensive experience in commerce and industry and is presently also the Lead Independent Director of Japan Residential Assets Manager Limited (Manager of Saizen REIT), and an independent director of HTL Holdings Limited. Mr Soh has previously served as a director of several listed companies and was CEO & Managing Director of Wearnes International (1994) Limited. He is a Fellow of the Institute of Certified Public Accountants (Singapore), Certified Practising Accountants (Australia), Association of Chartered Certified Accountants (UK) and the Chartered Institute of Marketing (UK). He holds a Bachelor of Accountancy degree from the University of Singapore (now National University of Singapore) and is a graduate of the Chartered Institute of Marketing (UK) and the Advanced Management Program of Harvard Business School. Mr Soh was a past President of the Singapore Division of CPA (Australia).

MR. LEUNG YEW KWONG
Independent Director

Mr Leung Yew Kwong has been appointed as Independent Director since 2008. He is presently a principal tax consultant in a Big Four audit firm in Singapore. He was until March 2012, a tax lawyer in Wong Partnership LLP and was previously with the Inland Revenue Authority of Singapore ("IRAS") and its predecessor, the Inland Revenue Department, for 28 years from 1975 to 2004. Whilst in IRAS, he last held the posts of Chief Legal Officer and Chief Valuer concurrently where he dealt with all the taxes administered by IRAS, namely income tax, GST, stamp duty, property tax and estate duty. He was awarded the Public Administration Medal (Silver) when he was in the Civil Service. Mr. Leung also holds professional qualifications in real estate and valuation. He has a Master of Science (Urban Land Appraisal) degree from the University of Reading in the United Kingdom, a Master of Business Administration degree from the National University of Singapore and has attended the Executive Progamme at the University of Michigan, Ann Arbor USA.

MR. SIM IDRUS MUNANDAR
Independent Director

Mr. Sim Idrus Munandar has been appointed as Independent Director since 2010. He is also an Independent Director of Samko Timber Limited since December 2007. In addition to this, he is also an independent commissioner of PT BCA Finance, a commissioner of various companies, namely, PT. Sumber Sawit Sejahtera and PT. Catur Manunggal Hidup Sejahtera. Prior to 2005, he was the President Director of PT. Bina Danatama Finance Tbk, a public listed company in Indonesia engaged in the financing business. Mr. Sim obtained a Bachelor Degree in Economics in 1981 from the University of Indonesia. He has also been a lecturer in the Sekolah Tinggi Ekonomi ("STIE") Jayakarta since 1981.

MR. TEO KIM YONG
Non-Executive Director

Mr. Teo Kim Yong has been appointed as Non-Executive Director since 2010. Mr. Teo is currently an Executive Director of Wilmar International Limited, in charge of commercial activities and the Group's merchandising of palm and lauric oils. Mr. Teo joined Wilmar in 1992 and has extensive experience in the marketing, merchandising and trading of edible oil products. Mr. Teo graduated from the then University of Singapore with a Bachelor of Business Administration degree. Mr Teo was appointed to the Kencana board on 30 September 2010.

KEY MANAGEMENT TEAM

MR. ALBERT MAKNAWI
Chief Operating Officer

Mr. Albert Maknawi has been appointed as COO since 2011 and is responsible for overseeing the group's overall operational activities. He first joined the Group in 2004, as Technical Manager of PT Sawindo Kencana and was in charge of managing daily operations of mills and purchasing of plant and equipment. Since 2005, he has been a director of PT Listrindo Kencana and is responsible for the development and construction of our renewable biomass power plant operations. He has been a director of PT Belitung Energy ("BE") since 2006, where he is the founder and project leader responsible for the construction of our Belitung power plant. Mr. Albert Maknawi graduated in 2004 from the University of Melbourne, Australia with a Bachelor of Engineering (Honours) and a Bachelor of Commerce.

MR. PHILLIP LIM
Financial Controller

Mr. Phillip Lim joined our group in December 2012 as Financial Controller and is responsible for the Group's financial and accounting matters. Prior to joining the group, Mr Lim has been the Financial Controller of various MNCs for more than 10 years during which his tenure included postings to Argentina, Kazakhstan and China covering areas of financial and management reporting, ERP system implementation and setting up of companies overseas. Mr. Lim graduated from the National University of Singapore with a Bachelor of Accountancy degree in 1990. He is currently a non-practising member of the Institute of Certified Public Accountants Singapore.

MR. AJIS CHANDRA
Head of Bulking and Logistics

Mr. Ajis Chandra is in charge of managing the bulking and logistics services of our operations. He is also currently the President Director of PT Indotrust and PT Pelayaran Asia Marine. He was previously with the Lippo Group for about 11 years, holding various positions in Indonesia, Malaysia, and Vietnam. Mr. Chandra obtained a Bachelor of Commerce in 1987 and two Masters Degrees in Accountancy and Commerce in 1988 and 1989 respectively, from the University of Wollongong, Australia.

CORPORATE GOVERNANCE REPORT

The Board of Kencana Agri Limited (the "Company") and its Management are committed to ensuring high standards of corporate governance so as to ensure transparency, to protect shareholders' interests and promote investors' confidence. This report describes the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2005 ("the Code"). Where there are deviations from the Code, appropriate explanations are provided.

The Board will take steps to meet the guidelines set out in the 2012 Code of Corporate Governance which is effective from financial year commencing on or after 1 November 2012.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board currently consists of eight members:

Henry Maknawi	Chairman and Chief Executive Officer
Tengku Alwin Aziz	Vice-Chairman and Non-Executive Director
Ratna Maknawi	Deputy Chief Executive Officer
Kent Surya	Finance Director
Soh Yew Hock	Lead Independent Director
Leung Yew Kwong	Independent Director
Sim Idrus Munandar	Independent Director
Teo Kim Yong	Non-Executive Director

Together, the directors bring a wide range of business, financial and legal experience relevant to the Group.

The Board is entrusted with the responsibility of the overall management of the Company. The principal functions of the Board are:

a) Approving corporate objectives, plans, strategies, policies and financial objectives of the Group and monitoring the performance of Management.

b) Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.

c) Approving nominations and appointments of Board directors, committee members and key personnel.

d) Approving proposals with regard to annual budgets, investments, capital expenditures, major acquisitions and divestments.

The Board meets regularly to review the Group's performance, to deliberate on specific issues including major acquisitions and disposals, to approve the annual budget and to approve the release of the quarterly, half-yearly and year-end financial results. There is an objective decision-making process, which allows each Director to engage in constructive discussion and make decisions in the best interests of the Company. The Board also has informal discussions and/or meetings outside of formal board meetings. The Company's Articles of Association provide for the Board to convene meetings by telephone or video conference or similar communication modes. A total of five board meetings were held in the year 2012. The details of attendance of the formal meetings by individual Directors are as follows:

	Number of meetings held	Number of meetings attended
Henry Maknawi	5	5
Kent Surya	5	5
Ratna Maknawi	5	5
Tengku Alwin Aziz	5	5
Soh Yew Hock	5	5
Leung Yew Kwong	5	5
Sim Idrus Munandar	5	4
Teo Kim Yong* (or Ang Kok Min, Alternate to Teo Kim Yong)	5	3

* Mr. Ang Kok Min resigned as an alternate director on 14 February 2013.

To assist the Board in the execution of its duties, the Board has established various Board Committees, namely the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit & Risk Management Committee ("ARC"). Each of these committees is empowered to make decisions on matters within its terms of reference.

Board members are apprised of the business and operations of the Company on a regular basis either through formal or informal meetings and discussions. They are also encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as directors. The Company works closely with professionals to provide its directors with updates on changes to relevant laws, regulations and accounting standards.

The Company has adopted internal guidelines on matters requiring its approval, which include all matters of strategic importance, corporate governance practices, legal and regulatory compliances, risk management, annual budgets, investment proposals and major transactions.

Newly-appointed directors are given briefings on the business activities of the Group and its strategic directions.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Company endeavours to maintain a strong and independent element on the Board. As at the date of this report, one-third of the Board members are independent directors. The independent directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment in the best interests of the Company. The independence of each director is reviewed annually by the Nominating Committee ("NC"). Each independent director is required to complete a Director's Independence Declaration annually to confirm his independence based on the guidelines as set out in the Code. For FY2012, the NC has determined that the three non-executive directors are independent.

The Board is of the opinion that its current size of 8 Board members is both effective and efficient. This conclusion was drawn after taking into consideration the nature and size of the Company's business and operations.

Together, the Board members possess a balanced field of core competencies such as accounting and finance, legal, business and management experience and the requisite industry knowledge to lead the Company. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors" on pages 14 to 15.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the Company – the working of the Board and the executive responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman and Chief Executive Officer ("CEO") of the Company is Mr. Henry Maknawi. The Board, after careful consideration, is of the opinion that the need to separate the roles of the Chairman and CEO is not necessary for the time being. The presence of a strong independent element and the participation of the independent directors ensure that Mr. Henry Maknawi does not have unfettered powers of decision.

This has been reflected in the Board and Committee meetings where the independent Directors have participated actively in the decision-making process. A Lead Independent Director, Mr. Soh Yew Hock, has been appointed, since the listing of the Company, to be an alternative avenue for shareholders and other directors to raise their concerns where raising through the normal channels of the Chairman has failed to resolve.

The Chairman's duties and responsibilities include:-

(a) Leading the Board to ensure it is effective in its role;
(b) Scheduling of meetings to enable the Board to perform its duties responsibly;
(c) Ensuring the proper conduct of meetings and accurate documentation of the proceedings;
(d) Ensuring the smooth and timely flow of information between the Board and Management;
(e) Ensuring compliance with internal polices and guidelines of the Company and high standards of corporate governance;
(f) Ensuring effective communication with shareholders through investors' relationship channels and timely announcements of Company's development; and
(g) Encouraging constructive relations between the Board and Management as well as between all directors.

In addition to the above duties, the Chairman will assume duties and responsibilities as may be required from time to time.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The Nominating Committee ("NC") is established and it comprises 3 members, the majority of whom, including the Chairman, are non-executive independent directors.

Chairman	:	Leung Yew Kwong
Member	:	Soh Yew Hock
Member	:	Henry Maknawi

The NC is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments. It has adopted written terms of reference defining its membership, administration and duties. The NC held one meeting in 2012. The details of the attendance are as follows:

	Number of meetings held	Number of meetings attended
Leung Yew Kwong	1	1
Soh Yew Hock	1	1
Henry Maknawi	1	1

The duties of the NC are as follows:

(a) To make recommendations to the Board on all Board appointments, including development of a set of criteria for director appointments, which includes qualifications of director; ability to exercise sound business judgments, relevance to the Company and the industry and appropriate personal qualities;

(b) To re-nominate directors having regard to the director's contribution and performance (e.g. attendance, participation and critical assessment of issues deliberated upon by the Board) including, if applicable, as an independent director;

(c) To determine annually whether or not a director is independent;

(d) To decide how the Board's performance may be evaluated and propose objective performance criteria; and

(e) To assess the effectiveness of the Board as a whole.

The Articles of Association of the Company currently require one-third of the directors to retire and subject themselves to re-election by the shareholders in every Annual General Meeting. In addition, all directors of the Company (including the CEO) shall retire from office at least once every three years.

The details of the Board members' directorship including the year of initial appointment and election are disclosed as follows:

Name of Directors	Appointment	Date of Initial Appointment	Date of Last Re-election	Directorship in Listed Companies
Henry Maknawi	Executive	30 May 2008	26 April 2012	Kencana Agri Limited
Kent Surya	Executive	30 May 2008	26 April 2012	Kencana Agri Limited
Ratna Maknawi	Executive	26 September 2007	27 April 2011	Kencana Agri Limited
Tengku Alwin Aziz	Non-Executive	30 May 2008	26 April 2012	Kencana Agri Limited
Soh Yew Hock	Non-executive/ Independent	30 May 2008	27 April 2011	Kencana Agri Limited Japan Residential Assets Manager Ltd (Manager of Saizen REIT) HTL Int'l Holdings Limited
Leung Yew Kwong	Non-executive/ Independent	30 May 2008	29 April 2010	Kencana Agri Limited
Sim Idrus Munandar	Non-executive/ Independent	30 September 2010	27 April 2011	Samko Timber Limited
Teo Kim Yong	Non-Executive	30 September 2010	27 April 2011	Wilmar International Limited

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC has adopted a process for assessing the performance of the Board as a whole instead of individual assessment. The performance appraisal includes qualitative and quantitative factors including Board structure, conduct of meetings, corporate strategy and planning, risk management and internal control, and so on.

The NC undertakes the Board performance appraisal annually and the appraisal results are presented to and tabled during the meeting. Although the Code proposes certain financial indicators as performance criteria, such as the Company's share price performance, the Board is of the opinion that the performance criteria should be geared toward evaluating the performance of the Board and the directors in discharging its principal responsibilities, upholding high standards of corporate governance and strategic oversight of the Company's business rather than the specific performance of the Company's share price and other financial indicators.

For the financial year ended 31 December 2012, the directors had been requested to complete a board evaluation questionnaire. The questionnaire is designed to seek each Director's views on various aspects of the Board's performance. The responses are reviewed by NC and discussed with Board members for determining areas of improvement.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the experience, knowledge and expertise critical to the Group's business.

Access to Information

Principle 6: In order to fulfill their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management, if necessary. The Board papers include minutes of the previous meeting, reports relating to investment proposals, budgets, financial results announcements and reports from committees, internal and external auditors.

The Directors may communicate directly with the Management team and the Company Secretary on all matters whenever they deem necessary. The Company Secretary attends Board meetings and is responsible for the recording of the proceedings.

The Company currently does not have a formal procedure for Directors to seek independent professional advice for the furtherance of their duties. However, directors may, on a case-to-case basis, propose to the Board for such independent professional advice, the cost of which may be borne by the Company.

The Company has a transparent policy wherein directors are welcomed to request further information or informal discussions and make recommendations on any aspect of the Company's operations or business issues.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") is established and it comprises 3 members, all non-executive and majority of whom, including the Chairman, are independent directors.

Chairman	:	Soh Yew Hock
Member	:	Leung Yew Kwong
Member	:	Tengku Alwin Aziz

Although no member of the RC has direct expertise in the field of executive compensation, they possess direct experience managing groups of staff working under them in their own business areas, and hence would invariably have to deal with compensation issues from time to time in the course of their work. The RC will seek professional advice when necessary in discharging its duties and responsibilities.

