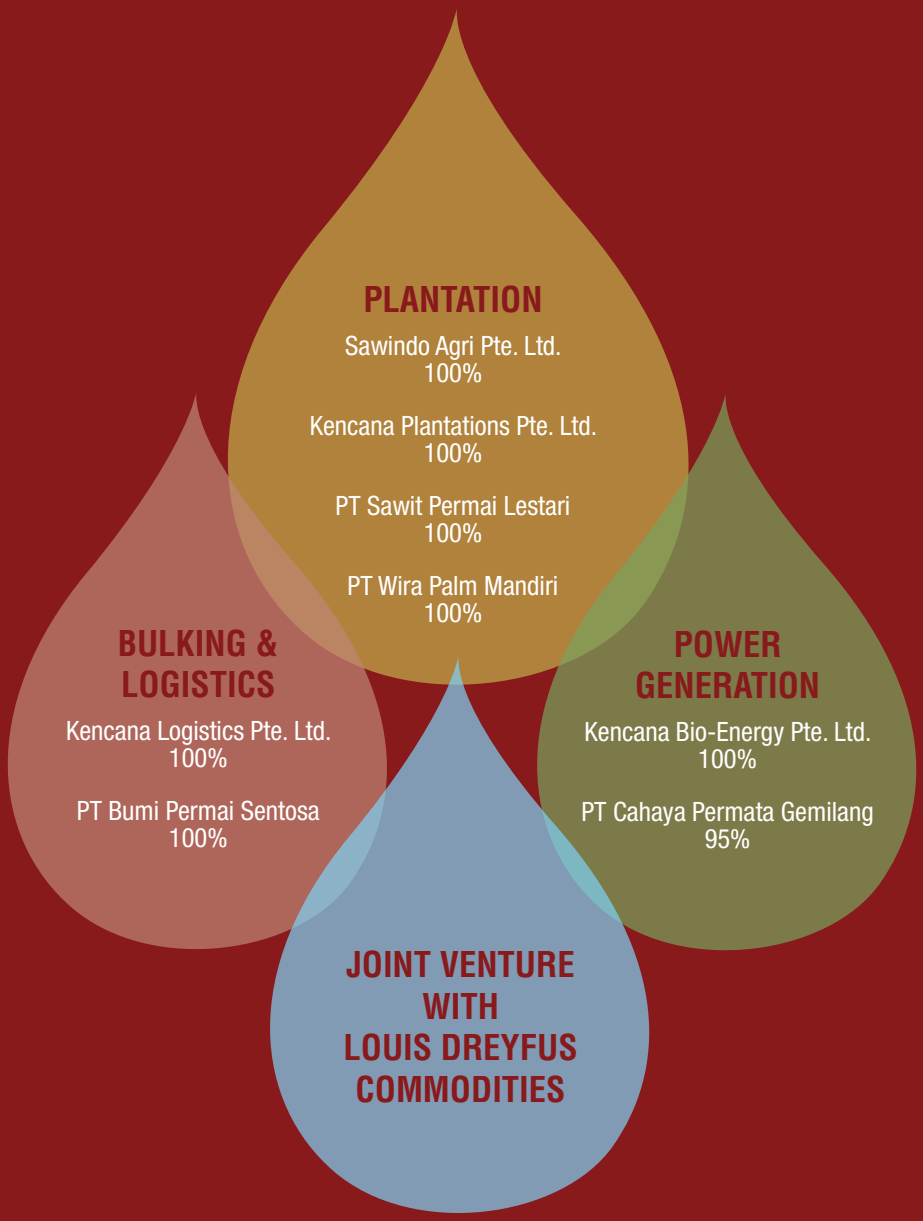
KENCANA

KENCANA AGRI LIMITED
ANNUAL REPORT 2013

ENHANCING GROWTH

CORPORATE STRUCTURE



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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"), refining of CPO and provision of bulking, port and logistics services.

Kencana's oil palm plantations are located mainly in Sumatra, Kalimantan and Sulawesi regions of Indonesia. Since its inception in 1996, the Group's planted area has grown rapidly to about 66,000 ha in 2013. The Group currently has four palm oil mills with total processing capacity of 210 tonnes per hour and two kernel crushing plants with capacity of 435 tonnes per day.

The Group currently has a relatively young palm profile with significant potential for production growth in the coming years as its palms continue to mature and reach peak production.

Of its current land-bank, only 34% is planted. The Group aims to continue to expand its planted area in a sustainable manner over the next few years to ensure steady FFB production growth.

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 palm oil refinery, bulking terminal and a deep sea port.

Kencana is committed to growing its plantation business in a sustainable - ecologically and socially acceptable manner. It has adopted environmentally friendly practices in its plantation development such as zero-burning and zero-waste management and is a member of the Roundtable on Sustainable Palm Oil ("RSPO") through its subsidiary PT Sawindo Kencana.

It also sells "green" electricity to the state-owned electricity company PT Perushaan Listrik Negara ("PLN") and has signed an Emissions Reduction Purchase Agreement ("ERPA") with the Danish Ministry of Climate and Energy to sell Certified Emission Reduction ("CER") credits from its renewal biomass power plant in Bangka island.

Kencana is also committed to working with and improving the social and economic welfare of the local communities through its plasma and corporate social responsibility programmes.

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.

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	:	192,716 ha
• Nucleus	:	172,717 ha
• Plasma	:	19,999 ha
Total Planted Area	:	66,084 ha
• Nucleus	:	52,135 ha
• Plasma	:	13,949 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 purchased from third parties.

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

MAIN PRODUCTS

Crude Palm Oil ("CPO")
Crude Palm Kernel Oil ("CPKO")
Palm Kernel Cake ("PKC")

RENEWABLE BY-PRODUCTS

Empty Fruit Bunches, Liquid Waste, Kernel Shells, Fibre

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	:	79,500 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

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors, it is my pleasure to once again present Kencana's annual report for the year ended 31 December 2013 ("FY2013").

The palm oil industry of Indonesia faced major challenges in 2013 with declining prices of palm oil produces, lower than expected production growth due to adverse weather conditions and severe currency fluctuations due to global economic uncertainties and tapering in the United States. These three factors invariably have an adverse impact on the performance of most palm oil companies including Kencana. The impact was more significant in young growing companies like us. Despite these global economic uncertainties and volatile palm oil prices, we continue to focus and build on our production growth and new planting to create sustainable long-term value for all stakeholders.

PERFORMANCE

The Group's revenue in FY2013 decreased by 6% to US$284.9 million, as a result of lower average selling price ("ASP") for CPO (-12%) and CPKO (-21%). Sales volume recorded a marginal increase of 0.3% to 331,235 MT.

Gross profit declined by 24% to US$28.9 million while operating profit fell to US$294,000. The Group reported a net loss after tax of US$10.7 million for the year.

The loss for the year was largely due to significantly higher unrealized foreign exchange losses resulting from the IDR depreciating against the US$ and lower ASPs of CPO and CPKO.

The Group's Phase 3 oil palm expansion programme in Sulawesi continued to gain momentum and made good progress. We have increased our planted area including plasma by another 4,965 ha to a total of 66,084 ha in FY2013.

Experiencing a low crop trend during the year, the Group's FFB production from nucleus was down marginally by 1% to 419,694 MT.

"Currently, 68%

of our nucleus oil palms are in the immature and young mature stage. With the relatively young age profile, the Group is well positioned to deliver strong production growth over the next few years as our palms continue to mature and reach peak production. "

ENHANCING GROWTH

Moving ahead, the Group will continue to grow and enhance our plantation business, keeping in view our vision on sustainable palm oil.

Currently, 68% of our nucleus oil palms are in the immature and young mature stage. With the relatively young age profile, the Group is well positioned to deliver strong production growth over the next few years as our palms continue to mature and reach peak production. The continuous new plantings in the short term limit earnings growth but we intend to harness this strong production growth into profitability in the medium to longer terms.

We will continue with our disciplined planting programme but at a more moderate pace of 2,000 to 5,000 ha 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.

We have completed Phase 2 of our integrated value chain development with the commissioning of a palm oil refinery to mark another milestone in Kencana's growth strategy. Our port and bulking terminal support businesses have showed remarkable growth to bring our total capacity to 79,500 MT.

In the pipeline, the Group's joint-venture for bio-energy is expected to commence operation in 1Q2014 while construction for a 5th palm oil mill with 45 MT/hour capacity in East Kalimantan is expected to commence in 1H2014.

PROSPECTS AND OUTLOOK

We expect palm oil prices to be well supported as a result of moderate supply growth and better demand coming from biodiesel usage in Indonesia. With increased mature area coming on stream we expect production to improve next year barring unfavourable weather conditions.

In general, the Group expects the palm oil industry 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 well supported 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 view of the financial performance, the Board is not recommending any dividend to be paid this financial year. We sincerely appreciate your kind understanding and continuing support during this challenging year.

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 FY2013

US$'000	FY2013	FY2012	% Change
Revenue	284,914	301,886	-5.6
Gross Profit	28,873	37,849	-23.7
Operating Profit ("OP")	294	30,971	-99.1
EBITDA	(6,588)	18,099	n/m
(Loss)/Profit before Tax	(11,988)	24,726	n/m
Net (Loss)/Profit after Tax ("NPAT")	(10,743)	17,304	n/m

Revenue decreased from US$301.9 million in FY2012 to US$284.9 million in FY2013 due to lower Average Selling Price ("ASP"). ASP of CPO decreased by 12% from US$816 to US$717 per MT and ASP of CPKO decreased 21% from US$906 to US$718 per MT.

Gross profit decreased 23.7% from US$37.8 million in FY2012 to US$28.9 million in FY2013 and Gross profit margin also decreased from 12.5% to 10.1% in FY2013.

Operation Profit for 2013 decreased from a profit of US$31.0 million to US$294,000 and NPAT decreased from a profit of US$17.3 million to a loss of US$10.7 million. The decrease in OP in this year was mainly due to lower revenue achieved as mentioned above, significantly higher foreign exchange losses incurred (increased by US$17.8 million) and lower fair value gain on biological assets[1] reported (decreased by US$6.6 million). The weakening of the IDR against the US$ resulted in the Group incurring exchange losses amounting to US$20.5 million.

[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 2013	As at 31 Dec 2012	As at 31 Dec 2011
Current assets	73,112	86,961	97,695
Non-current assets	409,306	439,508	380,728
Total assets	**482,418**	**526,469**	**478,423**
Current liabilities	105,535	108,301	64,901
Non-current liabilities	211,339	190,955	185,730
Total liabilities	**316,874**	**299,256**	**250,631**
Shareholders' equity	**165,544**	**227,213**	**227,792**
Net debt/Equity ratio (%)	118.0	85.5	55.2
Net debt/Total assets (%)	40.5	36.9	26.3
Net debt/EBITDA (x)	n/m	11.2	6.5
EBITDA/Interest expense (x)	n/m	2.7	3.0

Total assets decreased by 8% from US$526.5 million in FY2012 to US$482.4 million in FY2013, mainly as a result of:

Current Assets:

- Decrease in trade receivables amounting to US$18.1 million as a result of the collection of 2012 receivables in 1Q2013 and translation effect,
- Decrease in inventories amounting to US$5.3 million which was mainly due to utilization of spare parts and fertiliser during the year and translation effect,
- Increase in advance payment (under "Other Assets") of US$3.6 million. This comprises mainly advance payment to contractors and suppliers for the development of new planted area,

Non-Current Assets:

- Decrease of US$8.3 million in property, plant and equipment. This was mainly due to spending on infrastructure and heavy equipment in our plantations offset by depreciation of US$6.0 million and translation effect,
- Decrease of US$24.4 million in the value of the biological assets, attributable mainly to expenditure incurred on new planting and on maintenance of immature plantations totalling US$24.4 million, capitalisation of interest and depreciation amounting to US$8.8 million, gain on fair value changes and translation effect,
- Decrease of US$3.0 million in the value of land rights as a result of amortisation,

Total liabilities increased 5.9% from US$299.3 million in FY2012 to US$316.9 million in FY2013, largely due to:
Total current liabilities decreased by US$2.8 million to US$105.5 million. This was mainly due to decrease in short term borrowings (US$12.0 million), offset by increase in advances from customers and trade payables (US$9.7 million).

Total non-current liabilities increased by US$20.4 million to US$211.3 million. This was mainly due to the net increase of long term borrowing US$20.2 million.

Shareholders' equity decreased from US$227.2 million to US$165.5 million due to losses in FY2013 and translation effect.