CORPORATE GOVERNANCE REPORT (CONT'D)

The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual directors. The overriding principle is that no director should be involved in deciding his own remuneration. It has adopted written terms of reference that defines its membership, roles and functions and administration. The RC held one meeting in 2012. The details of the attendance are as follows:

	Number of meetings held	Number of meetings attended
Soh Yew Hock	1	1
Leung Yew Kwong	1	1
Tengku Alwin Aziz	1	1

The duties of the RC are as follows:

(a) to review and make recommendations to the Board the employment terms and remuneration (including share options and other benefits) of Executive Directors;

(b) to review the remuneration packages of employees related to any director and/or substantial shareholder of the Group; and

(c) to oversee the payment of fees to non-executive directors and to ensure, as far as is possible, that the quantum is commensurate with the non-executive directors' contribution to the Board and the Company.

Level and Mix of Remuneration

Principle 8: **The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.**

The Company adopts a remuneration policy which comprises mainly a fixed component and a variable component, taking into account factors such as the Executive Director's relative performance and the duties and responsibilities required of the position. The fixed component is paid in the form of a base salary. The variable component is paid in the form of a bonus, which is linked to Company and individual performance.

Non-executive directors will be paid a fee for their board services and appointment to board committees, taking into account factors such as their level of contribution to the Board, the effort and time spent, and responsibilities of these directors. While the remuneration frameworks are not subject to shareholders' approval, the directors' fees for the non-executive directors will be subjected to the approval of shareholders at AGMs.

Disclosure on Remuneration

Principle 9: **Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedures for setting remuneration in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.**

Remuneration of Directors of the Company

A breakdown, showing the level and mix of each individual director's remuneration paid for the financial year ended 31 December 2012, is as follows:-

Remuneration Band	Fee [1] (%)	Salary & fixed allowance (%)	Bonus & incentives (%)	Other Benefits (%)	Total (%)
S$750,001 to S$1,000,000					
Henry Maknawi	–	61	38	1	100
S$500,001 to S$750,000					
Ratna Maknawi	–	61	38	1	100
S$250,001 to S$500,000					
Kent Surya	–	71	28	1	100
S$250,000 and below					
Tengku Alwin Aziz	100	–	–	–	100
Soh Yew Hock	100	–	–	–	100
Leung Yew Kwong	100	–	–	–	100
Sim Idrus Munandar	100	–	–	–	100
Teo Kim Yong	100	–	–	–	100

(1) Director fees are payable in 2013 after approval by shareholders in the AGM

The Company had entered into separate Service Agreements with the three Executive Directors, namely, Mr. Henry Maknawi, Ms. Ratna Maknawi and Mr. Kent Surya, for an initial term of three years commencing from the Listing Date, which will continue thereafter. The service agreements may be terminated by not less than six months' notice in writing served by either party on the other.

Remuneration of Key Executives of the Company

The remuneration policy for key executives takes into consideration the responsibility and performance of individual executives. The following table below sets out the remuneration of our top five key executives (who are not Directors of the Company) for the financial year ended 31 December 2012.

Remuneration Band	Number of Key Executives
S$250,001 to S$500,000	4
S$250,000 and below	1

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

There are three employees who are immediate family members of a Director or CEO and whose remunerations exceeded S$50,000 for the financial year ended 31 December 2012: (i) Mr. Eddy Maknawi, who is the brother of both Mr. Henry Maknawi and Ms. Ratna Maknawi, (ii) Mr. Albert Maknawi, who is the son of Mr. Henry Maknawi, and (iii) Mr. Ajis Chandra, who is the spouse of Ms. Ratna Maknawi.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

For the financial performance reporting via the SGXNET, announcement to SGX-ST and the Annual Report to the shareholders, the Board has a responsibility to present a balanced and understandable assessment of the Group's performance, financial position including the prospects of the Group.

The Board ensures that the Management maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

The Management will provide all members of the Board with management reports and financial statements on regular basis. Board papers are given prior to any Board meeting to facilitate effective discussion and decision making.

Audit and Risk Management Committee

Principle 11: The Board should establish an Audit & Risk Management Committee ("ARC") with written terms of reference which clearly set out its authority and duties.

The ARC comprises 4 members, all non-executive and the majority of whom, including the Chairman are independent directors.

Chairman	Soh Yew Hock
Member	Leung Yew Kwong
Member	Tengku Alwin Aziz
Member	Sim Idrus Munandar (Nominated as a member of ARC on 1 October 2012)

The Chairman, Mr. Soh Yew Hock, has extensive experience in commerce. The other members of the ARC possess experience in finance, legal and business management. At least two members have the appropriate accounting or related financial management experience or expertise.

The Board is of the opinion that the members of the ARC have sufficient financial management expertise and experience in discharging their duties.

The role of the ARC is to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and develop and maintain an effective system of risk management and internal controls.

In accordance with the terms of reference adopted by the ARC, the ARC shall perform the following main functions:

(a) Discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit.

(b) Review with external auditors, their evaluation of the system of internal accounting controls, the Management Letter and Management's response thereon.

(c) Review of the independence and objectivity of the external auditors and nomination of their re-appointment as auditors of the Company

(d) Review of the adequacy of the Company's internal controls, and the effectiveness of the Company's internal audit function, the internal audit annual plan and program including the scope and results of the internal audit.

(e) Review of interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST)

(f) Review of quarterly, half-yearly and annual financial results, including review of the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.

(g) to oversee and advise the Board on the current risk exposures and future risk strategy of the Company

(h) to review reports by the Risk Working Group and monitor Management's responsiveness to the findings

(i) to review the effectiveness of the Company's internal controls and risk management systems established by Management

(j) Undertake any other functions that are requested by the Board, as may be required by statute or the Listing Manual.

In performing the above functions, the ARC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director to attend its meetings. In addition, the ARC has also been given reasonable resources to enable it to perform its functions properly. The ARC meets with the external auditors, without the presence of management, at least once a year.

The ARC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before recommending their re-nomination to the Board.

The Company has implemented a Whistle-blowing Policy, which serves to encourage and provide a channel to employees to report in good faith and in confidence, concerns about possible improprieties. The objective of such arrangement is to ensure independent investigation of such matters and appropriate follow-up action.

During the year 2012, the ARC met eight times and the details of attendance are as follows:

	Number of meetings held	Number of meetings attended
Soh Yew Hock	8	8
Leung Yew Kwong	8	8
Tengku Alwin Aziz	8	6
Sim Idrus Munandar (Nominated as a member of ARC on 1 October 2012)	8	3

Internal Control/ Internal Audit

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' interests.

The Company is continually reviewing its risk management framework which identifies, reviews, and monitors different categories of risks including financial, operational, market, human resource and regulatory, and how such risks can be addressed by instituting control measures.

The Company currently has an in-house internal audit department for reviewing and implementing appropriate internal accounting controls, risk management and good corporate governance. The Head of internal audit department is an Indonesian Registered Accountant and a qualified member of The Institute of Internal Auditors – Jakarta Chapter.

The in-house internal audit department reports directly to the ARC who will approve the internal audit plans and policies. The ARC will continue to assess the effectiveness and adequacy of internal audit function annually.

The Board believes that risk management forms an integral part of business management. On an on-going basis, the Board has considered the key risks faced by the Group in the review of the Group's internal controls. With the assistance of external consultant, the Board has formulated a risk management framework for the Group. A Risk Working Group ("RWG") constituting representatives from different business units in the Company has been established during the year. The RWG would review and assess the key risks identified and document the internal controls in place to mitigate these risks. The RWG would provide a report to the ARC on a quarterly basis. The ARC would then evaluate and provide their opinions to the RWG.

Based on the internal control policies and procedures established and maintained by the Group, work performed by the external and internal auditors, as well as reviews performed by the RWG, the Board, with the concurrence of the ARC, is of the view that the internal controls of the Group, addressing the financial, operational and compliance risks are adequate.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

The Company endeavours to communicate regularly, effectively and fairly with its shareholders.

Results are published via SGXNET and are usually followed by a news release. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Results are announced or issued within the mandatory period and are available on the Company's website. The Company does not practise selective disclosure.

The Company communicates with its shareholders through its corporate website http://www.kencanaagri.com. In addition, the Company has engaged a public relations firm to assist in its communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

Annual reports and notices of AGM are sent to all shareholders. The notice is also published in the local newspapers and made available on the SGXNET. At the AGM, the shareholders are given the opportunity to express their views and raise any queries regarding the Company.

Each item of special business included in the notice of meeting will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

In addition, the Chairman of the respective committees and the external auditors will be present at the AGM to address any queries from the shareholders.

DEALINGS IN SECURITIES

The Company has devised and adopted its own internal Code of Conduct on dealing in the securities of the Company (the "Code"). This code will provide guidance to the Group's directors and employees on their dealings in its securities. The key guidelines are:

- Directors and key officers are prohibited from trading in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the Company's full-year financial statements.

- Directors and key officers should not deal in the Company's securities on short-term consideration.

- Directors and key officers are required to observe the insider trading laws under the Securities Industries Act at all times even when engaging in dealings of securities within the non-prohibitory periods.

The Company has complied with the Code for the financial year ended 31 December 2012.

INTERESTED PERSON TRANSACTIONS

The Company has adopted internal guidelines in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. The main objective is to ensure that all interested person transactions are conducted on arm's length basis and on normal commercial terms and will not be prejudicial to the interests of our shareholders.

The Company monitors all its interested person transactions closely and all interested person transactions are subject to review by the ARC on a quarterly basis.

The aggregate value of interested person transactions for the financial year ended 31 December 2012 is as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	USD'000	USD'000
Wilmar Group (Sales)		38,727
Wilmar Group (Purchases)		17,698
Wilmar Group (Services)		428
PT Berkat Wahana Sukses (Services Received)	1,331	
PT Berkat Wahana Sukses (Services Received, shareholders' mandate obtained at EGM held on 26 May 2012)	1,473	
PT Alamindo Sejahtera Persada (Services Received)	2,054	
PT Alamindo Sejahtera Persada (Services Received, shareholders' mandate obtained at EGM held on 26 May 2012)	1,697	

Save as disclosed, there is no other material contract of the Group involving the interests of the CEO, each director or controlling shareholder of the Company as at the end of the financial year.

APPOINTMENT OF AUDITORS

The Group has complied with Rules 712, 715 and 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

CONTENTS

DIRECTORS' REPORT

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the reporting year ended 31 December 2012.

1. Directors at Date of Report

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

Henry Maknawi
Tengku Alwin Aziz
Ratna Maknawi
Kent Surya
Soh Yew Hock
Leung Yew Kwong
Sim Idrus Munandar
Teo Kim Yong

2. Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3. Directors' Interests in Shares and Debentures

The directors of the company holding office at the end of the reporting year had no interests in the share capital and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act (the "Act"), Chapter 50 except as follows:

Name of directors and companies in which interests are held	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
	Number of shares of no par value			
	Direct interest		Deemed interest	
Kencana Holdings Pte Ltd (The ultimate parent company)				
Henry Maknawi	7,486,378	7,486,378	–	–
Ratna Maknawi	1,246,867	1,246,867	32,767	32,767
Tengku Alwin Aziz	384,580	384,580	–	–
Kencana Agri Limited (The company)				
Henry Maknawi	7,099,880	7,099,880	610,220,896	610,220,896
Ratna Maknawi	–	–	5,666,120	5,666,120
Tengku Alwin Aziz	1,675,880	1,675,880	–	–
Kent Surya	837,440	837,440	–	–
Soh Yew Hock	200,000	200,000	–	–
Leung Yew Kwong	400,000	400,000	–	–

3. Directors' Interests in Shares and Debentures (Cont'd)

By virtue of section 7 of the Act, Henry Maknawi is deemed to have an interest in the company as disclosed above and in all the related corporations of the company.

The directors' interests as at 21 January 2013 were the same as those at the end of the reporting year.

4. Contractual Benefits of Directors

Since the beginning of the reporting year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

There were certain transactions (shown in the financial statements under related party transactions) with corporations in which certain directors have an interest.

5. Share Options

During the reporting year, no option to take up unissued shares of the company or any subsidiary was granted.

During the reporting year, there were no shares of the company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the company or any subsidiary under option.

6. Independent Auditors

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

7. Report of Audit and Risk Management Committee

The members of the audit and risk management committee at the date of this report are as follows:

Soh Yew Hock	(Chairman of audit and risk management committee and Independent Director)
Leung Yew Kwong	(Independent Director)
Tengku Alwin Aziz	(Vice Chairman and Non-Executive Director)
Sim Idrus Munandar	(Independent Director)

The audit and risk management committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their evaluation of the company's internal accounting control, and their report on the financial statements and the assistance given by the company's officers to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX).

Other functions performed by the audit and risk management committee are described in the report on corporate governance included in the annual report. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditors provide non-audit services.

The audit and risk management committee has recommended to the board of directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors at the next annual general meeting of the company.

8. Subsequent Developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 26 February 2013, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On Behalf of The Directors

Henry Maknawi
Director

Kent Surya
Director

28 March 2013

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2012 and of the results and cash flows of the group and changes in equity of the company and of the group for the reporting year then ended; and

(b) 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.

The board of directors approved and authorised these financial statements for issue.

On Behalf of The Directors

Henry Maknawi Director	**Kent Surya** Director

28 March 2013

INDEPENDENT AUDITORS' REPORT

to the Members of KENCANA AGRI LIMITED (Registration No: 200717793E)

Report on the Financial Statements

We have audited the accompanying financial statements of Kencana Agri Limited (the "company") and its subsidiaries (the "group") set out on pages 34 to 88, which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting 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 the 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 statement of profit or loss and other comprehensive income and statements of financial position 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 statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2012 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

28 March 2013

Partner in charge of audit: Paul Lee Seng Meng
Effective from year ended 31 December 2012

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2012

	Notes	Group 2012 US$'000	2011 US$'000
Revenue	4	301,886	314,726
Cost of Sales	5	(264,037)	(279,146)
Gross Profit		37,849	35,580
<u>Other Items of Income</u>			
Interest Income		342	158
Other Credits	6	1,041	612
Gain on Fair Value Changes in Biological Assets and Other Receivables	7	17,734	22,663
<u>Other Items of Expense</u>			
Distribution Costs	8	(7,817)	(5,173)
Administrative Expenses		(13,080)	(12,542)
Finance Costs	26	(6,641)	(7,571)
Other Charges	6	(4,756)	(831)
Share of Profit/(Loss) from Equity-Accounted Joint Ventures	18	54	(50)
Profit before Tax from Continuing Operations		24,726	32,846
Income Tax Expense	10	(7,422)	(9,665)
Profit from Continuing Operations, Net of Tax		17,304	23,181
<u>Other Comprehensive Income</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange Differences on Translating IDR Functional Currency to US$ Presentation Currency, Net of Tax		(16,162)	(3,168)
Other Comprehensive Loss for the Year, Net of Tax:		(16,162)	(3,168)
Total Comprehensive Income		1,142	20,013
Profit Attributable to Owners of the Parent, Net of Tax		17,304	23,181
Profit Attributable to Non-Controlling Interests, Net of Tax		–	–
Profit, Net of Tax		17,304	23,181
Total Comprehensive Income Attributable to Owners of the Parent		1,142	20,013
Total Comprehensive Income Attributable to Non-Controlling Interests		–	–
Total Comprehensive Income		1,142	20,013
Earnings Per Share			
Earnings per Share Currency Unit		Cents	Cents
Continuing Operations			
Basic	13	1.5	2.0
Diluted	13	1.5	2.0

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

	Notes	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment, Total	14	98,736	89,952	–	–
Investment Property	15	2,512	–	–	–
Biological Assets, Total	16	292,169	257,158	–	–
Investments in Subsidiaries	17	–	–	56,198	59,929
Investments in Joint Ventures	18	4,550	3,072	4,655	3,099
Land Use Rights	19	37,848	26,726	–	–
Other Receivables, Non-Current	21	2,444	2,607	–	–
Other Assets, Non-Current	23	1,249	1,213	–	–
Total Non-Current Assets		439,508	380,728	60,853	63,028
Current Assets					
Inventories	20	17,404	13,471	–	–
Trade and Other Receivables, Current	21	51,011	55,283	38,935	44,433
Other Financial Assets	22	910	–	–	–
Other Assets, Current	23	10,033	5,390	–	3
Cash and Cash Equivalents	24	7,603	23,551	991	2,127
Total Current Assets		86,961	97,695	39,926	46,563
Total Assets		526,469	478,423	100,779	109,591
EQUITY AND LIABILITIES					
Equity					
Share Capital	25	93,860	93,860	93,860	93,860
Retained Earnings		145,501	130,052	1,902	3,621
Other Reserve		2,628	2,628	–	–
Translation Reserve		(14,910)	1,252	4,759	11,468
Equity, Attributable to Owners of the Parent, Total		227,079	227,792	100,521	108,949
Non-Controlling Interests		134	–	–	–
Total Equity		227,213	227,792	100,521	108,949
Non-Current Liabilities					
Deferred Tax Liabilities	10	33,161	31,740	–	–
Finance Leases	26	1,721	2,082	–	–
Other Financial Liabilities, Non-Current	26	139,860	119,690	–	–
Trade and Other Payables, Non-Current	27	13,890	30,556	–	–
Other Liabilities, Non-Current	28	2,323	1,662	–	–
Total Non-Current Liabilities		190,955	185,730	–	–
Current Liabilities					
Income Tax Payable		2,483	2,985	56	24
Finance Leases	26	2,021	2,111	–	–
Other Financial Liabilities, Current	26	58,397	25,373	–	–
Trade and Other Payables, Current	27	45,400	34,432	202	618
Total Current Liabilities		108,301	64,901	258	642
Total Liabilities		299,256	250,631	258	642
Total Equity and Liabilities		526,469	478,423	100,779	109,591

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2012

Group	Total Equity US$'000	Attributable to Parent Sub-total US$'000	Share Capital US$'000	Retained Earnings US$'000	Other Reserve US$'000	Translation Reserve US$'000	Non-Controlling Interests US$'000
Current Year:							
Opening Balance at 1 January 2012	227,792	227,792	93,860	130,052	2,628	1,252	–
Movements in Equity:							
Total Comprehensive Income/(Loss) for the Year	1,142	1,142	–	17,304	–	(16,162)	–
Capital Injection from Non-controlling Interest	134	–	–	–	–	–	134
Dividends Paid (Note 12)	(1,855)	(1,855)	–	(1,855)	–	–	–
Closing Balance at 31 December 2012	227,213	227,079	93,860	145,501	2,628	(14,910)	134
Previous Year:							
Opening Balance at 1 January 2011	210,118	210,118	93,860	109,210	2,628	4,420	–
Movements in Equity:							
Total Comprehensive Income/(Loss) for the Year	20,013	20,013	–	23,181	–	(3,168)	–
Dividends Paid (Note 12)	(2,339)	(2,339)	–	(2,339)	–	–	–
Closing Balance at 31 December 2011	227,792	227,792	93,860	130,052	2,628	1,252	–

Company	Total Equity US$'000	Share Capital US$'000	Retained Earnings US$'000	Translation Reserve US$'000
Current Year:				
Opening Balance at 1 January 2012	108,949	93,860	3,621	11,468
Movements in Equity:				
Total Comprehensive Income/(Loss) for the Year	(6,573)	–	136	(6,709)
Dividends Paid (Note 12)	(1,855)	–	(1,855)	–
Closing Balance at 31 December 2012	100,521	93,860	1,902	4,759
Previous Year:				
Opening Balance at 1 January 2011	110,327	93,860	4,231	12,236
Movements in Equity:				
Total Comprehensive Income/(Loss) for the Year	961	–	1,729	(768)
Dividends Paid (Note 12)	(2,339)	–	(2,339)	–
Closing Balance at 31 December 2011	108,949	93,860	3,621	11,468

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2012

	Group	
	2012	2011
	US$'000	US$'000
Cash Flows From Operating Activities		
Profit before Tax	24,726	32,846
Adjustments for:		
Interest Income	(342)	(158)
Interest Expense	6,641	7,571
Share of (Gain)/Loss of Equity-Accounted Joint Ventures	(54)	50
Depreciation and Amortisation Expense	5,608	5,372
(Gain)/Loss on Disposal of Property, Plant and Equipment	(6)	596
Gain on Fair Value Changes in Biological Assets	(18,213)	(21,542)
Loss/(Gain) on Fair Value Changes in Other Receivables	479	(1,121)
Unrealised Gain on Foreign Exchange Currency Forward Contracts	(271)	(32)
Unrealised (Gain)/Loss in Forward Contracts	(639)	505
Increase in Provision for Retirement Benefits	786	578
Net Effect of Exchange Rate Changes in Consolidating Entities	1,021	525
Operating Cash Flows before Changes in Working Capital	19,736	25,190
Inventories	(3,933)	(2,873)
Trade and Other Receivables	3,977	(15,916)
Other Assets	(3,401)	2,684
Trade and Other Payables	(6,635)	49,280
Net Cash Flows From Operations before Tax	9,744	58,365
Income Taxes Paid	(4,222)	(3,270)
Net Cash Flows From Operating Activities	5,522	55,095
Cash Flows From Investing Activities		
Disposal of Plant and Equipment	66	1,057
Purchase of Property, Plant and Equipment	(19,892)	(20,852)
Purchase of Investment Property	(2,526)	–
Additions to Biological Assets	(25,555)	(24,449)
Purchase of Land Use Rights	(13,121)	(14,972)
Interest Received	342	158
Loan to Joint Venture	(1,550)	–
Net Cash Flows Used in Investing Activities	(62,236)	(59,058)
Cash Flows From Financing Activities		
Dividends Paid to Equity Owners	(1,855)	(2,339)
Receipt from Non-Controlling Interests	134	–
Proceeds from Borrowings	105,186	129,680
Repayment of Borrowings	(46,953)	(109,782)
Finance Lease Repayments	(1,496)	(1,541)
Interest Paid (Note 26)	(14,708)	(12,720)
Net Cash Flows From Financing Activities	40,308	3,298
Net Decrease in Cash and Cash Equivalents	(16,406)	(665)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	23,551	24,216
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 24A)	7,145	23,551

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in United States dollars and they cover the company (referred to as “parent”) and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 17 below.

The registered office is: 36 Armenian Street, #03-02, Singapore 179934. The company is situated in Singapore.

2. Summary of Significant Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) and the related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the statement of profit or loss and other comprehensive income, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the statement of profit or loss and other comprehensive income in the current period that were recognised in other comprehensive income in the current or previous periods.

Basis of Presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its directly and indirectly controlled subsidiaries. Consolidated financial statements are the financial statements of the group presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including profit or loss and other comprehensive income items and dividends are eliminated in full on consolidation. The results of the investees acquired or disposed of during the reporting year are accounted for from the respective dates of acquisition or up to the dates of disposal which is the date on which effective control is obtained of the acquired business until that control ceases.

Changes in the group’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group’s and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company’s financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, no statement of income is presented for the company.

The equity accounting method is used for joint ventures in the group financial statements.

2. Summary of Significant Accounting Policies (Cont'd)

Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes, returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed although the costs are recognised as an expense as incurred. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive payment is established.

Employee Benefits

Certain subsidiaries of the group in Indonesia are required to provide for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees as required under existing manpower regulations in Indonesia. Short-term employee benefits are recognised at an undiscounted amount where employees have rendered their services to the group during the accounting periods. Post employment benefits are recognised at discounted amounts when the employees have rendered their services to the group during the accounting periods. Liabilities and expenses are measured using actuarial techniques which include constructive obligations that arise from the group's common practices. In calculating the liabilities, the benefits are discounted by using the projected unit credit method. Termination benefits are recognised when, and only when, the group is committed to either; (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

This plan is in addition to the contributions to government managed retirement benefit plans such as the Central Provident Fund ("CPF") in Singapore which specifies the employer's obligations which are dealt with as defined contribution retirement benefit plans. Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the CPF.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

2. Summary of Significant Accounting Policies (Cont'd)

Income Tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign Currency Transactions

The functional currency of the company and all of its subsidiaries except for Sawindo Agri Pte. Ltd. is the Indonesian Rupiah ("IDR") as it reflects the primary economic environment in which these entities operate. The functional currency of Sawindo Agri Pte. Ltd. is the United States dollar ("US$"). Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as qualifying cash flow hedges. The presentation currency is the United States dollar as the financial statements are meant primarily for international users. For the United States dollar financial statements assets and liabilities are translated at year end rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year.

The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The translation of IDR amounts into US$ amounts is included solely for the convenience of readers. The reporting year end rates used are US$1 to IDR9,670 (2011: US$1 to IDR9,068) which approximate the rate of exchange at the end of the reporting year. The average rates of exchange for the reporting year were US$1 to IDR9,384 (2011: US$1 to IDR8,776). Such translation should not be construed as a representation that the US$ amounts could be converted into IDR at the above rate or other rate.

Translation of Financial Statements of Other Entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

2. Summary of Significant Accounting Policies (Cont'd)

Borrowing Costs

All borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest rate method.

Property, Plant and Equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Freehold land	–	Depreciation is not provided
Leasehold buildings	–	Over the terms of the lease that are from 1% to 6.25%
Plant, fixtures and equipment	–	25%
Vessels	–	6.25%
Assets under construction	–	Depreciation is not provided until the asset is available for use

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Investment Property

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value less costs to sell. For disclosure purposes, the fair values are determined periodically on a systematic basis at least once yearly by management. The annual rates of depreciation are as follows:

Leasehold buildings	–	Over the terms of the lease that is 1%

Land Use Rights

Land rights that have a limited useful life are depreciated in a manner that reflects the benefits to be derived from these rights. Costs associated with the legal transfer or renewal for titles of land rights, such as legal fees, land survey and re-measurement fees, taxes and other related expenses, are deferred and amortised using the straight-line method over the legal terms of the related land rights of thirty-five years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2. Summary of Significant Accounting Policies (Cont'd)

Advances/Guarantees under the Plasma Programme

The Indonesian Government requires oil palm plantations to develop the surrounding local plantation areas held by small landholders when applying for land rights for oil palm plantations. This form of assistance to local small landholders is generally known as the Plasma Programme. Under the Plasma Programme, a plantation developer transfers a designated land area to the small landholders, who then operate the plasma plantation under the supervision of the plantation developer.

Certain subsidiaries of the group have implemented the Plasma Programme using plantation business cooperatives scheme (Kredit Koperasi Primer Anggota or "KKPA"), cooperation in local community palm oil plantation scheme (Kebun Kelapa Sawit Rakyat or "KKSR"), and independent plasma scheme (Plasma Mandiri).

Under the KKPA scheme, the villagers typically occupy the land and the group helps to develop the land and manage the oil palms to maturity. The development costs are funded by bank loans, which are guaranteed by the group using the aforementioned land certificates and/or other appropriate forms of security as collateral. Upon maturity of the oil palms, the land will be maintained and managed by the villagers or in the future by the group. The harvested fresh fruit bunches ("FFB") will then be sold to the group. The villagers will repay the loan facilities from a portion of the FFB sale price. The group obtains a power of attorney to manage the accounts of the villagers into which all monies from the sale of FFB will be deposited. This power of attorney allows the group to withdraw funds from such accounts to pay for all the villagers operating costs and expenses. Under the KKSR scheme, the villagers also typically occupy the land. The group will provide seedlings and the regional authorities will provide fertiliser to the villagers. Post-harvest, the FFB will be sold to the group and part of the sale proceeds will be paid to the group and the regional authorities as payment for the seedlings and fertiliser respectively. Plasma Mandiri is a scheme whereby the group will provide the seedlings to the villagers, and the villagers will plant and maintain the plantations. Post-harvest, the FFB will be sold to the group and part of the sale proceeds will be paid to the group as payment for the seedlings provided. There is no governmental involvement under this scheme.

Costs incurred during development up to conversion of the oil palm plantations and temporary funding to the villagers for working capital purposes are included in other receivables in the statement of financial position. The funds received from the designated banks on behalf of villagers for the development and operations of the plantations are included in other payables in the statement of financial position.

Biological Assets

Biological assets, which include mature and immature oil palm plantations, are stated at fair values less estimated point-of-sale costs. Oil palm trees have an average life that ranges from 23 to 25 years, with the first three to four years as immature and the remaining years as mature. In general, an oil palm plantation takes between 3 (three) and 4 (four) years to reach maturity from the time seedlings are planted.

As market determined prices or values are not readily available for plantations in their present condition, the group uses the present value of expected net future cash flows (excluding any future cash flows for financing the assets, taxation, or re-establishing plantations after harvest) from the asset, discounted at a current market determined pre-tax rate in determining the fair values. The fair value of the oil palm plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the oil palm plantations is determined using the market price of the estimated yield of the agriculture produce, being fresh palm fruit bunches ("FFB"), net of maintenance and harvesting costs and any costs required to bring the oil palm plantations to maturity. The estimated yield of the oil palm plantations is affected by the age of the oil palm trees, the location, soil type and infrastructure. The market price of the fresh palm fruit bunches is largely dependent on the prevailing and projected market prices of the processed products after harvest, being crude palm oil ("CPO") and crude palm kernel oil ("CPKO"). Point-of-sale costs include all costs that would be necessary to sell the assets.