Net asset value per ordinary share decreased to US14.42 cents in FY2013 from US19.79 cents in FY2012.

Cash Flow

US$'000	FY2013	FY2012	FY2011
Cash at the beginning of year	7,145	23,551	24,216
Net cash used in operating activities	(25,338)	(11,987)	55,095
Net cash from/(used in) investing activities	46,386	(36,711)	(59,058)
Net cash from/(used in) financing activities	(13,985)	32,292	3,298
Net increase/(decrease) in cash	7,063	(16,406)	(665)
Cash at end of year	**14,208**	**7,145**	**23,551**

The closing cash and cash equivalents of the Group was US$14.2 million for 2013. Excluding the net effect of exchange rate changes in consolidating entities, the increase was mainly due to cash generated from operating and financing activities and offset by cash outflows to investment.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

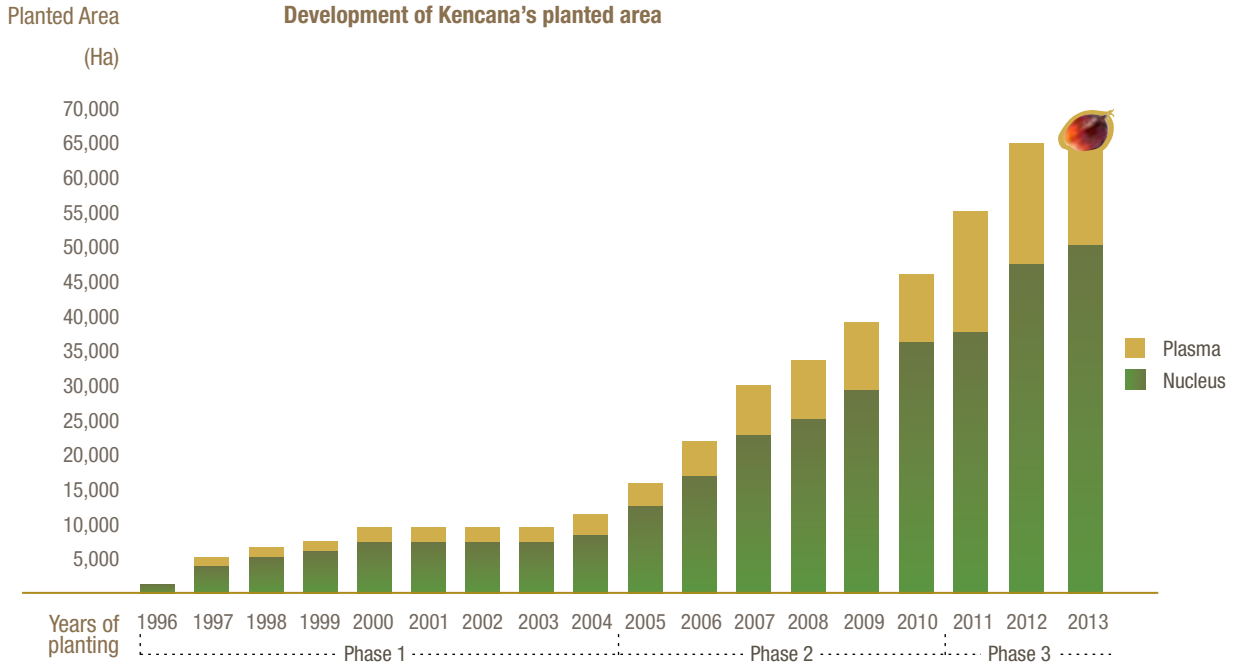
REVIEW OF OPERATIONAL PERFORMANCE

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 4,965 ha on total planted area for nucleus and plasma to 66,084 ha as at December 2013.

Nucleus planted area increased by 4,121 ha to 52,135 ha whereas plasma planted area increased by 844 ha to 13,949 ha.

Development of Kencana's planted area



Young profile of oil palms drives the potential for strong FFB production growth

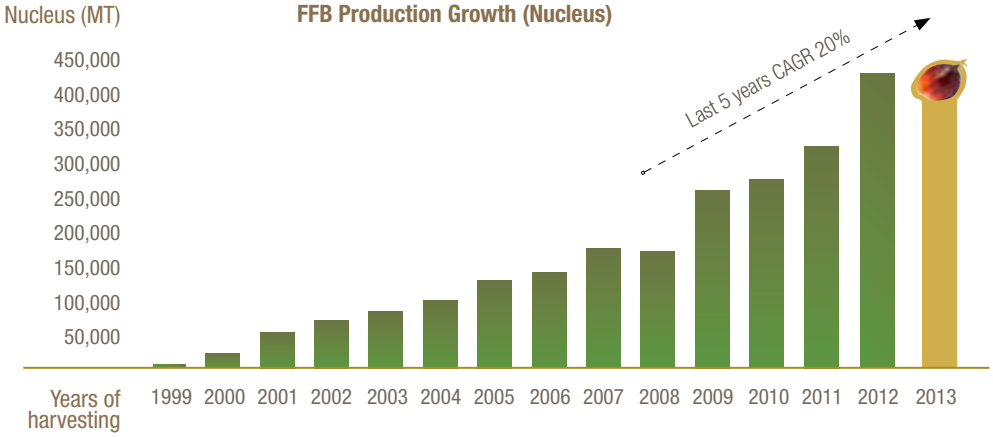
Kencana's growth potential is not fully realised yet because 68% of its nucleus oil palms are in the immature and young mature stage. This shows that Kencana's current profitability is derived mostly from 32% production of it's prime mature oil palms.

The young profile of oil palms, with a weighted average age of 5.6 years, will soon enter the prime mature phase. This will drive the potential for strong 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	26,077	50	9,512	18	16,546	32	52,135
Plasma	4,497	32	4,164	30	5,288	38	13,949
Total	30,574	46	13,676	21	21,834	33	66,084

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

Due to adverse weather conditions, production of Nucleus FFB decreased slightly to 419,694 MT in FY2013. Compounded Annual Growth Rate ("CAGR") is over 20% for the last 5 years. This growth was mainly supported by Kencana's prime mature oil palms, which comprised about 32% 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.

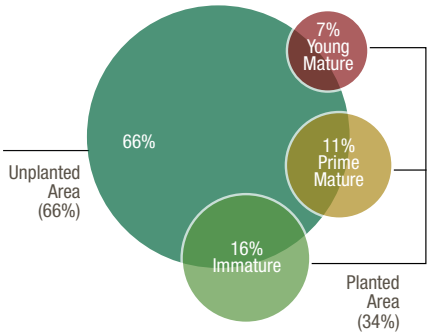


In general, oil palms start to yield FFB after approximately 36 months of age as they enter the young mature phase. After which, their average FFB yields will increase exponentially from the initial 5-6 MT/ha to up to 22-28 MT/ha when they enter their prime years.

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 2013, the Group had a total land bank of 192,716 ha (Nucleus and Plasma), with 66% 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	52,135	30	120,582	70	172,717	90
Plasma	13,949	70	6,050	30	19,999	10
Total	66,084	34	126,632	66	192,716	100

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	FY2013		FY2012		FY2011	
Land Bank (ha)	192,716		198,935		176,051	
Nucleus	172,717	(90%)	183,888	(92%)	161,004	(91%)
Plasma	19,999	(10%)	15,047	(8%)	15,047	(9%)
Planted Area (ha)	66,084		61,119		54,867	
Nucleus	52,135	(79%)	48,014	(79%)	42,714	(78%)
Plasma	13,949	(21%)	13,105	(21%)	12,153	(22%)
Age Profile (ha)						
Nucleus	52,135		48,014		42,714	
1 - 3 years (Immature)	26,077	(50%)	24,351	(51%)	21,377	(50%)
4 - 6 years (Young Mature)	9,512	(18%)	11,595	(24%)	12,951	(30%)
7 - 20 years (Prime Mature)	16,546	(32%)	12,068	(25%)	8,386	(20%)
Plasma	13,949		13,105		12,153	
1 - 3 years (Immature)	4,497	(32%)	4,403	(34%)	3,975	(33%)
4 - 6 years (Young Mature)	4,164	(30%)	4,434	(34%)	5,076	(42%)
7 - 20 years (Prime Mature)	5,288	(38%)	4,268	(32%)	3,102	(25%)
Production Volume (MT)						
FFB Production	524,462		550,888		429,006	
Nucleus	419,694	(80%)	424,601	(77%)	317,383	(74%)
Plasma	104,768	(20%)	126,287	(23%)	111,623	(26%)
FFB Processed	564,187		625,789		582,606	
Oil Production						
CPO	113,999		126,422		116,515	
CPKO	6,993		10,650		13,231	
Average FFB yield (MT/ha)						
Nucleus	16.1		17.9		14.9	
Plasma	11.1		14.5		13.6	
Oil extraction rates						
CPO	20.2%		20.2%		20.6%	
CPKO	43.0%		41.7%		41.5%	
Sales Volume (MT)						
CPO	331,235		330,380		300,248	
CPKO	7,726		12,133		17,036	
Average Selling Price (US$/MT)						
CPO	717		816		921	
CPKO	718		906		1,194	

KEY MILESTONES 1995-2013

2013	• New planted area (including plasma) approximately 4,965 ha in FY2013 • Refinery commenced operations in FY2013
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 Emissions Reduction 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 Perusahaan 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.

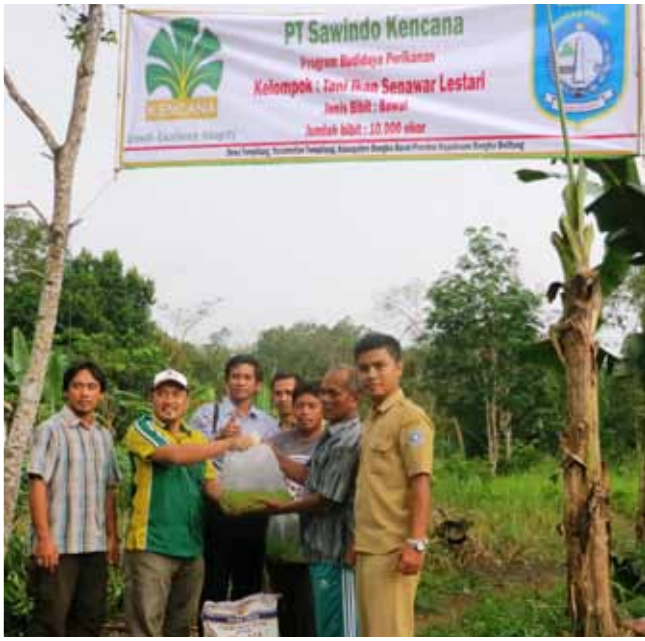
OTHER PRACTICES

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 Emissions Reduction 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 7,000 local villagers who were previously plantation workers have now become new plantation owners. As plantation owners, local villagers benefit economically and socially with increased income 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 7,000 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.

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.

TENGKU ALWIN AZIZ
Vice-Chairman and
Independent Director

Tengku Alwin Aziz has been appointed as Vice-Chairman since 2008. He has also been an Independent Commissioner of PT. London Sumatra Indonesia Tbk, an Indonesian-listed company in the palm oil and rubber plantations since 2000. 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.

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. From August 2004 to May 2013, 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. He has extensive experience in commerce and industry and is presently the Lead Independent Director and Chairman of the Audit Committee of Japan Residential Assets Manager Limited (Manager of Saizen Reit) and Independent Director and Chairman of the Audit and Risk Committee 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 Singapore Chartered Accountants, Certified Practising Accountants (Australia), Association of Chartered Certified Accountants (UK), Chartered Institute of Marketing (UK) and Singapore Institute of Directors. 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 CPA (Australia) Singapore Division.

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. DARWIN
Non-Executive and
Non-Independent Director

Mr. Darwin has been appointed as Non-executive Director since 2013. He is currently the Trading Director of Indonesia for Wilmar Group. Mr. Darwin is also the current Head of Foreign Affairs for the Indonesian palm oil association - Gabungan Pengusaha Kelapa Sawit Indonesia (GAPKI) and is a member of the Board of International Trade (Export) - Indonesia Chamber of Commerce, North Sumatra Chapter. Mr. Darwin graduated from Curtin University with a Bachelor of Commerce (Finance) degree in 2002 and was on the Vice Chancellor's list. He also holds a Master of Business Administration degree from the University of Technology, Sydney.

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. 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.

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 Singapore Chartered Accountants.