Gains or losses arising on the recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in the profit or loss for the period in which they arise.

2. Summary of Significant Accounting Policies (Cont'd)

Leases

Whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Segment Reporting

The group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

In the company's own separate financial statements, an investment in a subsidiary is stated at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of a subsidiary are not necessarily indicative of the amounts that would be realised in a current market.

Joint Ventures

A joint venture is a contractual arrangement with other parties to undertake an economic activity that is subject to joint control. The accounting for investments in a joint venture is on the equity method. The carrying value and the net book value of the investment in joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange. The reporting entity discontinues the use of the this method from the date that it loses joint control over the joint venture and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture is measured at its fair value at the date that it ceases to be a joint venture.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2. Summary of Significant Accounting Policies (Cont'd)

Joint Ventures (Cont'd)

In the company's own separate financial statements, an investment in joint venture is stated at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a joint venture 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. The carrying value and the net book value of a joint venture are not necessarily indicative of the amount that would be realised in a current market exchange.

Business Combinations

Business combinations are accounted for by applying the acquisition method. There were none during the reporting year.

Non-controlling Interests

The non-controlling interests in the net assets and net results of a consolidated subsidiary are shown separately in the appropriate components of the consolidated financial statements. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Impairment of Non-Financial Assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. When the value in use method is adopted, in assessing value in use, the estimated future cash flows 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost (weighted average) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Financial Assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date method.

2. Summary of Significant Accounting Policies (Cont'd)

Financial Assets (Cont'd)

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

#1. Financial assets at fair value through profit or loss: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss. They are classified as non-current assets unless management intends to dispose of the asset within 12 months of the end of the reporting year.

#2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

#3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.

#4. Available-for-sale financial assets: As at end of the reporting year date there were no financial assets classified in this category.

Cash and Cash Equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Derivatives

All derivatives are initially recognised and subsequently carried at fair value. The policy is to use derivatives only for non-speculative purposes. Certain derivatives are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in profit or loss and the hedged item follows normal accounting policies.

The group has committed purchase and sales contracts for crude palm oil and palm kernel cake that are entered into as part of its processing and sale activities. The prices and physical delivery of the sales and purchases are fixed in the contracts and these executory contracts are not recognised in the financial statements until physical deliveries take place.

2. Summary of Significant Accounting Policies (Cont'd)

Derivatives (Cont'd)

The group enters into non-physical delivery forward contracts to manage the price risk of its physical inventory and to hedge against fluctuations in commodity prices. Prices on commodity exchanges are quoted up to 3 to 9 months forward. The gains or losses arising from matched non-physical delivery forward contracts are recognised immediately in the statement of profit and loss and other comprehensive income.

Outstanding forward contracts are valued at their fair values at the end of the reporting year. Where available, quoted market prices are used as a measure of fair values for the outstanding contracts. Where the quoted market prices are not available, fair values are based on management's best estimate and are arrived at by reference to the market prices of other contracts that are substantially similar. Unrealised losses arising from the valuation are set off against unrealised gains on an aggregate basis.

Financial Liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date method. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

#1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

#2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

2. Summary of Significant Accounting Policies (Cont'd)

Fair Value of Financial Instruments

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes. The fair value of a financial instrument is derived from an active market or by using an acceptable valuation technique. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or for liability held, the asking price. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique. The fair value measurements are classified using a fair value hierarchy of 3 levels that reflects the significance of the inputs used in making the measurements, that is, Level 1 for the use of quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 for the use of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and Level 3 for the use of inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Where observable inputs require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. The maximum exposure to credit risk is: the total of the fair value of the financial assets and other financial instruments: the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any commitments on borrowings at the end of the reporting year.

Equity

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Critical Judgements, Assumptions and Estimation Uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Biological assets:

The group carries its oil palm plantations at fair value less estimated point-of-sale costs, which require extensive use of accounting estimates and assumptions. Significant components of fair value measurement were determined using assumptions and estimates including determination of future cash flows expected to be generated from the continued use of such assets, average lives of plantations, period of being immature and mature plantations, yield per hectare, annual discount rates and projected selling prices of CPO and CPKO (see Note 16). The amount of the changes in fair values would differ if there are changes to the assumptions and estimates used. Any changes in fair values of these plantations would affect the group's profit and carrying value of the biological assets. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the group's biological assets as at 31 December 2012 was US$292,169,000.

2. Summary of Significant Accounting Policies (Cont'd)

Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

Income taxes:

The group has exposure to income taxes in mainly 2 jurisdictions, Indonesia and Singapore. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate determination is uncertain during the ordinary course of business. The administration and enforcement of tax laws and regulations may be subject to uncertainty and a certain degree of discretion by the Indonesian tax authorities. Although the group believes the amounts recognised for income and deferred taxes are adequate, these amounts may be insufficient based on the Indonesian tax authorities interpretation and application of these laws and regulations and the group may be required to pay more as a result. It is impracticable to determine the extent of the possible effects of the above, if any, on the consolidated financial statements of the group.

The group recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made.

Management judgement is required in determining the amount of current and deferred tax recognised as income or expense and the extent to which deferred tax assets can be recognised. A deferred tax asset is recognised if it is more likely than not that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, it is likely that deferred tax calculation relates to complex fact patterns for which assessments of likelihood are judgemental and not susceptible to precise determination. The recorded and unrecorded amounts are disclosed in Note 10.

Property, plant and equipment:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the group's property, plant and equipment at the end of the reporting year affected by the assumption is US$98,736,000.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of the specific assets at the end of the reporting year affected by the assumption is US$65,336,000.

Land use rights:

The group holds location permits or *Ijin Lokasi* in respect of plantation land in Indonesia allocated by the Indonesian Government. Upon the completion of the acquisition of such land, the group will be entitled to begin the process of application for Business Usage Rights ("Hak Guna Usaha" or "HGU") certificates over such land. The *Ijin Lokasi* may not be extended by the Indonesian Government and will automatically expire if the group fails to acquire the land covered in the *Ijin Lokasi* within the stipulated validity period of the said *Ijin Lokasi*. In such an event, the group may lose their rights granted by the Indonesian Government under the *Ijin Lokasi* in respect of the remaining area covered by the original *Ijin Lokasi*.

2. Summary of Significant Accounting Policies (Cont'd)

Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

At the date of this report, the group is in the final process of obtaining HGU certificates for conversion in respect of 46,652 hectares of Kadastral land. Kadastral land is land that is measured to determine the actual land area for the HGU title based on the application submitted by the group. The group is also in the process of acquiring and clearing land held under their land bank prior to the issuance of Kadastral for such land. Prior to the issuance of the HGU certificates, such land is considered as uncertified land. Pending the issue of HGU certificates, the group is permitted to physically occupy and build on the uncertified land and to plant and harvest crops. However, as the administration of land laws and regulations may be subject to a certain degree of discretion by the Indonesian government authorities, there is no assurance with certainty that the relevant authorities would not take a different approach or view as regard the uncertified land, its use, registration and future disposal for value. Should the relevant authorities take a different approach or view as regards the same and the group is unable to convert the uncertified land to HGU certified land, the group's interest in the uncertified land as well as the use of such land may be adversely affected. At 31 December 2012, the uncertified land amounted to 46,652 hectares (see Note 19).

Pension and employee benefits:

The determination of the group's obligations and cost for pension and employee benefits liability 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 increases, annual employee turnover rates, disability rates, retirement age and mortality rates.

Actual results that differ from the assumptions are recognised immediately in profit or loss as and when they occur. While the group believes that its assumptions are reasonable and appropriate, significant differences in the group's actual experience or significant changes in the assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. The carrying amount of the estimated liabilities for employee benefits as at 31 December 2012 was US$2,323,000.

Environmental regulations:

The main environmental concerns relate to the discharge of effluent arising from the milling of FFB and clearance of land and forest for developing the group's plantations. The main social concern relates to possible conflicts that may arise with local communities in the areas around the plantations. Any environmental claims or failure to comply with any present or future regulations could result in the imposition of fines, the suspension or a cessation of the group's operations.

The group's plantations are subject to both scheduled and unscheduled inspections by various Indonesian government agencies, each of whom may have differing perspectives or standards from the others. These agencies have the power to examine and control the group's compliances with their environmental regulations, including the imposition of fines and revocation of licenses and land rights. However, governmental agencies may adopt additional regulations that would require the group to spend additional funds on environmental matters.

Environmental regulations and social practices in Indonesia tend to be less exact than in developed countries. It is possible that these regulations could become more exact in the future and compliance with them may involve incurring significant costs. This may consequently have an adverse effect on the group's operations. Any failure to comply with the laws and regulations could subject the group to further liabilities.

It is impracticable to disclose the extent of the possible effects of the above matters on the consolidated financial statements of the group.

Estimated impairment of subsidiaries:

Where a subsidiary is in net equity deficit and has suffered operating losses a test is made whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the investments in subsidiaries at the end of the reporting year affected by the assumption is US$1,762,000.

3. Related Party Relationships and Transactions

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#3.1 Related companies:

The company is a subsidiary of Kencana Holdings Pte Ltd, incorporated in Singapore that is also the company's ultimate parent company. Related companies in these financial statements include the members of the ultimate parent company's group of companies.

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any significant non-current balances and significant financial guarantees an interest or charge is charged or imputed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

#3.2 Related parties other than related companies:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. The current balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any significant non-current balances and significant financial guarantees an interest or charge is charged or imputed unless stated otherwise.

Significant related party transactions:

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2012	2011
	US$'000	US$'000
Providing of services	428	199
Lease related services	(64)	(68)
Receiving of service expense	(7,459)	(7,026)
Sales of commodities	38,727	128,553
Purchases of commodities	(17,698)	(39,965)

3. Related Party Relationships and Transactions (Cont'd)

#3.2 Related parties other than related companies: (Cont'd)

Significant related party transactions: (Cont'd)

	Joint Venture	
	2012	2011
	US$'000	US$'000
Sales of commodities	41,411	47,515
Purchases of commodities	(40,817)	(71,731)

#3.3 Key management compensation:

	Group	
	2012	2011
	US$'000	US$'000
Salaries and other short-term employee benefits	2,937	2,922
Post-employment benefits	25	20

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2012	2011
	US$'000	US$'000
Remuneration of directors of the company	1,665	1,547
Remuneration of directors of the subsidiaries	1,091	971
Fees to directors of the company	178	167

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

#3.4 Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

3. Related Party Relationships and Transactions (Cont'd)

#3.4 Other receivables from and other payables to related parties: (Cont'd)

The movements in other receivables from and other payables to related parties are as follows:

	Other related parties 2012 US$'000	Other related parties 2011 US$'000
Group		
Other receivables:		
Balance at beginning of the year, net	–	20
Amounts paid out and settlement of liabilities on behalf of related party	1	–
Amounts paid in and settlement of liabilities on behalf of group	–	(20)
Balance at end of the year (Note 21)	1	–

	Other related parties 2012 US$'000	Other related parties 2011 US$'000
Company		
Other receivables:		
Balance at beginning of the year	17	17
Amounts paid out and settlement of liabilities on behalf of related party	(17)	–
Balance at end of the year (Note 21)	–	17

4. Revenue

	2012 US$'000	2011 US$'000
Sale of goods	297,290	310,890
Rendering of services	3,813	3,364
Rental income	783	472
Total	301,886	314,726

5. Cost of Sales

	2012 US$'000	2011 US$'000
Cost of inventories produced and purchases	259,978	275,303
Cost of services rendered	4,742	2,806
Realised net (gain)/loss on non-physical delivery forward contracts	(44)	564
Unrealised net (gain)/loss on non-physical delivery forward contracts	(639)	473
Total	264,037	279,146

6. Other Credits and (Other Charges)

	2012 US$'000	2011 US$'000
Gain/(loss) from disposal of property, plant and equipment	6	(596)
Insurance recoveries	9	293
Gain on sale of consumables and unused supplies	157	–
Foreign exchange transactions losses	(4,756)	(235)
Unrealised net gain on forward exchange contracts	271	–
Miscellaneous income	598	319
Net	(3,715)	(219)
Presented in profit or loss as:		
Other Credits	1,041	612
Other Charges	(4,756)	(831)
Net	(3,715)	(219)

7. Gain on Fair Value Changes in Biological Assets and Other Receivables

	2012 US$'000	2011 US$'000
Gain on fair value changes in biological assets (Note 16)	18,213	21,542
(Loss)/gain on fair value changes in other receivables (Note 32)	(479)	1,121
	17,734	22,663

8. Distribution Costs

The major components include the following:

	2012 US$'000	2011 US$'000
Freight costs	3,601	2,558
Storage costs	970	524

9. Employee Benefits Expense

	2012 US$'000	2011 US$'000
Employee benefits expense	6,491	5,282
Contribution to defined contribution plans	182	198
Other post-employment benefits (Note 29)	786	578
Other benefits	140	235
Employee benefits expense included in administrative expenses and distribution costs	7,599	6,293

10. Income Tax

10A.Components of tax expense recognised in profit or loss include:

	2012 US$'000	2011 US$'000
Current tax expense:		
Current tax expense	4,296	4,919
Over adjustments to current tax in respect of prior period	(375)	(48)
Subtotal	3,921	4,871
Deferred tax expense:		
Current deferred tax expense	2,587	4,682
Under adjustment to deferred tax in respect of prior period	914	112
Subtotal	3,501	4,794
Total income tax expense	7,422	9,665

Substantially all of the group's operations are located in Indonesia. Companies in Indonesia are generally subject to a tax rate of 25% (2011: 25%). Accordingly, the Indonesian statutory tax rate of 25% (2011: 25%) is used in the reconciliation below.

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Indonesian statutory income tax rate to profit before income tax as a result of the following differences:

	2012 US$'000	2011 US$'000
Profit before tax	24,726	32,846
Income tax expense at the applicable tax rate	6,182	8,212
Non allowable items	775	1,363
Tax exemptions	(100)	–
Effect of different tax rates in different countries	(128)	(346)
Unrecognised deferred tax assets	33	372
Under provision of deferred tax for prior period	914	112
Over adjustments to income tax in respect of prior period	(375)	(48)
Other items less than 3% each	121	–
Total income tax expense	7,422	9,665

There are no income tax consequences of dividends to owners of the company.

The amount of income taxes outstanding as at the end of the reporting year was US$2,483,000 (2011: $2,985,000). Such an amount is net of tax advances, which according to the tax rules in Indonesia, were paid before the reporting year end.

10. Income Tax (Cont'd)

10B. Deferred tax expense recognised in profit or loss include:

	2012 US$'000	2011 US$'000
Fair value changes in biological assets and others	6,066	5,655
Tax loss carryforwards	(2,598)	(1,233)
Deferred tax assets not recognised	33	372
Total deferred income tax expense recognised in profit or loss	3,501	4,794

10C. Tax income recognised in other comprehensive income include:

	2012 US$'000	2011 US$'000
Deferred tax:		
Exchange differences on translation to presentation currency	(2,080)	(585)
Total tax income recognised in other comprehensive income	(2,080)	(585)

The above amounts are included in the exchange differences on translating IDR functional currency to US$ presentation currency in other comprehensive income.

10D. Deferred tax balance in the statement of financial position:

	Group	
	2012 US$'000	2011 US$'000
From deferred tax assets (liabilities) recognised in profit or loss:		
Fair value changes in biological assets and others	(41,846)	(35,780)
Tax loss carryforwards	8,558	5,960
Deferred tax assets not recognised	(581)	(548)
From deferred tax assets (liabilities) recognised in other comprehensive income:		
Exchange differences on translating foreign operations	708	(1,372)
Net balance	(33,161)	(31,740)

It is impracticable to estimate the amount expected to be settled or used within one year.

The realisation of the future income tax benefits from tax loss carryforwards is available for a period of 5 years subject to the conditions imposed by Indonesian laws. Included in unrecognised tax losses are losses of US$34,231,000 (2011: US$23,840,000) that will expire progressively over the next 5 years up till 2017.

No deferred tax liability of approximately US$14,578,000 (2011: US$13,216,000) has been recognised for taxes that would be payable on the undistributed earnings of the group's foreign subsidiaries as the group has determined that these undistributed earnings will not be distributed in the foreseeable future.

11. Items In the Statement of Profit or Loss and Other Comprehensive Income

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group	
	2012	2011
	$'000	$'000
Audit fees to independent auditors included under administrative expenses:		
- Company's auditors	101	101
- Other auditors	98	97
Other fees to independent auditors included under administrative expenses:		
- Company's auditors	10	8

12. Dividends on Equity Shares

	2012	2011
	US$'000	US$'000
Final dividend paid of S$0.002 net of income tax (2011: S$0.0025) per share	1,855	2,339

In respect of the current year, the directors propose that a final dividend of 0.13 cents per share amounting to US$1,500,000 be paid to shareholders after the annual general meeting to be held on 26 April 2013. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting. The proposed dividend for 2012 is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new qualifying shares issued up to the date the dividend becomes payable.

13. Earnings per Share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	2012	2011
	US$'000	US$'000
Numerators: earnings attributable to equity:		
Continuing operations: attributable to equity holders	17,304	23,181

	2012	2011
	'000	'000
Denominators: weighted average number of equity shares		
Basic	1,148,045	1,148,045

The weighted average number of equity shares refers to shares in circulation during the reporting period.

There is no dilution of earnings per share as there are presently no dilutive shares outstanding as at the end of the reporting year. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

14. Property, Plant and Equipment

Group	Freehold land	Leasehold buildings	Assets under construction	Vessels	Plant, fixtures and equipments	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:						
At 1 January 2011	8	17,701	23,028	6,961	46,994	94,692
Foreign exchange alignment	–	(104)	(594)	(93)	(750)	(1,541)
Additions	–	294	16,176	3,175	6,536	26,181
Disposals	–	(1)	–	(2,136)	(104)	(2,241)
Transfer from/(to)	–	–	(3,814)	–	3,814	–
At 1 January 2012	8	17,890	34,796	7,907	56,490	117,091
Foreign exchange alignment	–	(1,012)	(2,189)	(600)	(3,923)	(7,724)
Additions	–	815	11,521	3,640	5,739	21,715
Disposals	–	–	–	–	(285)	(285)
Transfer from/(to)	–	5,854	(10,736)	–	4,882	–
At 31 December 2012	8	23,547	33,392	10,947	62,903	130,797
Accumulated Depreciation:						
At 1 January 2011	–	3,167	–	940	17,624	21,731
Foreign exchange alignment	–	(23)	–	(10)	(337)	(370)
Depreciation for the year	–	45	–	556	5,765	6,366
Disposals	–	–	–	(499)	(89)	(588)
At 1 January 2012	–	3,189	–	987	22,963	27,139
Foreign exchange alignment	–	(186)	–	(84)	(1,617)	(1,887)
Depreciation for the year	–	772	–	772	5,490	7,034
Disposals	–	–	–	–	(225)	(225)
At 31 December 2012	–	3,775	–	1,675	26,611	32,061
Net book value:						
At 1 January 2011	8	14,534	23,028	6,021	29,370	72,961
At 31 December 2011	8	14,701	34,796	6,920	33,527	89,952
At 31 December 2012	8	19,772	33,392	9,272	36,292	98,736

14. Property, Plant and Equipment (Cont'd)

Assets under construction represent cost incurred for the construction of the following assets:

	Group	
	2012	2011
	US$'000	US$'000
Leasehold properties	9,495	12,411
Plant and equipment	23,897	22,385
	33,392	34,796

Allocation of the depreciation expense:

Biological assets (Note 16)	1,440	1,187
Cost of sales	5,255	4,882
Administrative expenses	339	297
Total	7,034	6,366

For property, plant and equipment that have been pledged as security for the bank facilities see Note 26.

Certain items are under finance lease agreements (see Note 26).

Borrowing costs included in the cost of qualifying assets are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Borrowing costs capitalised included in additions during the year	701	–
Accumulated borrowing costs capitalised included in the cost total	1,539	838

The borrowing costs capitalised represent the actual interest incurred on the bank borrowings to finance the construction of property, plant and equipment.

15. Investment Property

	Group 2012 US$'000	2011 US$'000
At cost:		
Addition at cost	2,526	–
At end of the year	2,526	–
Accumulated depreciation:		
Depreciation for the year	14	–
At end of the year	14	–
Net book value	2,512	–
Fair value for disclosure purposes only:		
Fair value at end of the year	2,510	–
Rental and service income from investment property	–*	–
Allocation of depreciation expense:		
Administrative expenses	14	–

* The investment property was leased out subsequent to the reporting year end.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

The fair value is determined periodically on a systematic basis at least yearly. The fair value was based on a valuation made by management based on reference to market evidence of transaction prices for similar properties adjusted for any difference in the condition, location and category of the property being valued. The fair value is regarded as the lowest level for fair value measurement as the valuation includes inputs for the asset that are not based on observable market data (unobservable inputs).

16. Biological Assets

	Group 2012 US$'000	2011 US$'000
At beginning of the year	257,158	208,285
Additions	25,555	24,449
Capitalisation of interest	7,366	5,149
Capitalisation of depreciation (Note 14)	1,440	1,187
Increase in fair value less estimated point-of-sale costs (Note 7)	18,213	21,542
Foreign currency alignment	(17,563)	(3,454)
At end of the year	292,169	257,158

The group's oil palm plantations are located in Indonesia.

16. Biological Assets (Cont'd)

Mature oil palm trees produce Fresh Fruit Bunches ("FFB"), which are used to produce CPO and CPKO. The fair value of the biological assets was determined by PT Asian Appraisal Indonesia, a firm of independent professional valuers on 11 February 2013 based on the present value of the expected net cash flows of the underlying plantations. The expected net cash flows of the oil palm plantations are determined using the forecast market price of FFB, which is largely dependent on the historical and projected selling prices of CPO and CPKO in the market. The significant assumptions made in determining the fair values of the oil palm plantations are as follows:

(i) Oil palm trees have an average life that ranges from 23 to 25 years, with the first 3 to 4 years as immature and the remaining years as mature;

(ii) Yield per hectare of oil palm trees is determined by reference to guidelines issued by the Indonesian Oil Palm Research Institute (Pusat Penelitian Kelapa Sawit), which varies with the average age of oil palm trees;

(iii) The discount rate used in 2012 is 12% per annum (2011: 14% per annum) (such discount rates represent the asset specific rate for the group's plantation operations which is applied in the discounted future cash flows calculations);

(iv) The projected selling prices of CPO over the projection period are based on historical prices in 2012 and World Bank forecasts for prices in 2013 onwards;

(v) The projected oil extraction rate from FFB and palm kernel are 20.14% (2011: 20.39%) and 5.53% (2011: 5.45%) respectively; and

(vi) No new planting or re-planting activities are assumed.

The fair value of biological assets would be affected by changes in the above assumptions used, particularly the CPO price used.

If the projected selling prices of CPO used in the above valuation increased or decreased by 10%, assuming all other variables are held constant, the group's profit and the carrying value of biological assets would increase or decrease by approximately US$39,000,000 (2011: US$26,000,000) and US$43,000,000 (2011: US$38,000,000) respectively as a result of higher or lower gains arising from changes in fair value of the biological assets.

If the FFB extraction rate used in the above valuation increased or decreased by 1%, assuming all other variables are held constant, the group's profit and the carrying value of biological assets would increase or decrease by approximately US$18,400,000 (2011: US$15,200,000) and US$23,000,000 (2011: US$19,000,000) respectively.

(a) At the end of the financial year, biological assets comprise oil palm trees as follows:

	Group	
	2012	2011
Planted area:		
- mature (US$'000)	195,660	174,535
- immature (US$'000)	96,509	82,623
	292,169	257,158
Planted area:		
- mature (hectares)	23,663	21,337
- immature (hectares)	24,351	21,377
	48,014	42,714

16. Biological Assets (Cont'd)

(b) During the reporting year, the group harvested approximately 425,000 (2011: 317,000) tonnes of FFB, which had fair values less estimated point-of-sale costs of US$80,932,000 (2011: US$51,362,000).

(c) At 31 December 2012, the fair value of biological assets of the group mortgaged as security for bank borrowings amounted to US$288,081,075 (2011: US$237,902,955).

(d) The interest capitalised is the actual interest incurred on the bank borrowings to finance the development of oil palm plantations. The interest rates are disclosed in Note 26B.

17. Investments in Subsidiaries

	Company	
	2012 US$'000	2011 US$'000
Movements during the year:		
At the beginning of the year	59,929	65,278
Quasi-equity loans	–	(4,741)
Foreign exchange adjustment	(3,731)	(608)
Total at cost	56,198	59,929
Net book value of subsidiaries	126,649	121,904

	Company	
	2012 US$'000	2011 US$'000
Total cost comprises:		
Unquoted shares at cost	12,981	12,981
Quasi-equity loans receivable	36,017	36,017
Foreign exchange adjustment	7,200	10,931
	56,198	59,929

The quasi-equity loans are interest-free loans to subsidiaries for which any significant settlement is neither planned nor likely to occur in the foreseeable future. They are, in substance, part of the company's net investment in the subsidiaries.

17. Investments in Subsidiaries (Cont'd)

The subsidiaries held by the company are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost in books of company		Effective percentage of equity held by group	
	2012 US$'000	2011 US$'000	2012 %	2011 %
Kencana Bio-energy Pte. Ltd. ("KB") [(a)] Singapore Investment holding	20	20	100	100
Kencana Logistics Pte. Ltd. ("KL") [(a)] Singapore Investment holding	315	315	100	100
Kencana Plantations Pte. Ltd. ("KP") [(a)] Singapore Investment holding	2,043	2,043	100	100
Sawindo Agri Pte. Ltd. ("SA") [(a)] Singapore Trading and investment holding	10,603	10,603	100	100
	12,981	12,981		

17. Investments in Subsidiaries (Cont'd)

The following subsidiaries are held through the above subsidiaries:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Effective percentage of equity held by group	
	2012	2011
	%	%
PT Sawindo Kencana ("SWK") (b) Indonesia Agribusiness	100	100
PT Alamraya Kencana Mas ("AKM") (b) Indonesia Agribusiness	100	100
PT Kencana Agro Jaya ("KAJ") (b) Indonesia Agribusiness	100	100
PT Agro Inti Kencanamas ("AIK") (b) Indonesia Agribusiness	100	100
PT Agri Eastborneo Kencana ("AEK") (b) Indonesia Agribusiness	100	100
PT Indotrust ("IDT") (b) Indonesia Bulking	100	100
PT Sawit Kaltim Lestari ("SKL") (b) Indonesia Agribusiness	100	100
PT Agrojaya Tirta Kencana ("ATK") (b) Indonesia Agribusiness	100	100
PT Listrindo Kencana ("LK") (b) Indonesia Power generation	100	100
PT Belitung Energy ("BE") (b) Indonesia Power generation	100	100
PT Agro Mas Lestari ("AML") (b) Indonesia Agribusiness	100	100
PT Agro Sawit Mas Lestari ("ASML") (b) Indonesia Agribusiness	100	100
PT Bumi Permai Sentosa ("BPS") (b) Indonesia Wholesaler of shipping-related products	100	100
PT Cahaya Permata Gemilang ("CPG") (b)(d) Indonesia Wholesaler of electricity-related products	95	100

17. Investments in Subsidiaries (Cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities	Percentage of equity held by group	
	2012 %	2011 %
PT Langgeng Nusa Makmur ("LNM") [b] Indonesia Agribusiness	100	100
PT Palm Makmur Sentosa ("PMKS") [b] Indonesia Agribusiness	100	100
PT Sawit Permai Lestari ("SPL") [b] Indonesia Wholesaler of plantation-related products	100	100
PT Sawindo Cemerlang ("SCEM") [b] Indonesia Agribusiness	100	100
PT Wira Mas Permai ("WMP") [b] Indonesia Agribusiness	100	100
PT Wira Palm Mandiri ("WPM") [b] Indonesia Wholesaler of plantation-related products	100	100
PT Wira Sawit Mandiri ("WSM") [b] Indonesia Agribusiness	100	100
PT Pelayaran Asia Marine ("PAM") [b] Indonesia Logistics	100	100
PT Sawit Tiara Nusa ("STN") [b] Indonesia Agribusiness	100	100
PT Delta Subur Permai ("DSP") [b] Indonesia Agribusiness	100	100
PT Sawit Alam Permai ("SAP") [b] Indonesia Agribusiness	100	100
PT Karunia Alam Makmur ("KAM") [b] [c] Indonesia Agribusiness	100	–

17. Investments in Subsidiaries (Cont'd)

(a) Audited by RSM Chio Lim LLP, a member of RSM International.