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 Group's corporate governance structures and practices that were in place throughout the financial year ended 31 December 2013, with specific reference made to the principles of the Code of Corporate Governance 2012 (the "Code 2012"). Where there are deviations from the Code, appropriate explanations are provided.

The Board is pleased to confirm that for the financial year ended 31 December 2013, the Group has adhered to the principles and guidelines as set out in the Code 2012 where appropriate.

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 long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Board currently consists of seven members:

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

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.

A schedule of all Board and Board Committee meetings as well as the Annual General Meeting for the next calendar year is planned in advance. The Board meets at least four times a year. In addition to the scheduled meetings, ad-hoc board briefings, conference calls and physical meetings are held as warranted by particular circumstance or as deemed appropriate by the Board members. The Company's Articles of Association permits meetings of the Directors to be conducted by telephone or other methods of simultaneous communication by electronic means. The Board and Board Committees may also make decisions through circulating resolutions.

A total of eight board meetings were held in the year 2013. The details of attendance of the formal meetings by individual Directors are as follows:

	Number of meetings held	Number of meetings attended
Henry Maknawi	8	8
Kent Surya	8	7
Ratna Maknawi	8	7
Tengku Alwin Aziz	8	6
Soh Yew Hock	8	8
Sim Idrus Munandar	8	6
Darwin *(Appointed on 26 April 2013)*	8	6
Leung Yew Kwong *(Retired at the AGM held on 26 April 2013)*	8	2
Teo Kim Yong *(Retired at the AGM held on 26 April 2013)*	8	1

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. The Board acknowledges that while these Board Committees have the authority to examine specific issues and reports back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Minutes of all Board Committee meetings held are made available to the Board members.

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 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.

A newly appointed director will undergo a customized orientation program led by Management. This is to provide the new Director with background information about the Group's structure and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. The orientation program gives the new Director an understanding of the Group's businesses to enable him to assimilate into his new role. It also allows the new Director to get acquainted with the Management, thereby facilitating interaction and independent access to the Management. The Company will also provide newly appointed director with a formal letter setting out the duties and obligations of a director.

The Directors are provided with continuous briefings and updates in areas such as changes in company law, changes in SGX listing rules, corporate governance practices and changes in financial reporting standards, so as to enable them to make well-informed decisions. Where possible and when opportunity arises, the Directors will be invited to locations within the Group's operating businesses to enable them to obtain a better perspective of the business and enhance their understanding of the Group's operations. The details of updates, briefings and training programs attended by the Directors in FY2013 are as follows:

- the external auditors, RSM Chio Lim LLP, briefed the ARC and the Board on the developments in financial reporting and governance standards
- the Board was briefed on the Revised Code of Corporate Governance which took effect on 1 November 2012
- the CEO updated the Board on business and strategic developments pertaining to the Group's businesses
- the Company Secretary updated the Board on the new notification regime on the disclosure of interests by Director/CEO and substantial shareholder of listed entity under the Securities and Futures Act

The Directors may also attend other appropriate courses, conferences and seminars, at the Company's expense. They can also request for further explanations, briefings or information on any aspect of the Company's operations or business issues from Management.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. 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, more than one-third of the Board members are independent directors.

The NC determines on an annual basis whether or not a director is independent, taking into account the Code 2012 definition of an "independent" director and guidance on relationships, the existence of which would deem a director not to be independent. A Director who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgement in the best interests of the Company, is considered to be independent.

Each independent director is required to complete a Director's Independence Declaration annually to confirm his independence. During FY2013, the Declaration was revised to align with the Code 2012. The NC critically reviews the Declaration completed by each Director to determine whether a Director is independent. Having carried out their review for FY2013, the NC has determined that three Directors, who are non-executive, are independent.

The Board is of the opinion that its current size of seven Board members is both effective and efficient. The Board's structure, size and composition is reviewed annually by the NC who is of the view that the current size of the Board is appropriate, taking into account the nature and size of the Group's business and operation, to facilitate effective decision making.

Together, the Board members possess a balanced field of core competencies such as accounting and finance, 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 between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent 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, or where such contact is inappropriate.

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 and re-appointment of directors to the Board.

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

Chairman : Tengku Alwin Aziz
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 2013. The details of the attendance are as follows:

	Number of meeting held	Number of meeting attended
Tengku Alwin Aziz *(Appointed on 26 April 2013)*	1	NA
Soh Yew Hock	1	1
Henry Maknawi	1	1
Leung Yew Kwong *(Retired at the AGM held on 26 April 2013)*	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 NC regards succession planning as an important part of corporate governance and the Company has an internal process of succession planning for Directors and the CEO to ensure the progressive and orderly renewal of Board membership.

The NC is responsible for identifying candidates and reviewing all nominations for the appointment of new directors. The search and nomination process will be through search companies, contacts and recommendations. The NC will review and assess candidates before making recommendation to the Board. In recommending new directors to the Board, the NC takes into consideration the individual's skills, calibre and experience required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability.

The role of NC also includes the reviewing of the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence, contribution and performance. The Articles of Association of the Company require one-third of the directors to retire and subject themselves to re-election by the shareholders in every Annual General Meeting ("AGM"). All directors of the Company (including the CEO) shall retire from office at least once every three years. The Articles of Association of the Company also provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every three years. A Director who is due for retirement, shall abstain from voting on any resolution in respect of his re-nomination as a Director. The Board recognizes the contribution of its independent directors who over time, have developed insight into the Group's businesses and operations and are therefore able to provide invaluable contributions to the Group. As such, the Board has decided not to set a fixed term of office for its independent directors.

All Directors are required to declare their board representations. The Board is of the view that the effectiveness of each director is best assessed by a qualitative assessment of the director's contribution and his ability to devote sufficient time and attention to the Company's affairs. Hence, the Board has decided not to set a numerical limit on the number of listed company board representations as it does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as new members of the Board.

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 / Independent	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 International Holdings Limited
Sim Idrus Munandar	Non-Executive / Independent	30 September 2010	26 April 2013	Kencana Agri Limited Samko Timber Limited
Darwin	Non-Executive / Non-Independent	26 April 2013	NA	Kencana Agri 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 2012 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 2013, 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 so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 are non-executive and independent directors.

Chairman	:	Soh Yew Hock
Member	:	Tengku Alwin Aziz
Member	:	Sim Idrus Munandar

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.

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 and the level of remuneration should be appropriate to attract, retain and motivate the executive directors to run the Company successfully and ensure that they are fairly rewarded for their individual contributions to overall performance. The RC will work within the principle that the remuneration should be structured so as to link rewards to corporate and individual performance. It has adopted written terms of reference that defines its membership, roles and functions and administration. The RC held one meeting in 2013. The details of the attendance are as follows:

	Number of meeting held	Number of meeting attended
Soh Yew Hock	1	1
Tengku Alwin Aziz	1	1
Leung Yew Kwong *(Retired at the AGM held on 26 April 2013)*	1	1
Sim Idrus Munandar *(Appointed on 26 April 2013)*	1	NA

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 and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure 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 management personnel, 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 2013, is as follows:-

Remuneration Band	Fee [1] (%)	Salary & fixed allowance (%)	Bonus & incentives (%)	Other Benefits (%)	Total (%)
S$500,001 to S$750,000					
Henry Maknawi	-	99	-	1	100
S$250,001 to S$500,000					
Ratna Maknawi	-	99	-	1	100
Kent Surya	-	99	-	1	100
S$250,000 and below					
Alwin Aziz	100	-	-	-	100
Soh Yew Hock	100	-	-	-	100
Leung Yew Kwong	100	-	-	-	100
Sim Idrus Munandar	100	-	-	-	100
Darwin	100	-	-	-	100

(1) *Directors' fees are payable after approval by shareholders in the 2014 AGM*

(2) *Mr Leung Yew Kwong retired as a Director of the Company at the AGM held on 26 April 2013*

(3) *The proposed fee for Mr Darwin, upon approval by shareholders in the 2014 AGM, will be paid to Wilmar International Limited*

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. The Company does not use contractual provisions to allow the Company to reclaim the incentive bonus from the executive directors in exceptional circumstance of material restatement of the Company's financial statements. The executive directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

Remuneration of Key Executives of the Group

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 2013.

Remuneration Band	Number of Key Executives
S$250,000 and below	5

In view of the sensitive nature of remuneration for key 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 2013: (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 Makwawi, and (iii) Mr Ajis Chandra, who is the spouse of Ms Ratna Maknawi.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report.

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.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' investments and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board is assisted by the Risk (not consistent with below which uses "Working") Group ("RWG") which was formed in FY2012, as part of the Group's efforts to strengthen its risk management processes and framework. The RWG constitutes representatives from different business units in the Company. On an on-going basis, the RWG will review the key risks identified and monitor changes affecting the risk criteria. The RWG will carry out internal risk management exercise and report the findings and action plans to the Board on an annual basis.

The Board has received assurance from the CEO and the Finance Director that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's businesses and operations and also that the Group's risk management and internal control system in place is adequate in addressing the key risks in the Group in its current business environment.

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 Management, the Board, with the concurrence of the AC, is of the view that the internal controls of the Group, addressing the financial, operational and compliance risks are adequate as at 31 December 2013.

Audit & Risk Management Committee

Principle 12: 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 3 members, all are non-executive and independent directors.

Chairman	:	Soh Yew Hock
Member	:	Tengku Alwin Aziz
Member	:	Sim Idrus Munandar

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(not consistent with above which uses "Management") 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; and
(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 undertaken an annual review of of the audit and non-audit services provided by the external auditors to satisfy it that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board. A breakdown of the fees in total for audit and non-audit services is set out in the Notes to the Financial Statements on page 59 of this annual report.

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 2013, the ARC met six times and the details of attendance are as follows:

	Number of meetings held	Number of meetings attended
Soh Yew Hock	6	6
Tengku Alwin Aziz	6	5
Sim Idrus Munandar	6	5
Leung Yew Kwong *(Retired at the AGM held on 26 April 2013)*	6	3

Internal Audit

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

The ARC is aware that internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

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 internal auditor ("IA") guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors reports directly to the ARC.

The ARC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. The internal control weaknesses identified during the internal audit reviews, the recommended corrective actions and management's responses are reported to the ARC on a quarterly basis.

The ARC annually reviews the adequacy of the internal audit function to ensure that the internal audits are performed effectively. The ARC is satisfied that the IA department is adequately staffed by qualified and experienced personnel.

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively their shareholders and put in place an investor relations policy to promote 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.

The Company does not have a fixed dividend policy at present. The frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, 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.

To facilitate voting by shareholders, the Company's Articles of Association allows shareholders to appoint up to two proxies to attend and vote at the same general meeting. The Board of Directors (including the Chairman of the respective Board committees), Management, as well as the external auditors will attend the Company's AGM to address any questions that shareholders may have.

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. The prohibition ends on the day of the announcement of such results.
- 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. To enable the Company to monitor such share transactions, Directors and key officers are required to report to the Company whenever they deal in the Company's securities.

The Company has complied with the Code for the financial year ended 31 December 2013.

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 2013 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)	-	22,678
Wilmar Group (Purchases)	-	1,039
Wilmar Group (Services)	-	268
PT Berkat Wahana Sukses (Services Received)	-	-
PT Berkat Wahana Sukses (Services Received, shareholder's mandate obtained at EGM held on 26 April 2012)	2,120	-
PT Alamindo Sejahtera Persada (Services Received)	425	-
PT Alamindo Sejahtera Persada (Services Received, shareholder's mandate obtained at EGM held on 26 April 2012)	1,855	-

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 2013.

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
Sim Idrus Munandar
Darwin (Appointed on 26 April 2013)

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, Chapter 50 ("the Act") except as follows:

Name of directors and companies in which interests are held	At beginning of year	At end of year	At beginning of year	At end of 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	–	–

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 2014 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 Lead Independent Director)
Tengku Alwin Aziz	(Vice Chairman and Independent 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, relevant to their statutory audit and their report on the financial statements and the assistance given by management to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditors;
- 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 Singapore Exchange Securities Trading Limited's 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 of the company. It also includes an explanation of how independent auditors objectivity and independence are 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 28 February 2014, 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 2014

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 2013 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 2014

INDEPENDENT AUDITORS' REPORT

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"), which comprise the statements of financial position of the group and the company as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated 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 consolidated 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 2013 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
Chartered Accountants
Singapore

28 March 2014

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 2013

	Notes	Group 2013 US$'000	Group 2012 US$'000
Revenue	4	284,914	301,886
Cost of Sales	5	(256,041)	(264,037)
Gross Profit		28,873	37,849
Other Items of Income			
Interest Income		543	342
Other Credits	6	139	1,041
Gain on Fair Value Changes in Biological Assets and Other Receivables	7	10,989	17,734
Other Items of Expense			
Distribution Costs	8	(4,800)	(7,817)
Administrative Expenses		(11,462)	(13,080)
Finance Costs	26	(10,448)	(6,641)
Other Charges	6	(23,445)	(4,756)
Share of (Loss)/Profit from Equity-Accounted Joint Ventures	18	(2,377)	54
(Loss)/Profit before Tax from Continuing Operations		(11,988)	24,726
Income Tax Income/(Expense)	10	1,245	(7,422)
(Loss)/Profit from Continuing Operations, Net of Tax		(10,743)	17,304
Other Comprehensive Income			
Items that may be not reclassified subsequently to profit or loss:			
Exchange Differences on Translating IDR Functional Currency to US$ Presentation Currency, Net of Tax		(48,797)	(16,162)
Items that will not be reclassified to profit or loss:			
Actuarial Losses on Post-Employment Benefits		(920)	–
Other Comprehensive Loss for the Year, Net of Tax		(49,717)	(16,162)
Total Comprehensive (Loss)/Income		(60,460)	1,142
(Loss)/Profit Attributable to Owners of the Parent, Net of Tax		(10,743)	17,304
Profit Attributable to Non-Controlling Interests, Net of Tax		–	–
(Loss)/Profit, Net of Tax		(10,743)	17,304
Total Comprehensive (Loss)/Income Attributable to Owners of the Parent		(60,431)	1,142
Total Comprehensive Loss Attributable to Non-Controlling Interests		(29)	–
Total Comprehensive (Loss)/Income		(60,460)	1,142
(Loss)/Earnings Per Share			
(Loss)/Earnings per Share Currency Unit		Cents	Cents
Continuing Operations			
Basic	13	(0.9)	1.5
Diluted	13	(0.9)	1.5

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Notes	Group 2013 US$'000	Group 2012 US$'000	Company 2013 US$'000	Company 2012 US$'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	14	90,466	98,736	–	–
Investment Property	15	2,486	2,512	–	–
Biological Assets	16	270,302	292,169	–	–
Investments in Subsidiaries	17	–	–	44,584	56,198
Investments in Joint Ventures	18	5,406	4,550	5,389	4,655
Land Use Rights	19	34,893	37,848	–	–
Other Receivables, Non-Current	21	4,811	2,444	–	–
Other Assets, Non-Current	23	942	1,249	–	–
Total Non-Current Assets		409,306	439,508	49,973	60,853
Current Assets					
Inventories	20	12,087	17,404	–	–
Trade and Other Receivables, Current	21	32,888	51,011	27,160	38,935
Other Financial Assets	22	–	910	–	–
Other Assets, Current	23	13,929	10,033	–	–
Cash and Cash Equivalents	24	14,208	7,603	1,501	991
Total Current Assets		73,112	86,961	28,661	39,926
Total Assets		482,418	526,469	78,634	100,779
EQUITY AND LIABILITIES					
Equity					
Share Capital	25	93,860	93,860	93,860	93,860
Retained Earnings		132,629	145,501	994	1,902
Other Reserve		2,628	2,628	–	–
Translation Reserve		(63,678)	(14,910)	(16,389)	4,759
Equity, Attributable to Owners of the Parent, Total		165,439	227,079	78,465	100,521
Non-Controlling Interests		105	134	–	–
Total Equity		165,544	227,213	78,465	100,521
Non-Current Liabilities					
Deferred Tax Liabilities	10	23,935	33,161	–	–
Finance Leases	26	1,309	1,721	–	–
Trade and Other Payables, Non-Current	27	22,585	13,890	–	–
Other Financial Liabilities, Non-Current	26	160,081	139,860	–	–
Other Liabilities, Non-Current	28	3,429	2,323	–	–
Total Non-Current Liabilities		211,339	190,955	–	–
Current Liabilities					
Income Tax Payable		2,200	2,483	61	56
Trade and Other Payables, Current	27	55,138	45,400	108	202
Finance Leases	26	1,795	2,021	–	–
Other Financial Liabilities, Current	26	46,402	58,397	–	–
Total Current Liabilities		105,535	108,301	169	258
Total Liabilities		316,874	299,256	169	258
Total Equity and Liabilities		482,418	526,469	78,634	100,779

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2013

Group	Total Equity US$'000	Attributable to Parent Sub-total US$'000	Share Capital US$'000	Retained Earnings US$'000	Other Reserve US$'000	Reserve on Post-Employment Benefit US$'000	Translation Reserve US$'000	Non-Controlling Interests US$'000
Current Year:								
Opening Balance at 1 January 2013	227,213	227,079	93,860	145,501	2,628	–	(14,910)	134
Movements in Equity:								
Total Comprehensive Loss for the Year	(60,460)	(60,431)	–	(10,743)	–	(920)	(48,768)	(29)
Dividends Paid (Note 12)	(1,209)	(1,209)	–	(1,209)	–	–	–	–
Transferred to Retained Earnings	–	–	–	(920)	–	920	–	–
Closing Balance at 31 December 2013	165,544	165,439	93,860	132,629	2,628	–	(63,678)	105
Previous 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

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Company	Total Equity US$'000	Share Capital US$'000	Retained Earnings US$'000	Translation Reserve US$'000
Current Year:				
Opening Balance at 1 January 2013	100,521	93,860	1,902	4,759
Movements in Equity:				
Total Comprehensive (Loss)/Income for the Year	(20,847)	–	301	(21,148)
Dividends Paid (Note 12)	(1,209)	–	(1,209)	–
Closing Balance at 31 December 2013	78,465	93,860	994	(16,389)
Previous Year:				
Opening Balance at 1 January 2012	108,949	93,860	3,621	11,468
Movements in Equity:				
Total Comprehensive (Loss)/Income 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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2013

	Group	
	2013	**2012**
	US$'000	US$'000
Cash Flows From Operating Activities		
(Loss)/Profit before Tax	(11,988)	24,726
Adjustments for:		
Interest Income	(543)	(342)
Interest Expense	10,448	6,641
Share of Loss/(Profit) of Equity-Accounted Joint Ventures	2,377	(54)
Depreciation and Amortisation Expense	5,972	5,608
Amortisation of Land Use Rights	1,185	–
Loss /(Gain) on Disposal of Property, Plant and Equipment	28	(6)
Gain on Fair Value Changes in Biological Assets	(11,662)	(18,213)
Loss on Fair Value Changes in Other Receivables	673	479
Unrealised Loss/(Gain) on Forward Currency Exchange Contracts	570	(271)
Unrealised Loss/(Gain) on Commodity Derivative Contracts	126	(639)
Increase in Provision for Retirement Benefits	831	786
Net Effect of Exchange Rate Changes in Consolidating Entities	(53,701)	(16,488)
Operating Cash Flows before Changes in Working Capital	(55,684)	2,227
Inventories	5,317	(3,933)
Trade and Other Receivables	15,083	3,977
Other Financial Assets	910	–
Other Assets	(3,589)	(3,401)
Trade and Other Payables	15,956	(6,635)
Net Cash Flows Used in Operations before Interest and Tax	(22,007)	(7,765)
Income Taxes Paid	(3,331)	(4,222)
Net Cash Flows Used in Operating Activities	(25,338)	(11,987)
Cash Flows From Investing Activities		
Disposal of Plant and Equipment	7	66
Purchase of Property, Plant and Equipment (Note 24B)	(19,165)	(19,892)
Purchase of Investment Property	–	(2,526)
Additions to Biological Assets	(24,434)	(25,555)
Purchase of Land Use Rights	(6,857)	(13,121)
Net Effect of Exchange Rate Changes in Consolidating Entities	97,292	25,525
Interest Received	543	342
Investments in Joint Ventures	(1,000)	(1,550)
Net Cash Flows From/(Used in) Investing Activities	46,386	(36,711)
Cash Flows From Financing Activities		
Dividends Paid to Equity Owners	(1,209)	(1,855)
Payment from Non-Controlling Interests	–	134
Proceeds from Borrowings	152,575	105,186
Repayment of Borrowings	(114,974)	(46,953)
Finance Lease Repayments	(2,437)	(1,496)
Interest Paid	(17,519)	(14,708)
Net Effect of Exchange Rate Changes in Consolidating Entities	(30,421)	(8,016)
Net Cash Flows (Used in)/From Financing Activities	(13,985)	32,292
Net Increase/(Decrease) in Cash and Cash Equivalents	7,063	(16,406)
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance	7,145	23,551
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance (Note 24A)	14,208	7,145

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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.

The current liabilities are more than the current assets. The financial position of the entity, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements. In addition the notes the financial statements include the objectives, policies and processes for managing capital; financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk. The entity has considerable financial resources together with some good arrangements with a number of customers and suppliers. As a consequence, the management believes that the entity is well placed to manage its business risks. After making enquiries, the management has a reasonable expectation that the entity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement 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 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 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, the company's separate statement of profit or loss and other comprehensive income is not presented.

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 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 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 reserves 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 and changes in fair value recognised through other comprehensive income. 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. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax 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 and joint arrangements 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 measurement 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 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 IDR12,189 (2012: US$1 to IDR9,670) 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 IDR10,459 (2012: US$1 to IDR9,384). Such translation should not be construed as a representation that the US$ 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 profit or loss items 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

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that 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.

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	–	12.5% to 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 measured 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 fair value model is used to measure the investment property at fair value as of the end of the reporting year. A gain or loss arising from a change in the fair value of investment property is included in profit or loss for the reporting year in which it arises. The fair values are measured periodically on a systematic 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.

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 proceeds. 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 economic life that ranges from 23 to 25 years, with the first 3 to 4 years as immature and the remaining years as mature. In general, an oil palm plantation takes between 3 and 4 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 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 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. The fair value is measured twice every year, at the end of second quarter and at the end of the year.

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 measured 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 reporting entity discloses financial and descriptive information about its consolidated 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.

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

Joint Ventures

A joint venture is a contractual arrangement with other parties to undertake an economic activity that is subject to joint control. In the consolidated financial statements, 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 the 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 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 fair value at the date that it ceases to be a joint venture. Losses of a joint venture in excess of the group's interest in the relevant entity are not recognised except to the extent that the group has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the relevant joint venture.

In the company's 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 no acquisitions 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 of disposal 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 measured, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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 and 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.

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. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following 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.

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

Financial Assets (Cont'd)

#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.

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 5 months forward. The gains or losses arising from matched non-physical delivery forward contracts are recognised immediately in the consolidated statement of profit or 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.

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

Financial Liabilities (Cont'd)

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 measured 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.

Fair Value Measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

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 to the financial statements.

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

Equity

Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. 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 2013 was US$270,302,000.

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.

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

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

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 if applicable is measured based on the fair value less costs of disposal or value in use calculations. 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 specific asset or class of assets at the end of the reporting year affected by the assumption is US$90,466,000.

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$65,016,000.

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.

At the date of this report, the group is in the final process of obtaining HGU certificates for conversion in respect of 12,450 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 2013, the uncertified land amounted to 12,450 hectares (see Note 19).

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

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

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 2013 was US$3,429,000.

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.

Advances/guarantees under the plasma programme:
The group has provided guarantees in respect of loans granted by banks to villagers under the Plasma Programme. The villagers will repay the bank loans from the sale proceeds of FFB. In the event the villagers default on their obligations to repay the bank loans, the banks may call upon the guarantees, which have been provided by the group to the banks to secure the loans of the villagers. Details of the bank guarantees provided are disclosed in Note 33 to these financial statements.

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$1,397,000.

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 intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed 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 related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed 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	Related Parties	
	2013	2012
	US$'000	US$'000
Providing of services	268	428
Lease related services	(57)	(64)
Receiving of service expense	(4,400)	(7,459)
Sales of commodities	22,678	38,727
Purchases of commodities	(1,039)	(17,698)

The related parties PT Berkat Wahana Sukses and PT Alamindo Sejahtera Persada, are companies in which directors or their immediate family members have a significant or controlling interest. The related party, Wilmar Group, has 20% interest in the company.