(b) Audited by a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member. The name of the member firm is RSM AAJ Associates, Jakarta.

(c) The subsidiary PT Karunia Alam Makmur ("KAM") were acquired on 7 September 2012 for the sole purpose of acquiring the land rights associated with these entities. The transactions were accounted for as acquisitions of assets at an aggregate purchase consideration of US$5,575,000. KAM remained dormant as at 31 December 2012.

(d) During the year, the subsidiary PT Cahaya Permata Gemilang ("CPG") issued 675 ordinary shares on 31 October 2012, fully paid, for a total of consideration of US$134,000 to the non-controlling interest. The percentage of equity held by the group has diluted from 100% to 95%.

18. Investments in Joint Ventures

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Movement during the year:				
At beginning of the year	3,072	3,158	3,099	3,125
Loan to joint venture	1,550	–	1,550	–
Share of results from equity-accounted joint ventures	54	(50)	–	–
Translation exchange adjustment	(126)	(36)	6	(26)
At end of the year	4,550	3,072	4,655	3,099

The investments in joint ventures above includes loans in aggregate at reporting year end of US$2,550,000 (2011: US$1,000,000).

	Group and company	
	2012	2011
	US$'000	US$'000
Share of net book value of joint ventures	1,831	1,861

The joint ventures held by the company are listed below:

Name of joint venture, country of incorporation, place of operations and principal activities	Percentage of equity held by the group	
	2012	2011
	%	%
Kencana LDC Pte Ltd #a #c Singapore Joint Venture with Louis Dreyfus Commodities Asia Pte Ltd Investment holding	50%	50%
LDC Kencana Trading Pte Ltd #b #c Singapore Joint Venture with Louis Dreyfus Commodities Asia Pte Ltd Dormant	50%	50%

18. Investments in Joint Ventures (Cont'd)

The following subsidiary is held through Kencana LDC Pte Ltd:

Name of subsidiary, country of incorporation, place of operations and principal activities	Percentage of equity held by the group	
	2012	2011
	%	%
PT Dermaga Kencana Indonesia (DKI) #c Indonesia Trading company	50%	50%

#a. Kencana LDC Pte Ltd is an investment holding company. Its subsidiary, DKI, owns, builds and operates a deep water port on a land parcel located at Balikpapan, West Kalimantan, Indonesia.

#b. LDC Kencana Trading Pte Ltd remained dormant as at 31 December 2012.

#c. Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. The names of the firms are Deloitte and Touche Singapore LLP for the Singapore incorporated joint ventures and Deloitte Indonesia (Osman Bing Satrio & Eny) for the Indonesian entity.

The joint ventures are accounted in the consolidated financial statements by using the equity accounting method.

The summarised financial information of the joint ventures not adjusted for the percentage of ownership held by the group is as follows:

2012	Assets US$'000	Liabilities US$'000	Revenues US$'000	Gain/(Loss) for the year US$'000
Kencana LDC Pte Ltd	136,341	132,679	154,919	115
LDC Kencana Trading Pte Ltd	7	20	–	(7)

2011	Assets US$'000	Liabilities US$'000	Revenues US$'000	Gain/(Loss) for the year US$'000
Kencana LDC Pte Ltd	62,487	58,503	133,477	(114)
LDC Kencana Trading Pte Ltd	8	13	–	14

19. Land Use Rights

	Group 2012 US$'000	2011 US$'000
Cost		
At beginning of the year	27,445	13,065
Foreign exchange adjustment	(2,036)	(592)
Additions	13,121	14,972
At end of the year	38,530	27,445
Accumulated amortization:		
At beginning of the year	(719)	(537)
Foreign exchange adjustment	37	11
Amortisation for the year included under administrative expenses	–	(193)
At end of the year	(682)	(719)
Net book value:		
At beginning of the year	26,726	12,528
At end of the year	37,848	26,726
Balance to be amortised:		
Not later than one year	1,106	393
Later than one year not later than five years	2,212	1,573
Later than five years	34,530	24,760
	37,848	26,726

The land rights have been pledged as security for the bank facilities (see Note 26).

As at 31 December 2012, the group's land rights covering a total land area of 111,448 hectares, represent Business Usage Rights ("Hak Guna Usaha" or "HGU") that have been applied for. Out of these land rights, the certificates for 64,796 hectares were obtained before 31 December 2012 while the land rights certificates covering the remaining area of 46,652 hectares are still in the progress of preparation as at the date of this report. The group has been given a permit to arrange for land clearing for oil palm plantation purposes. The land rights will be amortised once the titles are issued to the group.

The legal terms of the group's existing certified land rights expire in various years. The details are as follows:-

Land rights	Expire in years
23,878 hectares	2028 – 2037
40,918 hectares	2037 – 2047
46,652 hectares	Certificates have yet to be received as of the date of this report

20. Inventories

	Group 2012 US$'000	Group 2011 US$'000
Raw materials, consumables and supplies	16,204	11,502
Finished goods and goods for resale (CPO and CPKO)	1,200	1,969
	17,404	13,471
Allowance for inventories		
Changes in inventories of finished goods decrease/(increase)	769	(433)
Raw materials and consumables used included in cost of sales	35,956	53,385

Inventories are pledged as security for the bank facilities (see Note 26).

21. Trade and Other Receivables

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Trade receivables:				
Outside parties	35,401	35,350	–	–
Joint venture (Note 3)	2,551	3,795	–	–
Subtotal	37,952	39,145	–	–
Other receivables:				
Subsidiaries (Note 3)	–	–	38,935	44,396
Other related parties (Note 3)	1	–	–	17
Staff advances	375	264	–	–
Prepaid taxes	2,797	3,521	–	–
VAT receivable	5,069	7,945	–	–
Advances under Plasma Programme (Note 32)	7,081	6,720	–	–
Other receivables	180	295	–	20
Subtotal	15,503	18,745	38,935	44,433
Total trade and other receivables	53,455	57,890	38,935	44,433
Presented in the statements of financial position as:				
Other receivables, non-current	2,444	2,607	–	–
Trade and other receivables, current	51,011	55,283	38,935	44,433
Total trade and other receivables	53,455	57,890	38,935	44,433

Staff advances are unsecured, without interest and are on fixed equal monthly repayment terms.

The trade receivables have been pledged as security for the bank facilities (see Note 26).

22. Other Financial Assets

	Group	
	2012	2011
	US$'000	US$'000
Derivatives financial instruments (Note 30)	910	–
	910	–

23. Other Assets

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Prepayments	11,282	6,603	–	3
Presented in the statements of financial position as:				
Current	10,033	5,390	–	3
Non-Current	1,249	1,213	–	–
	11,282	6,603	–	3

Included in prepayments are the following:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Prepaid rent to a related party (Note 31)	1,272	1,497	–	–
Advance payments made for the purchase of raw materials	2,970	135	–	–
Prepayments for purchase of equipment	1,889	611	–	–
Arrangement fees for bank borrowings	727	1,272	–	–
Others	4,424	3,088	–	3
	11,282	6,603	–	3

24. Cash and Cash Equivalents

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Not restricted in use	7,603	23,551	991	2,127
Interest earning balances	7,603	23,551	991	2,127

The rates of interest for the cash on interest earning balances were as follows:-

	Group		Company	
	2012	2011	2012	2011
	%	%	%	%
Interest rates	1.00 to 2.00%	1.00 to 2.00%	–*	–*

* Less than 1%.

24. Cash and Cash Equivalents (Cont'd)

24A. Cash and Cash Equivalents in Consolidated Statement of Cash Flows:

	Group	
	2012	2011
	US$'000	US$'000
Amount as shown above	7,603	23,551
Bank overdrafts (Note 26)	(458)	–
Cash and cash equivalents for consolidated statement of cash flow purposes at end of the year	7,145	23,551

24B. Non-Cash Transactions:

There were acquisitions of certain assets under property, plant and equipment with a total cost of US$1,463,000 (2011: US$3,669,000) acquired by means of finance leases.

25. Share Capital

	Number of shares issued '000	Share capital US$'000
Ordinary shares of no par value:		
Balance at beginning of the year 1 January 2011	1,148,045	93,860
Balance at end of the years 31 December 2011 and 31 December 2012	1,148,045	93,860

The ordinary shares of no par value which are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements except as noted below.

Capital Management:

In order to maintain its listing on the Singapore Stock Exchange, the company has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital. Adjusted capital comprises all components of equity (that is, share capital and reserves).

25. Share Capital (Cont'd)

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2012	2011
	US$'000	US$'000
Net debt:		
All current and non-current borrowings including finance leases	201,999	148,783
Less cash and cash equivalents	(7,603)	(23,551)
Net debt	194,396	125,232
Adjusted capital:		
Total equity	227,213	227,792
Debt-to-capital ratio	86%	55%

The increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in the new debt to support the group's expansion.

All reserves classified on the face of the statement of financial position as retained earnings represent past accumulated earnings and are distributable. The other reserves are not available for cash dividends unless realised.

26. Other Financial Liabilities

	Group	
	2012	2011
	US$'000	US$'000
Non-current:		
Bank loans (secured) (Note 26B)	139,860	119,690
Finance leases (Note 26C)	1,721	2,082
Non-current, total	141,581	121,772
Current:		
Bank overdrafts (secured) (Note 26A)	458	–
Bank loans (secured) (Notes 26A)	36,102	12,842
Bank loans (unsecured) (Note 26A)	21,837	12,058
Finance leases (Note 26C)	2,021	2,111
Derivative financial instruments (Note 30)	–	473
Current, total	60,418	27,484
Total	201,999	149,256

26. Other Financial Liabilities (Cont'd)

26A. Bank Overdrafts and Bank Loans – Current

	Group 2012 US$'000	Group 2011 US$'000
Bank overdrafts – secured		
Indonesian Rupiah	458	–
Bank loans – secured		
United States dollar	15,419	–
Singapore dollar	148	–
Indonesian Rupiah	1,528	552
Bank loans – unsecured		
United States dollar	21,837	12,058
Investment loans – secured		
United States dollar	12,350	9,100
Indonesian Rupiah	3,143	1,312
Term loans – secured		
United States dollar	2,558	1,507
Indonesian Rupiah	956	371
	58,397	24,900

The range of floating interest rates paid were as follows:

	Group 2012	Group 2011
Bank overdraft – secured		
Indonesian Rupiah	11.50%	–
Bank loans – secured		
Singapore dollar	2.23%	–
United States dollar	5.50% to 6.00%	5.50% to 6.00%
Indonesian Rupiah	10.75% to 11.50%	11.00% to 13.00%
Bank loans – unsecured		
United States dollar	3.00% to 4.00%	3.00% to 4.00%
Investment loans – secured		
United States dollar	6.00% to 6.50%	6.00% to 6.50%
Indonesian Rupiah	10.50% to 10.75%	11.50% to 11.00%
Term loans – secured		
United States dollar	5.50% to 6.50%	6.00% to 6.50%
Indonesian Rupiah	11.50%	12.50%

The bank overdrafts and other secured banking facilities are covered by way of negative pledges on certain fixed deposits, inventories, trade receivables, land use rights, properties, vessels and plant and equipment of the group.

26. Other Financial Liabilities (Cont'd)

26A. Bank Overdrafts and Bank Loans – Current (Cont'd)

	Group	
	2012 US$'000	2011 US$'000
Interest expense incurred during the reporting year:		
Included in consolidated statement of profit or loss and other comprehensive income	6,641	7,571
Capitalised in property, plant and equipment (Note 14)	701	–
Capitalised in biological assets (Note 16)	7,366	5,149
Total interest expense	14,708	12,720

26B. Bank Loans – Non-Current

	Group	
	2012 US$'000	2011 US$'000
Bank loans – secured		
Singapore dollar	1,967	–
Investment loans – secured		
United States dollar	37,550	49,900
Indonesian Rupiah	97,609	66,283
Term loans – secured		
United States dollar	2,734	2,487
Indonesian Rupiah	–	1,020
	139,860	119,690

The range of floating interest rates paid were as follows:

	Group	
	2012	2011
Bank loans – secured		
Singapore dollar	2.23%	–
Investment loans		
United States dollar	6.00% to 6.50%	6.00% to 6.50%
Indonesian Rupiah	10.50% to 10.75%	11.50% to 12.50%
Term loans – secured		
United States dollar	5.50% to 6.50%	5.50% to 6.50%
Indonesian Rupiah	–	11.50%

26. Other Financial Liabilities (Cont'd)

26B.Bank Loans – Non-Current (Cont'd):

The scheduled maturities of the group's borrowings as at 31 December 2012 and 2011 are as follows:

	Original loan currency			Total U.S. Dollar Equivalent
	Rp'000,000	S$'000	US$'000	US$'000
Long-term borrowings:				
As at 31 December 2012				
2 – 5 years	385,541	725	40,284	80,748
Above 5 years	558,336	1,678	–	59,112
Total	943,877	2,403	40,284	139,860
As at 31 December 2011				
2 – 5 years	288,554	–	42,487	74,306
Above 5 years	321,764	–	9,900	45,384
Total	610,318	–	52,387	119,690

The long-term banking facilities are covered by way of negative pledges on certain fixed deposits, inventories, trade receivables, land use rights, properties, vessels and plant and equipment of the group.

The purpose of the above investment loans is to finance the development of plantations and construction of CPO and CPKO mills, inclusive of all the related facilities such as building construction, vehicles and heavy equipment. The term loans and bank loans are to finance the development of power plants.

The loan agreements include covenants that require the maintenance of certain financial ratios. Any non-compliance with these covenants will result in these loans becoming repayable immediately upon service of a notice by default by the lenders. During the year, there were certain breaches in loan agreement covenants for loans amounting to US$5 million at reporting year end. The lenders have not made a demand for repayment. The lenders for US$3.6 million of the loans agreed to waive the breaches prior to the reporting year end. For the balances of US$1.4 million, the lenders agreed after the end of the reporting year to waive the breaches and as such the loans have been disclosed as current liabilities as the breaches were not waived prior to the reporting year end.