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

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

	Joint venture	
	2013	2012
	US$'000	US$'000
Sales of commodities	41,726	41,411
Purchases of commodities	(53,536)	(40,817)

#3.3 Key management compensation:

	Group	
	2013	2012
	US$'000	US$'000
Salaries and other short-term employee benefits	2,086	2,937
Post-employment benefits	17	25

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

	Group	
	2013	2012
	US$'000	US$'000
Remuneration of directors of the company	1,063	1,665
Remuneration of directors of the subsidiaries	766	1,091
Fees to directors of the company	159	178

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

Key management personnel include 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.

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

	Related parties	
	2013	2012
Group	US$'000	US$'000
Other receivables:		
Balance at beginning of the year, net	1	–
Amounts paid out and settlement of liabilities on behalf of another company	–	1
Amounts paid in and settlement of liabilities on behalf of group	–	–
Balance at end of the year (Note 21)	1	1

4. Revenue

	2013 US$'000	2012 US$'000
Sale of goods	279,749	297,290
Rendering of services	4,611	3,813
Rental income	554	783
Total	284,914	301,886

5. Cost of Sales

	2013 US$'000	2012 US$'000
Cost of inventories produced and purchases	250,747	259,978
Cost of services rendered	5,362	4,742
Realised net gain on non-physical delivery forward contracts	(194)	(44)
Unrealised net loss/(gain) on non-physical delivery forward contracts	126	(639)
Total	256,041	264,037

6. Other Credits and Other Charges

	2013 US$'000	2012 US$'000
(Loss)/gain from disposal of property, plant and equipment	(28)	6
Allowance for impairment on trade receivables	(900)	–
Insurance recoveries	–	9
Gain on sale of consumables and unused supplies	–	157
Foreign exchange transactions losses	(20,510)	(4,756)
Realised net loss on forward currency contracts	(1,437)	–
Unrealised net (loss)/gain on forward currency contracts	(570)	271
Miscellaneous income	139	598
Net	(23,306)	(3,715)
Presented in profit or loss as:		
Other Credits	139	1,041
Other Charges	(23,445)	(4,756)
Net	(23,306)	(3,715)

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

	2013 US$'000	2012 US$'000
Gain on fair value changes in biological assets (Note 16)	11,662	18,213
Loss on fair value changes in other receivables (Note 33)	(673)	(479)
	10,989	17,734

8. Distribution Costs

The major components include the following:

	2013 US$'000	2012 US$'000
Freight costs	1,516	3,601
Storage costs	596	970

9. Employee Benefits Expense

	2013 US$'000	2012 US$'000
Employee benefits expense	7,208	6,491
Contribution to defined contribution plans	115	182
Other post-employment benefits (Note 29)	831	786
Other benefits	–	140
Employee benefits expense included in administrative expenses and distribution costs	8,154	7,599

10. Income Tax

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

	2013 US$'000	2012 US$'000
Current tax expense:		
Current tax expense	1,998	4,296
Over adjustments to current tax in respect of prior year	(452)	(375)
Subtotal	1,546	3,921
Deferred tax (income)/expense:		
Current deferred tax (income)/expense	(2,503)	2,587
(Over)/Under adjustments to deferred tax in respect of prior year	(288)	914
Subtotal	(2,791)	3,501
Total income tax (income)/expense	(1,245)	7,422

Substantially all of the group's operations are located in Indonesia. Companies in Indonesia are generally subject to a tax rate of 25% (2012: 25%). Accordingly, the Indonesian statutory tax rate of 25% (2012: 25%) is used in the reconciliation below.

10. Income Tax (Cont'd)

10A. Components of tax expense recognised in profit or loss include: (Cont'd)

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:

	2013 US$'000	2012 US$'000
(Loss)/Profit before tax	(11,988)	24,726
Income tax (income)/expense at the applicable tax rate	(2,997)	6,182
Non allowable items	759	775
Tax exemptions	–	(100)
Effect of different tax rates in different countries	352	(128)
Unrecognised deferred tax assets	1,426	33
(Over)/Under provision of deferred tax for prior period	(288)	914
Over adjustments to income tax in respect of prior period	(452)	(375)
Other items less than 3% each	(45)	121
Total income tax (income)/expense	(1,245)	7,422

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$2,200,000 (2012:US$2,483,000). Such an amount is net of tax advances, which according to the tax rules in Indonesia, were paid before the reporting year end.

10B. Deferred tax (income)/expense recognised in profit or loss include:

	2013 US$'000	2012 US$'000
Fair value changes in biological assets and others	1,391	6,066
Tax loss carryforwards	(5,608)	(2,598)
Deferred tax assets not recognised	1,426	33
Total deferred income tax (income)/expense recognised in profit or loss	(2,791)	3,501

10C. Tax (income)/expense recognised in other comprehensive income include:

	2013 US$'000	2012 US$'000
Deferred tax:		
Exchange differences on translation to presentation currency	6,435	(2,080)
Total tax expence/(income) recognised in other comprehensive income	6,435	(2,080)

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

10. Income Tax (Cont'd)

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

	Group	
	2013	**2012**
	US$'000	US$'000
From deferred tax liabilities recognised in profit or loss:		
Fair value changes in biological assets and others	(43,237)	(41,846)
Tax loss carryforwards	14,166	8,558
Deferred tax assets not recognised	(2,007)	(581)
From deferred tax liabilities recognised in other comprehensive income:		
Exchange differences on translation to presentation currency	7,143	708
Net balance	(23,935)	(33,161)

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$56,664,000 (2012: US$34,231,000) that will expire progressively over the next 5 years up till 2018.

No deferred tax liability of approximately US$11,782,000 (2012: US$14,578,000) 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, the profit or loss includes the following charges:

	Group	
	2013	**2012**
	US$'000	US$'000
Audit fees to independent auditors included under administrative expenses:		
- company's auditors	100	101
- other auditors	184	98
Other fees to independent auditors included under administrative expenses:		
- company's auditors	4	10

12. Dividends on Equity Shares

	2013	2012
	US$'000	US$'000
Final dividend paid of S$0.0013 net of income tax (2012: S$0.002) per share	1,209	1,855

In respect of the current year, the directors do not propose any dividend.

13. (Loss) Earnings per Share

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

	2013	2012
	US$'000	US$'000
Numerators: (loss)/earnings attributable to equity:		
Continuing operations: attributable to equity holders	(10,743)	17,304

	2013	2012
	'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 (loss)/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 (loss)/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 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
Disposal	–	–	–	–	(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
Foreign exchange alignment	–	(3,036)	(6,722)	(2,263)	(17,334)	(29,355)
Additions	27	–	12,390	–	8,681	21,098
Disposal	–	–	–	–	(58)	(58)
Transfer from/(to)	–	1,376	(13,645)	–	12,269	–
At 31 December 2013	35	21,887	25,415	8,684	66,461	122,482
Accumulated Depreciation:						
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
Disposal	–	–	–	–	(225)	(225)
At 31 December 2012	–	3,775	–	1,675	26,611	32,061
Foreign exchange alignment	–	(776)	–	(467)	(6,439)	(7,682)
Depreciation for the year	–	790	–	844	6,026	7,660
Disposal	–	–	–	–	(23)	(23)
At 31 December 2013	–	3,789	–	2,052	26,175	32,016
Carrying value:						
At 1 January 2012	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
At 31 December 2013	35	18,098	25,415	6,632	40,286	90,466

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

Assets under construction represent partial payment for the construction of the following assets:

	Group	
	2013	**2012**
	US$'000	US$'000
Leasehold properties	20,230	9,495
Plant and equipment	5,185	23,897
	25,415	33,392

Allocation of the depreciation expense:

Biological assets (Note 16)	1,714	1,440
Cost of sales	5,726	5,255
Administrative expenses	220	339
Total	7,660	7,034

Certain items of property, plant and equipment are pledged as security for the bank facility (see Note 26).

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

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

	Group	
	2013	**2012**
	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	1,539

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	
	2013	**2012**
	US$'000	US$'000
At cost:		
At beginning of the year	2,526	–
Addition at cost	–	2,526
At end of the year	2,526	2,526
Accumulated depreciation:		
At beginning of the year	14	–
Depreciation for the year	26	14
At end of the year	40	14
Net book value	2,486	2,512
Fair value for disclosure purposes only:		
Fair value at end of the year	3,161	2,510
Rental and service income from investment property	72	–
Allocation of depreciation expense:		
Administrative expenses	26	14

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

The investment property is leased out under operating leases. Also see Note 32 on operating lease income commitments. The management has not entered into contractual obligations for the maintenance or enhancement of the investment property.

The fair value of the investment property was measured in December 2013 based on the the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by management, on a systematic basis at least once yearly.

There has been no change to the valuation technique during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

For fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at 36 Armenian Street #03-03, Singapore 179934.
Fair Value US$ and Fair value hierarchy – Level:	US$3,161,000 (2012: US$2,510,000). Level 3. (2012: Level 3).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent offer to sell prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square foot. US$2,070 (2012: US$1,640).
Relationship of unobservable inputs to fair value:	NA.
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by US$316,000; higher by US$316,000.

The increase in fair value is due to better market conditions.

During the financial year, the investment property with a carrying value of US$2,486,000 was mortgaged as security for the bank facilities (see Note 26).

16. Biological Assets

	Group	
	2013	**2012**
Movement in fair value	US$'000	US$'000
At beginning of the year	292,169	257,158
Additions	24,434	25,555
Capitalisation of interest	7,071	7,366
Capitalisation of depreciation (Note 14)	1,714	1,440
Increase in fair value less estimated point-of-sale costs (Note 7)	11,662	18,213
Foreign currency alignment	(66,748)	(17,563)
At end of the year (Level 3)	270,302	292,169

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

Mature oil palm trees produce FFB, which are used to produce CPO and CPKO. The fair value of the biological assets was determined by KJPP Benedictus Darmapuspita dan Rekan, a firm of independent professional valuers on 20 February 2014 based on the present value of the expected net cash flows of the underlying plantations (fair value hierarchy: Level 3). 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 economic 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 2013 is 13.63% per annum (2012: 12% 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 2013 and World Bank forecasts for prices in 2014 onwards;

(v) The projected oil extraction rate from FFB and palm kernel are 20.55% (2012: 20.14%) and 4.55% (2012: 5.53%) 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.

Relationship of unobservable inputs to fair value:

Favourable or adverse change in discount rate, projected selling price of CPO and FFB extraction rate will increase or decrease fair value.

16. Biological Assets (Cont'd)

Sensitivity on unobservable inputs:

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$45,000,000 (2012: US$39,000,000) and US$39,000,000 (2012: US$43,000,000) 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$23,000,000 (2012: US$18,400,000) and US$23,000,000 (2012: US$23,000,000) respectively.

If the discount 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 decrease or increase by approximately US$6,600,000 (2012: US$8,500,000) and US$7,000,000 (2012: US$9,200,000) respectively.

(a) Analysis of biological assets:

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

	Group	
	2013	**2012**
Planted area:		
- mature (US$'000)	168,104	195,660
- immature (US$'000)	102,198	96,509
	270,302	292,169
Planted area:		
- mature (hectares)	26,058	23,663
- immature (hectares)	26,077	24,351
	52,135	48,014

(b) Analysis of palm oil production:

During the financial year, the group harvested approximately 420,000 tonnes (2012: 425,000 tonnes) of FFB, which had fair values less estimated point-of-sale costs of US$55,440,000 (2012: US$80,932,000).

(c) At 31 December 2013, the fair value of biological assets of the group mortgaged as security for bank borrowings amounted to US$262,890,065 (2012: US$288,081,075).

(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	
	2013	2012
	US$'000	US$'000
Movements during the year, at cost:		
At the beginning of the year	56,198	59,929
Translation exchange adjustment	(11,614)	(3,731)
At the end of the year	44,584	56,198

	Company	
	2013	2012
	US$'000	US$'000
Total cost comprises:		
Unquoted shares, at cost	12,981	12,981
Quasi-equity loans receivable	36,017	36,017
Translation exchange adjustment	(4,414)	7,200
Total at cost	44,584	56,198
Net book value of subsidiaries	87,079	126,649

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.

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		Percentage of equity held by group	
	2013	2012	2013	2012
	US$'000	US$'000	%	%
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	Percentage of equity held by group 2013	2012
	%	%
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	90	90
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

17. Investments in Subsidiaries (Cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities	Percentage of equity held by group 2013	2012
	%	%
PT Cahaya Permata Gemilang ("CPG") [b] Indonesia Wholesaler of electricity-related products	95	95
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] Indonesia Agribusiness	100	100

(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.

18. Investments in Joint Ventures

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Movement during the year:				
At beginning of the year	4,550	3,072	4,655	3,099
Loan to joint venture	1,000	1,550	1,000	1,550
Share of (loss)/profit from equity-accounted joint ventures	(2,377)	54	–	–
Payable to joint venture partner [(a)]	2,477	–	–	–
Translation exchange adjustment	(244)	(126)	(266)	6
At end of the year	5,406	4,550	5,389	4,655

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Carrying value:				
Unquoted equity shares at cost	2,000	2,000	2,000	2,000
Loan to joint venture	3,556	2,556	3,556	2,556
Share of loss from equity-accounted joint ventures	(2,465)	(88)	–	–
Payable to joint venture partner [(a)]	2,477	–	–	–
Translation exchange adjustment	(162)	82	(167)	99
At end of the year	5,406	4,550	5,389	4,655

(a) Under an agreement signed between Louis Dreyfus Commodities Asia Pte Ltd ("LDCA") joint venture partner of the group in PT Dermaga Kencana Indonesia ("DKI"), LDCA will purchase 100% of the volume of palm products originating from DKI. A Joint Book Account is maintained to record income and expenses from the trading of DKI's palm products. The group and LDCA will share the profits or losses arising from this Joint Book Account equally.

18. Investments in Joint Ventures (Cont'd)

	Group and company	
	2013	2012
	US$'000	US$'000
Share of net book value of joint ventures	1,688	1,831

The joint ventures held by the company are listed below:

Name of joint ventures, country of incorporation, place of operations and principal activities	Percentage of equity held by the group	
	2013	2012
	%	%
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 #c Singapore Joint Venture with Louis Dreyfus Commodities Asia Pte Ltd Dormant	50%	50%

18. Investments in Joint Ventures (Cont'd)

The following joint venture is held through Kencana LDC Pte Ltd:

Name of joint venture, country of incorporation, place of operations and principal activities	Percentage of equity held by the group	
	2013	2012
	%	%
PT Dermaga Kencana Indonesia ("DKI") #b Indonesia Trading and refinery company	50%	50%

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

#b. 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 name of the firm is Deloitte Indonesia (Osman Bing Satrio & Eny) for the Indonesian entity.

#c. Audited by RSM Chio Lim LLP, a member of RSM International.

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

2013	Assets US$'000	Liabilities US$'000	Revenue US$'000	Total Comprehensive Income/ (Loss) US$'000
Kencana LDC Pte Ltd	129,399	126,008	244,452	201
LDC Kencana Trading Pte Ltd	5	21	–	(4)

2012	Assets US$'000	Liabilities US$'000	Revenue US$'000	Total Comprehensive Income/ (Loss) US$'000
Kencana LDC Pte Ltd	136,341	132,679	154,919	115
LDC Kencana Trading Pte Ltd	7	20	–	(7)

19. Land Use Rights

	Group	
	2013	**2012**
	US$'000	US$'000
Cost		
At beginning of the year	38,530	27,445
Foreign exchange adjustment	(8,933)	(2,036)
Additions	6,857	13,121
At end of the year	36,454	38,530
Accumulated amortisation:		
At beginning of the year	(682)	(719)
Foreign exchange adjustment	306	37
Amortisation for the year included under administrative expenses	(1,185)	–
At end of the year	(1,561)	(682)
Carrying value:		
At beginning of the year	37,848	26,726
At end of the year	34,893	37,848
Balance to be amortised:		
Not later than one year	846	1,106
Later than one year not later than five years	3,384	2,212
Later than five years	30,663	34,530
	34,893	37,848

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

As at 31 December 2013, the group's land rights covering a total land area of 112,749 hectares, represent Business Usage Rights ("Hak Guna Usaha" or "HGU") that have been applied for. Out of these land rights, the certificates for 100,299 hectares were obtained before 31 December 2013 while the land rights certificates covering the remaining area of 12,450 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
23,463 hectares	2028 – 2037
76,836 hectares	2037 – 2047
12,450 hectares	Certificates have yet to be received as of the date of this report

20. Inventories

	Group	
	2013	2012
	US$'000	US$'000
Raw materials, consumables and supplies	10,562	16,204
Finished goods and goods for resale (CPO and CPKO)	1,525	1,200
	12,087	17,404
Changes in inventories of finished goods (increase)/decrease	(325)	769
Raw materials and consumables used included in cost of sales	22,677	35,956

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

21. Trade and Other Receivables

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Trade receivables:				
Outside parties	16,794	35,401	–	–
Less allowance for impairment	(900)	–	–	–
Joint Venture (Note 3)	2,909	–	–	–
Related parties (Note 3)	1,320	2,551	–	–
Net trade receivables - Subtotal	20,123	37,952	–	–
Other receivables:				
Subsidiaries (Note 3)	–	–	27,160	38,935
Other related parties (Note 3)	1	1	–	–
Staff advances #a	248	375	–	–
Prepaid taxes	2,766	2,797	–	–
VAT receivable	4,253	5,069	–	–
Advances under Plasma Programme (Note 33)	9,801	7,081	–	–
Other receivables	507	180	–	–
Net other receivables - Subtotal	17,576	15,503	27,160	38,935
Total trade and other receivables	37,699	53,455	27,160	38,935
Presented in the statements of financial position as:				
Other receivables, non-current	4,811	2,444	–	–
Trade and other receivables, current	32,888	51,011	27,160	38,935
Total trade and other receivables	37,699	53,455	27,160	38,935

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

21. Trade and Other Receivables (Cont'd)

	Group	
	2013	2012
	US$'000	US$'000
Movements in above allowance:		
Balance at beginning of the year	–	–
Charge to profit or loss included in other charges	(900)	–
Balance at end of the year	(900)	–

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

22. Other Financial Assets

	Group	
	2013	2012
	US$'000	US$'000
Derivatives financial instruments (Note 30)	–	910
	–	910

23. Other Assets

	Group	
	2013	2012
	US$'000	US$'000
Prepayments	14,871	11,282
Presented in the statements of financial positions as:		
Current	13,929	10,033
Non-Current	942	1,249
	14,871	11,282

Included in prepayments are the following:

	Group	
	2013	2012
	US$'000	US$'000
Prepaid rent to a related party (Note 31)	960	1,272
Advance payments made for the purchase of raw materials	452	2,970
Prepayments for purchase of equipment	7,007	1,889
Arrangement fees for bank borrowings	1,337	727
Others	5,115	4,424
	14,871	11,282

24. Cash and Cash Equivalents

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Not restricted in use	14,208	7,603	1,501	991
Interest earning balances	14,208	7,603	1,501	991

The rates of interest for the cash on interest earning balances ranged between 0% to 2% (2012: 0% to 2%).

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

	Group	
	2013	2012
	US$'000	US$'000
Amount as shown above	14,208	7,603
Bank overdrafts (Note 26)	–	(458)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	14,208	7,145

24B. Non-Cash Transactions:

There were acquisitions of certain assets under property, plant and equipment with a total cost of US$1,933,000 (2012: US$1,463,000) acquired by means of finance leases.

25. Share Capital

	Number of shares issued	Share capital
	'000	US$'000
Ordinary shares of no par value:		
Balance at beginning of the year 1 January 2012	1,148,045	93,860
Balance at end of the years 31 December 2012 and 31 December 2013	1,148,045	93,860

The ordinary shares of no par value which are fully paid carry 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 it 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.

25. Share Capital (Cont'd)

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).

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	
	2013	**2012**
	US$'000	US$'000
Net debt:		
All current and non-current borrowings including finance leases	209,587	201,999
Less cash and cash equivalents	(14,208)	(7,603)
Net debt	195,379	194,396
Adjusted capital:		
Total equity	165,544	227,213
Debt-to-capital ratio	118%	86%

The increase in the debt-to-adjusted capital ratio for the reporting year resulted mainly from the increased borrowings to support the group's expansion and the decrease in adjusted capital due to unrealised foreign exchange losses.

All reserves classified in the statements 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	
	2013	**2012**
	US$'000	US$'000
Non-current:		
Bank loans (secured) (Note 26B)	160,081	139,860
Finance leases (Note 26C)	1,309	1,721
Non-current, total	161,390	141,581
Current:		
Bank overdrafts (secured) (Note 26A)	–	458
Bank loans (secured) (Notes 26A)	27,681	36,102
Bank loans (unsecured) (Note 26A)	18,025	21,837
Finance leases (Note 26C)	1,795	2,021
Derivative financial instruments (Note 30)	696	–
Current, total	48,197	60,418
Total	209,587	201,999

26. Other Financial Liabilities (Cont'd)

26A. Bank Overdrafts and Bank Loans - Current

	Group	
	2013	2012
	US$'000	US$'000
Bank overdrafts – secured		
Indonesian Rupiah	–	458
Bank loans – secured		
United States dollar	11,159	15,419
Singapore dollar	288	148
Indonesian Rupiah	380	1,528
Bank loans – unsecured		
United States dollar	18,025	21,837
Investment loans – secured		
United States dollar	12,128	12,350
Indonesian Rupiah	2,783	3,143
Term loans – secured		
United States dollar	943	2,558
Indonesian Rupiah	–	956
	45,706	58,397

The range of floating interest rates paid were as follows:

	Group	
	2013	2012
Bank overdrafts – secured		
Indonesian Rupiah	–	11.50%
Bank loans – secured		
Singapore dollar	2.03% – 2.13%	2.23%
United States dollar	5.70% – 6.75%	5.50% – 6.00%
Indonesian Rupiah	10.50% – 11.50%	10.75% – 11.50%
Bank loans – unsecured		
United States dollar	3.00% – 3.19%	3.00% – 4.00%
Investment loans – secured		
United States dollar	6.25%	6.00% – 6.50%
Indonesian Rupiah	10.50% – 11.25%	10.50% – 10.75%
Term loans – secured		
United States dollar	5.50% – 6.50%	5.50% – 6.50%
Indonesian Rupiah	–	11.50%

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)

Interest expense incurred during the reporting year:

	Group	
	2013	**2012**
	US$'000	US$'000
Included in consolidated statement of profit or loss and other comprehensive income	10,448	6,641
Capitalised in property, plant and equipment (Note 14)	–	701
Capitalised in biological assets (Note 16)	7,071	7,366
Total interest expense	17,519	14,708

26B. Bank Loans – Non-Current

	Group	
	2013	**2012**
	US$'000	US$'000
Bank loans – secured		
Singapore dollar	3,820	1,967
Investment loans – secured		
United States dollar	25,900	37,550
Indonesian Rupiah	128,581	97,609
Term loans – secured		
United States dollar	1,780	2,734
	160,081	139,860

The range of floating interest rates paid were as follows:

	Group	
	2013	**2012**
Bank Loans – secured		
Singapore dollar	2.03% – 2.23%	2.23%
Investment loans – secured		
United States dollar	6.25%	6.00% – 6.50%
Indonesian Rupiah	11.00% – 11.25%	10.50% – 10.75%
Term loans – secured		
United States dollar	5.50% – 6.50%	5.50% – 6.50%

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 2013 and 2012 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 2013				
2 – 5 years	667,818	1,998	27,680	84,046
Above 5 years	899,581	2,838	–	76,035
Total	1,567,399	4,836	27,680	160,081
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

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 of default by the lenders. During the reporting year there were certain breaches in loan agreement covenants, however the lender had agreed to waive the requirement after the end of the reporting year. As these loans were current in nature there was no need for any reclassification from non-current in the accounts.

26. Other Financial Liabilities (Cont'd)

26C. Finance Leases

Group 2013	Minimum payments	Finance charges	Present value
	US$'000	US$'000	US$'000
Minimum lease payments payable:			
Due within one year	2,001	(206)	1,795
Due within 2 to 5 years	1,390	(81)	1,309
Total	3,391	(287)	3,104
Net book value of plant and equipment under finance leases			5,623

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

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 7.3% to 15.2% (2012: 7.5% to 16.2%) 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	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Trade payables:				
Outside parties and accrued liabilities	29,007	20,136	108	202
Subtotal	29,007	20,136	108	202
Other payables:				
Advances from customer	44,540	36,627	–	–
Other payables	4,176	2,527	–	–
Subtotal	48,716	39,154	–	–
Total trade and other payables	77,723	59,290	108	202
Presented in the statements of financial position as:				
Trade and other payables, non-current	22,585	13,890	–	–
Trade and other payables, current	55,138	45,400	108	202
Total trade and other payables	77,723	59,290	108	202

Included in the other payables are US$378,000 (2012: US$379,000) representing amounts payable to suppliers for the acquisition of plant and equipment and US$422,000 (2012: US$544,000) representing amounts payable to suppliers for construction of properties.