26C.Finance Leases

Group 2012	Minimum payments	Finance charges	Present value
	US$'000	US$'000	US$'000
Minimum lease payments payable:			
Due within one year	2,316	(295)	2,021
Due within 2 to 5 years	1,834	(113)	1,721
Total	4,150	(408)	3,742
Net book value of plant and equipment under finance leases			6,934

26. Other Financial Liabilities (Cont'd)

26C. Finance Leases (Cont'd)

2011	Minimum payments US$'000	Finance charges US$'000	Present value US$'000
Minimum lease payments payable:			
Due within one year	2,585	(474)	2,111
Due within 2 to 5 years	2,278	(196)	2,082
Total	4,863	(670)	4,193
Net book value of plant and equipment under finance leases			4,936

There are leased assets for certain plant and equipment under finance leases. The average lease term is 3 years. The fixed rate of interest for finance leases is about 7.5% to 16.2% (2011: 3.8% to 11.1%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Indonesian Rupiah. The obligations under finance leases are secured by the lessor's charge over the leased assets.

27. Trade and Other Payables

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Trade payables:				
Outside parties and accrued liabilities	20,136	13,158	202	618
Subtotal	20,136	13,158	202	618
Other payables:				
Advances from customer	36,627	47,222	–	–
Other payables	2,527	4,608	–	–
Subtotal	39,154	51,830	–	–
Total trade and other payables	59,290	64,988	202	618
Presented in the statements of financial position as:				
Trade and other payables, non-current	13,890	30,556	–	–
Trade and other payables, current	45,400	34,432	202	618
Total trade and other payables	59,290	64,988	202	618

Included in the other payables are US$379,000 (2011: US$656,000) representing amounts payable to suppliers for the acquisition of plant and equipment and US$544,000 (2011: US$1,204,000) representing amounts payable to suppliers for construction of properties.

28. Other Liabilities, Non-Current

	Group 2012 US$'000	Group 2011 US$'000
Employee pension benefits (Note 29)	2,323	1,662

29. Estimated Liability for Employee Benefits

Besides the benefits provided under the defined contribution retirement plans, the group has 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 existing manpower regulations in Indonesia. The additional provisions were determined based on actuarial computations prepared by an independent firm of actuaries, PT Rileos Pratama, using the "Projected Unit Credit" method which is covered in their report dated 11 February 2013. As at 31 December 2012, the balance of the related actuarial liability for employee benefits amounted to US$2,323,000 which is presented as "Other Liabilities, non-current" in the statements of financial position. They are as follows:

	Group 2012 US$'000	Group 2011 US$'000
Present value of employee benefits obligation in addition to the defined contribution scheme	2,450	1,689
Foreign currency alignment	(127)	(27)
	2,323	1,662

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

	2012 US$'000	2011 US$'000
Benefits obligation at beginning of the year	1,662	1,111
Current service costs	543	418
Interest costs on benefits obligation	169	147
Past services costs – vested	74	13
Foreign currency alignment	(125)	(27)
Benefits obligation at end of the year	2,323	1,662

The following table summarises the component of net employee benefits expense recognised in the profit or loss:

	2012 US$'000	2011 US$'000
Current service costs	543	418
Interest costs on benefits obligation	169	147
Past services costs – vested	74	13
Net employee benefits expense (Note 9)	786	578

29. Estimated Liability for Employee Benefits (Cont'd)

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

Annual discount rate	:	7.5% in 2011 and 6.5% in 2012
Future annual salary increase	:	8% in 2011 and 2012
Annual employee turnover rate	:	5% in 2011 and 5% to 10% in 2012 for employees under 40 years old and decreasing linearly until 0% at the age of 50 – 55 years
Disability rate	:	10% per year from mortality rate for office staff 20% per year from mortality rate for plantation staff
Retirement age	:	55 years of age
Mortality rate	:	Indonesian mortality table 2

30. Derivative Financial Instruments

	Group	
	2012 US$'000	2011 US$'000
Assets – Derivatives with positive fair values:		
Non-hedging instruments – Forward foreign exchange contracts (Note 30A)	271	–
Non-hedging instruments – Forward commodity contracts (Note 30B)	639	–
	910	–
Liabilities – Derivatives with negative fair values:		
Non-hedging instruments – Forward commodity contracts (Note 30B)	–	473
	–	473

30A. Currency derivatives:

Currency derivatives are utilised to eliminate or reduce the exposure of foreign currency denominated assets and liabilities, and to hedge significant future transactions and cash flows. The group is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the group's principal markets. As a matter of principle, the group does not enter into derivative contracts for speculative purposes.

At the statements of financial position date, the group had contracted to sell and purchase the following amounts under forward contracts.

	Group	
	2012 US$'000	2011 US$'000
Sell United States dollars for Indonesian Rupiah:		
Contractual amount	11,900	20,030
Estimated fair value	271	–*
Maturity period – 2012	January to June 2013	
Maturity period – 2011	January to May 2012	

30. Derivative Financial Instruments (Cont'd)

30A.Currency derivatives: (Cont'd)

The fair value of the currency derivatives is based on the difference between the contractual exchange rate and the market rate at the end of the reporting year. The fair value of the currency derivatives is estimated based on market values of equivalent instruments at the statements of financial position date (Level 2).

Fair value gains of the above derivatives of US$271,000 and US$– were included in the profit or loss in 2012 and 2011, respectively.

30B.Forward commodity contracts

Forward commodity contracts are entered into to manage the fluctuations in prices of crude palm oil. The forward contracts are not designated as hedges for accounting purposes. The contractual or underlying principal amounts of the forward contracts with fixed pricing terms that were outstanding at the year end date were as follows:

	Group	
	2012	2011
	US$'000	US$'000
Sale of crude palm oil	56,866	163,052
Year end fair values:		
- Positive fair value	3,592	3,438
- Negative fair value	(2,953)	(3,911)
Net fair value	639	(473)
Maturity period – 2012	January to September 2013	
Maturity period – 2011	January to September 2012	

The fair value of the forward commodity contracts is based on the difference between the contractual price and the market forward price at the end of the reporting year. The fair value of the forward commodity contracts is estimated based on market values of equivalent instruments at the statements of financial position date (Level 2).

The unrealised gain/(losses) from these forward contracts of US$639,000 and US$(473,000) have been recognised in the profit or loss in 2012 and 2011, respectively.

31. Operating Lease Payment Commitments

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Not later than one year	62	66
Later than one year and not later than five years	248	265
Later than five years	962	1,166
Rental expenses for the year	64	66

31. Operating Lease Payment Commitments (Cont'd)

Operating lease payments represent rentals payable for certain office and warehousing premises. The leases from the owners are for 10 years from 30 June 2002 to 30 December 2012 and 25 years from 1 July 2008 to 30 June 2033 respectively. The lease rental terms are negotiated annually and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

On 13 November 2007, one of the subsidiaries has entered into a long term lease agreement for 25 years with a related party. As at 31 December 2012, the subsidiary has prepaid an amount of US$1,272,000 (2011: US$1,497,000) to the related party.

32. Contingent Liabilities

Corporate guarantees given by the group under the Plasma Programme

Certain subsidiaries of the group have implemented the Plasma Programme using KKPA, KKSR and Plasma Mandiri. The development of plantations is financed by credit investment facilities granted by designated banks to the villagers through local cooperatives as the representatives of the villagers. The loan facilities are secured against the land certificates held by the villagers and corporate guarantees from the group. The credit facility amounts and the outstanding balances of the bank loans granted by the banks to the villagers as at 31 December 2012 and 2011 are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Facility amounts	26,419	18,950
Outstanding balances	15,780	12,054

Upon maturity of the oil palm, the land will be maintained and managed by the villagers or in the future by the group. The harvested fresh fruit bunches ("FFB") will then be sold to the group. The villagers will repay the loan facilities from a portion of the FFB sale price. In addition to the scheme, the group provided temporary funding to the local cooperatives for working capital purposes. The cost of development of plantations and temporary funding provided to local cooperatives as at 31 December 2012 and 2011 are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Cost of development of plantations	7,081	6,720
Presented as other receivables (Note 21)		
Advances under plasma programme, Current	4,638	4,084
Advances under plasma programme, Non-current	2,901	1,505
Fair value (loss)/gain	(479)	1,121
Foreign currency alignment	21	10
	7,081	6,720

33. Commitments

Capital Commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Commitments for land clearing and development	13,361	1,701
Commitments for construction of leasehold buildings	1,130	56

34. Financial Instruments: Information on Financial Risks

34A. Classification of Financial Assets and Liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Financial assets:				
Cash and cash equivalents	7,603	23,551	991	2,127
Loans and receivables	43,577	39,704	38,935	44,413
Financial assets at fair value through profit or loss	910	–	–	–
At end of the year	52,090	63,255	39,926	46,540
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	473	–	–
Measured at amortised cost:				
Borrowings	198,257	144,590	–	–
Finance leases	3,742	4,193	–	–
Trade and other payables	22,663	17,766	202	618
At end of the year	224,662	167,022	202	618

Further quantitative disclosures are included throughout these financial statements. Disclosures for the company have not been made as the financial assets and financial liabilities are not significant.

34. Financial Instruments: Information on Financial Risks (Cont'd)

34B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk and market price risk comprising interest rate and currency risk exposures. The management has certain practices for the management of financial risks. The guidelines set up the short and long-term objectives and action to be taken in order to manage the financial risks. The major guidelines are the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.
5. When appropriate may consider investing in shares or similar instruments.
6. When appropriate enter into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

The chief financial officer who monitors the procedures reports to the board.

34C. Fair Value of Financial Instruments

34C.1 Fair value of financial instruments stated at amortised cost in the statement of financial position

The financial assets and financial liabilities at amortised cost are at a carrying amount that is a reasonable approximation of fair value.

34C.2 Fair value measurements recognised in the statements of financial position

The fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are: Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The methods and valuation techniques used and the assumptions applied in determining fair values are disclosed in the relevant notes in these financial statements.

The quantitative disclosures for the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements are disclosed below:

Group At 31 December 2012:	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets at fair value through profit or loss:				
Derivative financial instruments	–	910	–	910
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	–	–	–

34. Financial Instruments: Information on Financial Risks (Cont'd)

34C.Fair Value of Financial Instruments (Cont'd)

34C.2 Fair value measurements recognised in the statements of financial position (Cont'd)

At 31 December 2011:	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets at fair value through profit or loss:				
Derivative financial instruments	–	–	–	–
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	473	–	473

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

34D.Credit Risk on Financial Assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any loan payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any derivative financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

Note 24 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 days (2011: 30 days). But some customers take a longer period to settle the amounts.

Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2012 US$'000	2011 US$'000
Trade receivables:		
Less than 30 days	–	518
Total	–	518

Other receivables are normally with no fixed terms and therefore there is no maturity.

Concentration of trade receivable customers as at the end of the reporting year:

	Group	
	2012 US$'000	2011 US$'000
Top 1 customer	27,659	10,117
Top 2 customers	31,570	16,119

34. Financial Instruments: Information on Financial Risks (Cont'd)

34E. Liquidity Risk

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	Less than 1 year US$'000	1 – 3 years US$'000	3 – 5 years US$'000	Over 5 years US$'000	Total US$'000
Group					
Non-derivative financial liabilities					
2012:					
Gross finance lease obligations	2,316	1,834	–	–	4,150
Gross borrowings commitments	59,165	36,245	46,222	60,653	202,285
Trade and other payables	22,663	–	–	–	22,663
Total	84,144	38,079	46,222	60,653	229,098
2011:					
Gross finance lease obligations	2,585	2,278	–	–	4,863
Gross borrowings commitments	25,744	39,254	41,396	51,445	157,839
Trade and other payables	17,766	–	–	–	17,766
Total	46,095	41,532	41,396	51,445	180,468

	Less than 1 year US$'000	Total US$'000
Company		
Non-derivative financial liabilities		
2012:		
Trade and other payables	202	202
2011:		
Trade and other payables	618	618

See Note 26C for details of the maturity of finance leases.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. The undiscounted amounts on the bank borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

34. Financial Instruments: Information on Financial Risks (Cont'd)

34E. Liquidity Risk (Cont'd)

Financial guarantee contracts – For financial guarantee contracts, the maximum earliest period in which the guarantee amount can be claimed by other party is used. At the end of the reporting year no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

Group	Less than 1 year US$'000	1-3 years US$'000	Over 5 years US$'000	Total US$'000
2012:				
Financial guarantees in respect of the plasma programme	658	2,589	12,533	15,780

	Less than 1 year US$'000	1-3 years US$'000	Over 5 years US$'000	Total US$'000
2011:				
Financial guarantees in respect of the plasma programme	307	1,511	10,236	12,054

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 50 days (2011: 50 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

	Group	
	2012 US$'000	2011 US$'000
Bank facilities:		
Undrawn borrowing facilities	132,039	52,704

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

34F. Interest Rate Risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments (excluding derivatives) by type of interest rate:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Financial liabilities:				
Floating rate	198,257	144,590	–	–
Fixed rate	3,742	4,193	–	–
Total at end of year	201,999	148,783	–	–
Financial assets:				
Floating rate	7,603	23,551	991	2,127
Total at end of year	7,603	23,551	991	2,127

34. Financial Instruments: Information on Financial Risks (Cont'd)

34F. Interest Rate Risk (Cont'd)

The floating rate debt instruments are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Financial assets:				
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an increase/decrease in pre-tax profit for the year by	8	24	1	2
Financial liabilities:				
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an increase/decrease in pre-tax profit for the year by	198	144	–	–

The analysis has been performed for fixed interest rate and floating interest rate over a year for financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

34G. Foreign Currency Risks

Analysis of amounts denominated in non-functional currency:

	US dollars	Total
	US$'000	US$'000
Group		
2012:		
Financial assets:		
Cash and cash equivalents	3,383	3,383
Trade and other receivables	23,872	23,872
Derivative financial instruments	339	339
Financial liabilities:		
Borrowings	(92,448)	(92,448)
Finance leases	(1,363)	(1,363)
Trade and other payables	(3,723)	(3,723)
2011:		
Financial assets:		
Cash and cash equivalents	7,284	7,284
Trade and other receivables	24,702	24,702
Financial liabilities:		
Borrowings	(75,052)	(75,052)
Trade and other payables	(3,214)	(3,214)
Derivative financial instruments	(473)	(473)
Net financial liabilities at end of the year:		
2012	(69,940)	(69,940)
2011	(46,753)	(46,753)

34. Financial Instruments: Information on Financial Risks (Cont'd)

34G.Foreign Currency Risks (Cont'd)

Analysis of amounts denominated in non-functional currency:

	US dollars US$'000	Total US$'000
Company		
2012:		
Financial assets:		
Cash and cash equivalents	685	685
Financial liabilities:		
Trade and other payables	(13)	(13)
2011:		
Financial assets:		
Cash and cash equivalents	1,931	1,931
Financial liabilities:		
Trade and other payables	(15)	(15)
Net financial assets at end of the year:		
2012	672	672
2011	1,916	1,916

There is exposure to foreign currency risk as part of its normal business. In particular, there is significantly exposure to US$ currency risk due to the large value of sales denominated in United States dollars.