28. Other Liabilities, Non-Current

	Group	
	2013	**2012**
	US$'000	US$'000
Employee pension benefits (Note 29)	3,429	2,323

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 KAIA MAGNA Consulting, using the "Projected Unit Credit" method which is covered in their report dated 13 January 2014. As at 31 December 2013, the balance of the related actuarial liability for employee benefits amounted to US$3,429,000 which is presented as "Other Liabilities, Non-Current" in the statements of financial position. They are as follows:

	Group	
	2013	**2012**
	US$'000	US$'000
Present value of employee benefits obligation in addition to the defined contribution scheme	4,074	2,450
Foreign currency alignment	(645)	(127)
	3,429	2,323

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

	2013	**2012**
	US$'000	US$'000
Benefits obligation at beginning of the year	2,323	1,662
Current service costs	739	543
Interest costs on benefits obligation	200	169
Past services costs – vested	(108)	74
Actuarial loss	920	–
Foreign currency alignment	(645)	(125)
Benefits obligation at end of the year	3,429	2,323

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

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

	2013 US$'000	2012 US$'000
Current service costs	739	543
Interest costs on benefits obligation	200	169
Past services costs – vested	(108)	74
Net employee benefits expense (Note 9)	831	786

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

Annual discount rate	:	9.1% in 2013 and 6.5% in 2012
Future annual salary increase	:	10% in 2013 and 8% in 2012
Annual employee turnover rate	:	5% to 10% in 2013 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 staff in 2013, 10% per year from mortality rate for office staff in 2012 20% per year from mortality rate for plantation staff in 2012
Retirement age	:	55 years of age
Mortality rate	:	Indonesian mortality table 3 (2012: table 2)

The assumptions relating to longevity used to compute the defined benefit obligation liabilities are based on best estimate of the mortality of plan members both during and after employment based on the published mortality tables commonly used by the actuarial profession in each territory concerned.

For the above significant actuarial assumptions, a sensitivity analysis on the defined benefit obligation has been determined based on reasonably possible changes of the assumption occurring at the end of the reporting year, while holding all other assumptions constant:

	Group	
	Decrease US$'000	Increase US$'000
If the discount rate is 1 % higher (lower)	195	222

For the above sensitivity analysis, the present value of the defined benefit obligation has been determined using the projected unit credit method at the end of the reporting year. Such sensitivity analysis might not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another.

30. Derivative Financial Instruments

	Group	
	2013 US$'000	2012 US$'000
Assets – Derivatives with positive fair values:		
Non-Hedging instruments – Forward currency exchange contracts (Note 30A)	–	271
Non-Hedging instruments – Commodity derivative contracts (Note 30B)	–	639
	–	910
Liabilities – Derivatives with negative fair values:		
Non-Hedging instruments – Forward currency exchange contracts (Note 30A)	570	–
Non-Hedging instruments – Commodity derivatives Contracts (Note 30B)	126	–
	696	–

30. Derivative Financial Instruments (Cont'd)

30A. Forward currency exchange contracts

These include the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

2013	Principal	Reference currency	Maturity	Fair value
	US$'000			US$'000
Forward currency contract	4,000	USD	20 February 2014	(239)
Forward currency contract	2,000	USD	24 February 2014	(101)
Forward currency contract	1,000	USD	28 February 2014	(31)
Forward currency contract	1,000	USD	27 February 2014	(41)
Forward currency contract	500	USD	15 January 2014	(69)
Forward currency contract	500	USD	8 January 2014	(69)
Forward currency contract	250	USD	26 February 2014	(5)
Forward currency contract	250	USD	19 February 2014	(5)
Forward currency contract	250	USD	12 February 2014	(5)
Forward currency contract	250	USD	5 February 2014	(5)
	10,000			(570)

2012	Principal	Reference currency	Maturity	Fair value
	US$'000			US$'000
Forward currency contract	1,165	USD	3 January 2013	7
Forward currency contract	1,000	USD	5 June 2013	29
Forward currency contract	1,000	USD	10 April 2013	20
Forward currency contract	750	USD	12 June 2013	24
Forward currency contract	720	USD	15 January 2013	13
Forward currency contract	675	USD	8 January 2013	2
Forward currency contract	500	USD	26 June 2013	18
Forward currency contract	500	USD	19 June 2013	18
Forward currency contract	500	USD	29 May 2013	17
Forward currency contract	500	USD	22 May 2013	16
Forward currency contract	500	USD	15 May 2013	16
Forward currency contract	500	USD	8 May 2013	16
Forward currency contract	500	USD	24 April 2013	12
Forward currency contract	500	USD	17 April 2013	12
Forward currency contract	500	USD	3 April 2013	11
Forward currency contract	500	USD	3 April 2013	8
Forward currency contract	340	USD	4 January 2013	–*
Forward currency contract	250	USD	12 June 2013	6
Forward currency contract	250	USD	27 March 2013	7
Forward currency contract	250	USD	20 March 2013	7
Forward currency contract	250	USD	13 March 2013	6
Forward currency contract	250	USD	6 March 2013	6
	11,900			271

* less than US$1,000

30. Derivative Financial Instruments (Cont'd)

30A. Forward currency exchange contracts (Cont'd)

Currency derivatives are utilised to hedge significant future transactions and cash flows. The entity is 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 entity's principal markets. As a matter of principle, the entity does not enter into derivative contracts for speculative purposes.

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 (losses)/gains of the above derivatives of US$(570,000) and US$271,000 were included in the profit or loss in 2013 and 2012, respectively.

30B. Commodity derivatives contracts

Forward commodity contracts and commodity swap contracts are entered into to manage the fluctuations in prices of CPO. These commodity derivate contracts are not designated as hedges for accounting purposes. The contractual or underlying principal amounts of the commodity derivate contracts with fixed pricing terms that were outstanding at 31 December 2013 and 31 December 2012 were as follows:

	2013 US$'000	2012 US$'000
Notional value for commodity swap contracts	2,164	–
Notional value for commodity forward contracts	–	56,866
	2,164	56,866
Year end fair values:		
- Positive fair value	–	3,592
- Negative fair value	(126)	(2,953)
Net fair value	(126)	639
Maturity period – For 2013	January to March 2014	
Maturity period – For 2012	January to September 2013	

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

Market price mentioned in above paragraph is the futures price for CPO as published by Bursa Malaysia Derivatives Berhad.

The unrealised (losses)/gains from these commodity derivative contracts of (US$126,000) and US$639,000 have been recognised in the profit or loss in 2013 and 2012, 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	
	2013	**2012**
	US$'000	US$'000
Not later than one year	49	62
Later than one year and not later than five years	197	248
Later than five years	714	962
Rental expenses for the year	57	64

Operating lease payments represent rentals payable for certain office and warehousing premises. The lease agreement covering a period of 25 years from 1 July 2008 to 30 June 2033 was entered with a related party. The lease rental terms are negotiated annually and rentals are subject to an escalation clause that is limited to a certain percentage. As at 31 December 2013, the subsidiary had prepaid an amount of US$960,000 (2012: US$1,272,000) to the related party.

32. Operating Lease Income Commitments

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

	Group	
	2013	**2012**
	US$'000	US$'000
Not later than one year	87	–
Later than one year and not later than five years	14	–
Rental income for the year	72	–

Operating lease income commitments are for the investment property. The lease rental income terms are negotiated for an average term of two years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

33. 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 2013 and 2012 are as follows:

	Group	
	2013	**2012**
	US$'000	US$'000
Facility amounts	27,792	26,419
Outstanding balances	14,975	15,780

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 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 2013 and 2012 are as follows:

	Group	
	2013	**2012**
	US$'000	US$'000
Cost of development of plantations	9,801	7,081
Presented as other receivables (Note 21)		
Advances under plasma programme, Current	4,990	4,638
Advances under plasma programme, Non-current	6,089	2,901
Fair value adjustment	(673)	(479)
Foreign currency alignment	(605)	21
	9,801	7,081

34. 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	
	2013	**2012**
	US$'000	US$'000
Commitments for land clearing and development	360	13,361
Commitments for construction of leasehold buildings	487	1,130

35. Financial Instruments: Information on Financial Risks

35A. 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	
	2013	**2012**	**2013**	**2012**
	US$'000	US$'000	US$'000	US$'000
Financial assets:				
Cash and cash equivalents	14,208	7,603	1,501	991
Loans and receivables	25,132	43,577	27,160	38,935
Financial assets at fair value through profit or loss	–	910	–	–
At end of the year	39,340	52,090	28,661	39,926
Financial liabilities:				
Financial liabilities at fair value through profit or loss	696	–	–	–
Measured at amortised cost:				
Borrowings	205,787	198,257	–	–
Finance leases	3,104	3,742	–	–
Trade and other payables	33,183	22,663	108	202
At end of the year	242,770	224,662	108	202

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.

35B. 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. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However these are not formally documented in written form. The guidelines include 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.

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

35C. Fair Value of Financial Instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. 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.

35D. 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. 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 with customers 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 (2012: 30 days). But some customers take a longer period to settle the amounts.

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

	Group	
	2013	**2012**
	US$'000	US$'000
Trade receivables:		
1 to 60 days	2,667	9,144
61 to 90 days	485	110
91 to 180 days	449	4
	3,601	9,258

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2013	**2012**
	US$'000	US$'000
Trade receivables:		
Over 180 days	900	–

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	
	2013	**2012**
	US$'000	US$'000
Top 1 customer	10,171	27,659
Top 2 customers	13,081	31,570

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

35E. Liquidity Risk – Financial Liability Maturity Analysis

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

Group	Less than 1 year	1 – 3 years	3 – 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Non-derivative financial liabilities					
2013:					
Finance leases	2,001	1,390	–	–	3,391
Borrowings	46,162	35,272	50,885	79,018	211,337
Trade and other payables	33,183	–	–	–	33,183
Total	81,346	36,662	50,885	79,018	247,911
2012:					
Finance leases	2,316	1,834	–	–	4,150
Borrowings	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

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.

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 statements 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.

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	1 – 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000
2013:				
Financial guarantees in respect of the plasma programme	909	7,379	6,687	14,975

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

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

35E. Liquidity Risk – Financial Liability Maturity Analysis (Cont'd)

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 settled at their contractual maturity. The average credit period taken to settle trade payables is about 50 days (2012: 50 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

Bank facilities:	Group	
	2013	2012
	US$'000	US$'000
Undrawn borrowing facilities	221,295	132,039

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.

35F. Interest Rate Risk

The interest rate risk exposure is from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. 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	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Financial liabilities with interest:				
Floating rate	205,787	198,257	–	–
Fixed rate	3,104	3,742	–	–
Total at end of year	208,891	201,999	–	–
Financial assets with interest:				
Floating rate	14,208	7,603	1,501	991
Total at end of year	14,208	7,603	1,501	991

The floating rate debt instruments are with interest rates that are re-set regular intervals. The interest rates are disclosed in the respective notes.

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

35F. Interest Rate Risk (Cont'd)

Sensitivity analysis:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	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 in pre-tax profit for the year by	142	76	15	10
Financial liabilities:				
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an decrease in pre-tax profit for the year by	2,089	2,020	–	–

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).

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

35G. Foreign Currency Risks

Analysis of amounts denominated in non-functional currency:

Group	US dollars	Total
	US$'000	US$'000
2013:		
Financial assets:		
Cash and cash equivalents	2,743	2,743
Trade and other receivables	3,401	3,401
Total financial assets	6,144	6,144
Financial liabilities:		
Borrowings	(56,019)	(56,019)
Finance leases	(383)	(383)
Trade and other payables	(40,810)	(40,810)
Total financial liabilities	(97,212)	(97,212)
Net financial liabilities at the end of the year	(91,068)	(91,068)

Group	US dollars	Total
	US$'000	US$'000
2012:		
Financial assets:		
Cash and cash equivalents	3,383	3,383
Trade and other receivables	23,872	23,872
Derivative financial instruments	339	339
Total financial assets	27,594	27,594
Financial liabilities:		
Borrowings	(92,448)	(92,448)
Finance leases	(1,363)	(1,363)
Trade and other payables	(3,723)	(3,723)
Total financial liabilities	(97,534)	(97,534)
Net financial liabilities at the end of the year	(69,940)	(69,940)

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

35G. Foreign Currency Risks (Cont'd)

Company	US dollars US$'000	Total US$'000
2013:		
Financial assets:		
Cash and cash equivalents	93	93
Financial liabilities:		
Trade and other payables	(108)	(108)
Net financial liabilities at the end of the year	(15)	(15)
2012:		
Financial assets:		
Cash and cash equivalents	685	685
Financial liabilities:		
Trade and other payables	(13)	(13)
Net financial assets at the end of the year	672	672

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.

Sensitivity analysis:	Group	
	2013 US$'000	2012 US$'000
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	9,107	6,994

Sensitivity analysis:	Company	
	2013 US$'000	2012 US$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against the US$ would have a favourable/(adverse) effect on pre-tax profit of	2	(67)

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

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.

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

35H. 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.

36. Financial Information by Segments

36A. Information about Reportable Segment Profit or Loss, Assets and Liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the reporting entity.

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services: (1) plantation, (2) logistic & bulking and (3) power generation. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

The plantation segment is group's main business comprising plantations, palm oil mills, and kernel crushing plants.

The logistics & bulking segment provides support storage facilities and transportation of palm oil products.

The power generation segment provides electricity generated by renewable biomass power plants.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

36. Financial Information by Segments (Cont'd)

36B. Profit or Loss from Continuing Operations and Reconciliations

Group 2013	Plantation	Logistics & Bulking	Power Generation	Elimination	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue by Segment:					
Revenue from external customers	278,911	5,165	838	–	284,914
Inter-segment sales	61,063	746	24	(61,833)	–
Total revenue	339,974	5,911	862	(61,833)	284,914
Results:					
Segment results	3,160	(2,081)	(3,150)	–	(2,071)
Other unallocated items					(7,540)
Share of results of joint ventures					(2,377)
Income tax income					1,245
Net loss for the year					(10,743)

Group 2012	Plantation	Logistics & Bulking	Power Generation	Elimination	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue by Segment:					
Revenue from external customers	296,016	4,596	1,274	–	301,886
Inter-segment sales	92,809	1,502	171	(94,482)	–
Total revenue	388,825	6,098	1,445	(94,482)	301,886
Results:					
Segment results	30,997	(406)	(629)	–	29,962
Other unallocated items					(5,290)
Share of results of joint ventures					54
Income tax expense					(7,422)
Net profit for the year					17,304

36C. Assets and Reconciliations

Group 2013	Plantation	Logistics & Bulking	Power Generation	Elimination	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets for reportable segments	622,605	7,056	(1,465)	(159,986)	468,210
Cash and cash equivalents	13,839	261	108	–	14,208
Total group assets	636,444	7,317	(1,357)	(159,986)	482,418

36. Financial Information by Segments (Cont'd)

36C. Assets and Reconciliations (Cont'd)

Group 2012	Plantation	Logistics & Bulking	Power Generation	Elimination	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets for reportable segments	672,744	8,954	2,451	(165,283)	518,866
Cash and cash equivalents	7,317	182	104	–	7,603
Total group assets	680,061	9,136	2,555	(165,283)	526,469

36D. Liabilities and Reconciliations

Group 2013	Plantation	Logistics & Bulking	Power Generation	Elimination	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Total liabilities for reportable segments	82,540	1,331	348	733	84,952
Unallocated:					
Current tax liabilities	1,919	74	222	(15)	2,200
Deferred tax liabilities/(assets)	23,547	–	(1,440)	1,828	23,935
Borrowings					
Current	44,286	1,420	–	–	45,706
Non-current	158,301	1,780	–	–	160,081
Total group liabilities	310,593	4,605	(870)	2,546	316,874

Group 2012	Plantation	Logistics & Bulking	Power Generation	Elimination	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Total liabilities for reportable segments	63,115	1,227	301	712	65,355
Unallocated:					
Current tax liabilities	2,100	83	320	(20)	2,483
Deferred tax liabilities/(assets)	31,447	–	(963)	2,677	33,161
Borrowings					
Current	54,883	2,558	956	–	58,397
Non-current	137,126	2,734	–	–	139,860
Total group liabilities	288,671	6,602	614	3,369	299,256

36. Financial Information by Segments (Cont'd)

36E. Other Material Items and Reconciliations

Group 2013	Plantation	Logistics & Bulking	Power Generation	Elimination	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Depreciation and amortisation expense	4,199	1,149	624	1,185	7,157
Foreign exchange loss/(gain), net	18,138	1,358	(57)	3,078	22,517
Interest expense	16,559	601	1,674	(8,386)	10,448
Interest income	(19,958)	(1)	(10)	19,426	(543)
Loss on disposal of property, plant and equipment	28	–	–	–	28
Gain from fair value changes of biological assets and other assets, net	(10,989)	–	–	–	(10,989)
Impairment on trade receivables	900	–	–	–	900

Group 2012	Plantation	Logistics & Bulking	Power Generation	Elimination	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Depreciation and amortisation expense	3,506	819	483	800	5,608
Foreign exchange loss, net	2,805	481	256	943	4,485
Interest expense	11,400	623	497	(5,879)	6,641
Interest income	(11,500)	(13)	(11)	11,182	(342)
(Gain)/loss on disposal of property, plant and equipment	(7)	1	–	–	(6)
Gain from fair value changes of biological assets and other assets, net	(17,734)	–	–	–	(17,734)
Under provision of tax in prior year	539	–	–	–	539

36F. Geographical Information

	Revenue		Non-current assets	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Indonesia	140,425	120,565	403,779	433,875
Singapore	133,334	108,556	5,527	5,633
India	10,185	48,745	–	–
Europe	970	4,521	–	–
Malaysia	–	19,499	–	–
Total	284,914	301,886	409,306	439,508

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

37. Events after the End of the Reporting Year

In March 2014, 30% of voting shares in one of the subsidiary of the group Kencana Bio-Energy Pte. Ltd. were sold to Enco Ventures (Singapore) Pte. Ltd., a wholly-owned subsidiary of Enco Holdings Sendirian Berhad.

38. 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 1	Amendment to FRS 1 Presentation of Financial Statements (Annual Improvements)
FRS 16	Amendment to FRS 16 Property, Plant and Equipment (Annual Improvements)
FRS 19	Employee Benefits (Revised)
FRS 32	Amendment to FRS 32 Financial instruments: Presentation (Annual Improvements)
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill) (early adoption) (*)
FRS 107	Amendments to FRS 32 and 107 titled Offsetting Financial Assets and Financial Liabilities
FRS 113	Fair Value Measurements
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine (*)

(*) Not relevant to the entity.

39. 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 27	Consolidated and Separate Financial Statements (Amendments to)	1 Jul 2013
FRS 27	Separate Financial Statements (Revised)	1 Jan 2014
FRS 28	Investments in Associates and Joint Ventures (Revised)	1 Jan 2014
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill) (*)	1 Jan 2014
FRS 32	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting	1 Jan 2014
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
INT FRS 121	Levies (*)	1 Jan 2014

(*) Not relevant to the entity.

40. Reclassifications and Comparative Figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. The reclassifications are as follows:

	After reclassification	Before reclassification	Difference
	US$'000	US$'000	US$'000
Consolidated Statement of Cash Flows:			
Cash Flows From Operating Activities			
Net Effect of Exchange Rate Changes in Consolidating Entities	(16,488)	1,021	(17,509)
Cash Flows From Investing Activities			
Net Effect of Exchange Rate Changes in Consolidating Entities	25,525	–	25,525
Cash Flows From Financing Activities			
Net Effect of Exchange Rate Changes in Consolidating Entities	(8,016)	–	(8,016)

INFORMATION ON SHAREHOLDINGS

As at 19 March 2014

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	8	0.52	3,033	0.00
1,000 - 10,000	656	43.07	4,336,803	0.38
10,001 - 1,000,000	819	53.78	67,246,940	5.86
1,000,001 AND ABOVE	40	2.63	1,076,457,944	93.76
TOTAL	**1,523**	**100.00**	**1,148,044,720**	**100.00**

Shareholding held by the public

Based on the information available to the Company as at 19 March 2014, approximately 21.69% 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..

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	68,327,000	5.95
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	18,871,960	1.64
5	PHILLIP SECURITIES PTE LTD	13,593,000	1.18
6	DBS NOMINEES (PRIVATE) LIMITED	13,023,520	1.13
7	SUSANTO AMIN @ LIM HWA MIN	10,709,000	0.93
8	SOEKARTO	8,677,520	0.76
9	HENRY MAKNAWI	7,099,880	0.62
10	DMG & PARTNERS SECURITIES PTE LTD	6,832,000	0.60
11	RAFFLES NOMINEES (PTE) LIMITED	6,540,000	0.57
12	DICKY PERMANA	6,384,360	0.56
13	SOEPRAPTO	5,745,920	0.50
14	HSBC (SINGAPORE) NOMINEES PTE LTD	5,623,000	0.49
15	MORPH INVESTMENTS LTD	5,618,000	0.49
16	AMFRASER SECURITIES PTE. LTD.	5,609,000	0.49
17	CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,530,000	0.48
18	OCBC SECURITIES PRIVATE LIMITED	4,820,000	0.42
19	ARIFIN @ LIE TJONG TJIN @ LIE CHANG CHIN	4,700,000	0.41
20	LEE SUI HEE	3,500,000	0.30
	TOTAL	**1,041,034,000**	**90.67**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2014 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 24 April 2014 at 10.00 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 2013. **Resolution 1**

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

   Ms Ratna Maknawi (Article 91) **Resolution 2**

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

   Mr Soh Yew Hock (Article 91)

   (Mr Soh Yew Hock shall, upon re-election as Director of the Company, remain as Chairman of the Audit & Risk Management Committee, Chairman of the Remuneration Committee and a member of the Nominating Committee. Mr Soh Yew Hock shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.) **Resolution 3**

4. To re-elect the following director retiring pursuant to the Company's Articles of Association:
   Mr Darwin (Article 97) **Resolution 4**

5. To re-elect the following director retiring pursuant to Section 153 of the Companies Act, Cap. 50:

   Tengku Alwin Aziz

   (Tengku Alwin Aziz shall, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee, a member of the Audit & Risk Management Committee and a member of the Remuneration Committee. Tengku Alwin Aziz shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.) **Resolution 5**

6. To approve the Directors' fees of SGD 199,250 for the year ended 31 December 2013. **Resolution 6**

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 7**

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**

"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 centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the 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." **Resolution 8**

See Explanatory Note (i)

9. **PROPOSED RENEWAL OF A SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS**

"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 9 April 2014 (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 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."

Resolution 9

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

Explanatory Note:

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

By Order Of the Board

Phillip Lim Lian Teng
Company Secretary

Date: 9 April 2014

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

(Please see notes overleaf before completing this 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 No.	Proportion of Shareholdings %

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	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 2014 Annual General Meeting of the Company to be held at Coleman Room, Level 1, Grand Park City Hall, 10 Coleman Street Singapore 179809 on 24 April 2014 at 10.00 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 2013		
2	Re-election of Ms Ratna Maknawi as Director		
3	Re-election of Mr Soh Yew Hock as Director		
4	Re-election of Mr Darwin as Director		
5	Re-election of Tengku Alwin Aziz as Director		
6	Approval of Directors' fees for the year ended 31 December 2013		
7	Re-appointment of RSM Chio Lim LLP as Auditors		
8	Proposed Share Issue Mandate		
9	Proposed renewal of a Shareholders' Mandate for Interested Person Transactions		

Dated this _____ day of _____ 2014

_____

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
Chairman and CEO

Tengku Alwin Aziz
Vice Chairman and Independent Director

Ms. Ratna Maknawi
Deputy CEO

Mr. Kent Surya
Finance Director

Mr. Soh Yew Hock
Lead Independent Director

Mr. Sim Idrus Munandar
Independent Director

Mr. Darwin
Non-Executive and Non-Independent Director

AUDIT & RISK MANAGEMENT COMMITTEE

Mr. Soh Yew Hock
Chairman

Tengku Alwin Aziz

Mr. Sim Idrus Munandar

REMUNERATION COMMITTEE

Mr. Soh Yew Hock
Chairman

Tengku Alwin Aziz

Mr. Sim Idrus Munandar

NOMINATING COMMITTEE

Tengku Alwin Aziz
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 Singapore
Chartered Accountants)

INDEPENDENT VALUER
(Biological Assets)

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

PRINCIPAL BANKERS

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

KENCANA AGRI LIMITED
Registration No. 200717793E

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Indonesia