	Group 2012 US$'000	Group 2011 US$'000
Sensitivity analysis:		
A hypothetical 10% strengthening in the exchange rate of the functional currency against the US$ would have a favourable effect on pre-tax profit of	6,994	4,675

	Company 2012 US$'000	Company 2011 US$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against the US$ would have an adverse effect on pre-tax profit of	(67)	(192)

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the US$ non-functional foreign currency. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the US$ above, there would be comparable impacts in the opposite direction on the profit or loss.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the following basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign exchange risk as the historical exposure does not reflect the exposures in future.

34. Financial Instruments: Information on Financial Risks (Cont'd)

34H. Price Risk

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 resulting from population growth and changes in standards of living, and global production of similar and competitive crops. During its ordinary course of business, the value of its open sales and purchase commitments and inventory of raw material changes continuously in line with movements in the prices of the underlying commodity. To the extent that its open sales and purchase commitments do not match at the end of each business day, the group will be subject to price fluctuations in the commodities market. Consequently, it is the group's policy to minimise the risks arising from the fluctuations in the commodity prices by being partly self-sufficient in CPO and CPKO as this provides a hedge against such cost fluctuations. To the extent it is unable to do so, the group may minimise such risks through direct purchases of the similar commodities or through forward purchase and sales contracts. As such, it may also be exposed to commodity price risk as changes in fair value of forward commodity contracts are recognised directly in the statement of profit or loss and other comprehensive income.

Decisions to enter into forward purchase and sales contracts must be approved by at least two directors and are currently under the purview of the group's chairman and deputy chief executive officer. The group does not enter into forward purchase and sales contracts for speculative purposes.

35. Financial Information by Segments

The group operates predominantly in only one business segment, which is the plantation and palm oil segment. Accordingly, no segmental information is presented based on business segment as it is not meaningful.

Geographical Information:

	Revenue	
	2012 US$'000	2011 US$'000
Indonesia	120,565	111,615
Singapore	108,556	124,635
India	48,745	–
Malaysia	19,499	68,646
Europe	4,521	3,338
Others	–	6,492
Total	301,886	314,726

Revenues are attributed to countries on the basis of the customer's location irrespective of the origin of the goods and services.

The group's top three customers account for 37% of the group revenue.

No analysis has been presented for the segment assets by geographical area as the group's assets are primarily located in Indonesia.

36. Changes and Adoption of Financial Reporting Standards

For the current reporting year the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income
FRS 12	Deferred Tax (Amendments to) – Recovery of Underlying Assets
FRS 107	Financial Instruments: Disclosures (Amendments to) – Transfers of Financial Assets (*)

(*) Not relevant to the entity.

Amended FRS 1 was adopted. These amendments improve the presentation of the components of other comprehensive income; mainly the reporting entity is required to group items presented in other comprehensive income based on whether or not they will be reclassified to profit or loss subsequently (reclassification adjustments). It is effective for annual periods beginning on or after 1 July 2012.

37. Future Changes in Financial Reporting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 1	Amendment to FRS 1 Presentation of Financial Statements (Annual Improvements)	1 Jan 2013
FRS 16	Amendment to IAS 16 Property, Plant and Equipment (Annual Improvements)	1 Jan 2013
FRS 19	Employee Benefits (Revised)	1 Jan 2013
FRS 27	Consolidated and Separate Financial Statements (Amendments to)	1 Jul 2012
FRS 27	Separate Financial Statements (Revised)	1 Jan 2014
FRS 28	Investments in Associates and Joint Ventures (Revised)	1 Jan 2014
FRS 32	Amendment to FRS 32 Financial instruments: Presentation (Annual Improvements)	1 Jan 2013
FRS 107	Amendments to FRS 32 and 107 titled Offsetting Financial Assets and Financial Liabilities (*)	1 Jan 2013
FRS 110	Consolidated Financial Statements	1 Jan 2014
FRS 111	Joint Arrangements	1 Jan 2014
FRS 112	Disclosure of Interests in Other Entities	1 Jan 2014
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112	1 Jan 2014
FRS 113	Fair Value Measurements	1 Jan 2013
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine (*)	1 Jan 2013

(*) Not relevant to the entity.

INFORMATION ON SHAREHOLDINGS

As at 15 March 2013

Issued and fully paid capital	:	SGD 133,451,118
Number of shares	:	1,148,044,720
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Distribution of shareholdings

Size Of Shareholdings	No. of Shareholders	%	No.of Shares	%
1 - 999	7	0.45	2,619	0.00
1,000 - 10,000	680	43.56	4,485,803	0.39
10,001 - 1,000,000	833	53.36	66,602,440	5.80
1,000,001 And Above	41	2.63	1,076,953,858	93.81
TOTAL:	1,561	100.00	1,148,044,720	100.00

Shareholding held by the public

Based on the information available to the Company as at 15 March 2013, approximately 24.71% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Substantial shareholders

Name of shareholders	Direct interest		Deemed interest	
	No. of shares	% of shares	No. of shares	% of shares
Kencana Holdings Pte. Ltd.	610,220,896	53.15	–	–
Newbloom Pte. Ltd.	229,608,944	20.00	–	–
Wilmar International Limited (1)	–	–	229,608,944	20.00
Henry Maknawi (2)	7,099,880	0.62	610,220,896	53.15

Notes:-

(1) Wilmar International Limited is deemed to be interested in the shares held by Newbloom Pte. Ltd. by virtue of its 100% shareholding interest in Newbloom Pte Ltd.

(2) Mr. Henry Maknawi is deemed to be interested in the shares held by Kencana Holdings Pte. Ltd. by virtue of his 43.41% shareholding interest in Kencana Holdings Pte Ltd.

INFORMATION ON SHAREHOLDINGS (CONT'D)

As at 15 March 2013

Top twenty shareholders

No.	Name	No. of Shares	%
1.	KENCANA HOLDINGS PTE LTD	610,220,896	53.15
2.	NEWBLOOM PTE LTD	229,608,944	20.00
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	38,292,000	3.34
4.	DBS VICKERS SECURITIES (S) PTE LTD	19,634,960	1.71
5.	PHILLIP SECURITIES PTE LTD	15,614,000	1.36
6.	MACQUARIE CAPITAL SECURITIES (SINGAPORE) PTE. LIMITED	14,800,000	1.29
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	12,813,000	1.12
8.	DBS NOMINEES PTE LTD	11,476,321	1.00
9.	SUSANTO AMIN @ LIM HWA MIN	10,709,000	0.93
10.	SOEKARTO	8,677,520	0.76
11.	UOB KAY HIAN PTE LTD	8,543,000	0.74
12.	RAFFLES NOMINEES (PTE) LTD	8,086,000	0.70
13.	OCBC SECURITIES PRIVATE LTD	7,874,000	0.69
14.	HENRY MAKNAWI	7,099,880	0.62
15.	DMG & PARTNERS SECURITIES PTE LTD	6,697,000	0.58
16.	DICKY PERMANA	6,384,360	0.56
17.	SOEPRAPTO	5,745,920	0.50
18.	CIMB SECURITIES (SINGAPORE) PTE LTD	5,029,000	0.44
19.	ARIFIN @ LIE TJONG TJIN @ LIE CHANG CHIN	4,700,000	0.41
20.	AMFRASER SECURITIES PTE. LTD.	4,550,000	0.40
	TOTAL:	1,036,555,801	90.30

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2013 Annual General Meeting of the members of the Company will be held at Coleman Room, Level 1, Grand Park City Hall, 10 Coleman Street Singapore 179809 on 26 April 2013 at 10.30 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the audited financial statements of the Company and the Reports of the Directors and Auditors for the year ended 31 December 2012. **Resolution 1**

2. To declare a final dividend of 0.13 Singapore cents per ordinary share for the year ended 31 December 2012. **Resolution 2**

3. To approve the Directors' fees of SGD 221,630 for the year ended 31 December 2012. **Resolution 3**

4. To re-elect the following director retiring pursuant to the Company's Articles of Association: **Resolution 4**

   Mr. Sim Idrus Munandar (Article 91)

   (Mr. Sim Idrus Munandar shall, upon re-election as Director of the Company, remain as a member of the Audit and Risk Management Committee. Mr. Sim Idrus Munandar shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)

5. To record the retirement of Mr. Leung Yew Kwong, a Director retiring in accordance with Article 91 of the Company's Articles of Association who, although eligible, is not offering himself for re-election.

6. To record the retirement of Mr. Teo Kim Yong, a Director retiring in accordance with Article 91 of the Company's Articles of Association who, although eligible, is not offering himself for re-election.

7. To re-appoint RSM Chio Lim LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

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

8. **Proposed Share Issue Mandate** **Resolution 6**

   "That pursuant to Section 161 of the Companies Act, Cap. 50. and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorized and empowered to:

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

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

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

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

provided that:

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

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

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

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

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

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

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

[See Explanatory Note (i)]

9. **Proposed renewal of a shareholders' mandate for interested person transactions** **Resolution 7**

"THAT:-

(a) approval be and is hereby given for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of interested person transactions set out in Section 2.1.2 of the Appendix to the Annual Report dated 10 April 2013 (the "Appendix"), with any party who is of the class or classes of interested persons described in Section 2.2 of the Appendix, provided that such transactions are made on normal commercial terms in accordance with the review procedures for interested person transactions as set out in Section 2.5 of the Appendix (the "IPT Mandate");

(b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company;

(c) the Audit and Risk Management Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by Singapore Exchange Securities Trading Limited from time to time; and

(d) the Directors of the Company and each of them be and are hereby authorised and empowered to complete and to do all such acts and things, and to approve, modify, ratify and execute such documents, acts and things as they, he or she may consider necessary, desirable or expedient to give effect to the abovementioned resolutions."

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

Explanatory Note:

(i) The proposed Resolution 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 8 May 2013 for the purpose of determining shareholders' entitlements to the proposed final dividend of 0.13 Singapore cents per ordinary share in respect of the financial year ended 31 December 2012 (the "Proposed Final Dividend").

Duly completed transfers received by the Company's Registrars, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623 up to 5.00 p.m. on 7 May 2013 will be registered before entitlements to the Proposed Final Dividend is determined. The Proposed Final Dividend, if approved by shareholders at the 2013 Annual General Meeting, will be paid on 23 May 2013.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares at 5.00 p.m. on 7 May 2013 will be entitled to the Proposed Final Dividend.

In respect of shares in Securities Accounts with CDP, the said dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such holders of shares in accordance with its practice.

By Order Of the Board

Phillip Lim Lian Teng
Company Secretary

Date: 10 April 2013

Notes:

a) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

b) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 36 Armenian Street #03-02 Singapore 179934 not less than 48 hours before the meeting.

c) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.

d) In the case of joint shareholders, all holders must sign the form of proxy.

KENCANA AGRI LIMITED
Registration No. 200717793E
(Incorporated in Singapore)

PROXY FORM

IMPORTANT
1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. The Proxy form is, therefore, not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ____ of

____

being a member(s) of KENCANA AGRI LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll at the 2013 Annual General Meeting of the Company to be held at Coleman Room, Level 1, Grand Park City Hall, 10 Coleman Street Singapore 179809 on Friday, 26 April 2013 at 10.30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2012		
2	Declaration of a final dividend of 0.13 Singapore cents per ordinary share for the year ended 31 December 2012		
3	Approval of Directors' fees for the year ended 31 December 2012		
4	Re-election of Mr. Sim Idrus Munandar as Director		
5	Re-appointment of RSM Chio Lim LLP as Auditors		
6	Proposed Share Issue Mandate		
7	Proposed renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this ____________ day of ____________ 2013

____
Signature(s) of member(s) or common seal

Total number of Shares held

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

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

6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 36 Armenian Street #03-02 Singapore 179934 not later than 48 hours before the time set for the Annual General Meeting.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Henry Maknawi
Executive Chairman and CEO

Tengku Alwin Aziz
Vice Chairman and
Non-Executive Director

Ms. Ratna Maknawi
Deputy CEO

Mr. Kent Surya
Finance Director

Mr. Soh Yew Hock
Lead Independent Director

Mr. Leung Yew Kwong
Independent Director

Mr. Sim Idrus Munandar
Independent Director

Mr. Teo Kim Yong
Non-Executive Director

AUDIT & RISK COMMITTEE

Mr. Soh Yew Hock
Chairman

Mr. Leung Yew Kwong

Tengku Alwin Aziz

Mr. Sim Idrus Munandar

REMUNERATION COMMITTEE

Mr. Soh Yew Hock
Chairman

Mr. Leung Yew Kwong

Tengku Alwin Aziz

NOMINATING COMMITTEE

Mr. Leung Yew Kwong
Chairman

Mr. Soh Yew Hock

Mr. Henry Maknawi

COMPANY REGISTRATION NUMBER

Kencana Agri Limited
Registration Number: 200717793E
Incorporated in the
Republic of Singapore

REGISTERED OFFICE

36 Armenian Street
#03-02
Singapore 179934

PRINCIPAL OFFICE

Kencana Tower, 9th Floor
Business Park Kebon Jeruk
Jalan Raya Meruya Ilir No. 88
Jakarta Barat 11620
Indonesia

COMPANY SECRETARY

Mr. Phillip Lim Lian Teng

SHARE REGISTRAR AND SHARE TRANSFER AGENT

Boardroom Corporate & Advisory
Services Pte. Ltd.

AUDITORS

RSM Chio Lim LLP
8 Wilkie Road,
#03-08, Wilkie Edge,
Singapore 228095

Partner in Charge: Mr. Paul Lee Seng Meng
(a member of the Institute of Certified
Public Accountants of Singapore)

INDEPENDENT VALUER
(Biological Assets)

Benedictus Darmapuspita dan Rekan
Property & Business Appraisal,
Feasibility Study, Advisory
Jalan Musi 38
Jakarta 10150, Indonesia

PRINCIPAL BANKERS

PT Bank Mandiri (Persero) Tbk.
PT Bank Negara Indonesia (Persero) Tbk.
PT Bank DBS Indonesia
PT Bank Danamon Indonesia Tbk.
DBS Bank Ltd
Standard Chartered Bank

SINGAPORE
36 Armenian Street
#03-02
Singapore 179934

INDONESIA
Kencana Tower 9th Floor
Business Park Kebon Jeruk
Jalan Raya Meruya Ilir No. 88
Jakarta Barat 11620
Indonesia

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