



**Investing for Value**



The concentric circles on this year's report cover represent Olam's growth strategy of systematically expanding into opportunities adjacent to our core. The solid circle in the centre shows the strong foundation of our core business (origination, processing, logistics, trading and risk management) – the heart of Olam's success. The layers around the core symbolise our adoption of a scalable, multi-niche strategy. We selectively integrate across the value chain, from upstream to downstream, leveraging existing capabilities and assets. The graphic also reflects our objective of adding layers of competitive advantage to enhance margins and create value. The continual ring encircling the graphic represents our ambition to achieve sustainable earnings in an ethical, socially responsible and environmentally sustainable manner.

## Investing for Value

Twenty years after our first cashew shipment left Nigeria for India in November 1989, Olam has become a global leader in the agri-commodities supply chain. We have achieved this by differentiating ourselves through out-originating our competition in producing countries and providing value-added solutions and services to our customers in destination markets.

Over the last 20 years, we have stayed focused on a single asset class – agri-commodities – and, within that, built a diversified and relatively recession resilient portfolio, largely comprising food raw materials and ingredients. In addition, the nature of our participation in this industry, mainly as a supply chain manager earning a predictable, fee quality income, has helped us develop a business model that performs consistently across both economic and commodity cycles.

Our business model is based on adjacency expansion to create systematic, repeatable organic and inorganic growth initiatives around our core. This will continue over our next two three-year growth cycles. We plan to develop our core business to its fullest potential, pursue integrated value-chain leadership in selected products and selectively expand our participation in others. These measures, combined with leveraging some of our latent assets, will help us significantly enhance our margins and quality of earnings. Our strong balance sheet will provide the necessary financial flexibility to deal with any potential dislocation in global capital and credit markets as we pursue our plans for profitable growth.

CONTENTS	02	TWO DECADES OF SUCCESS	04	TWENTY YEARS OF CREATING SUSTAINABLE VALUE	06	BUILDING FINANCIAL STRENGTH TO SUPPORT GROWTH	08	DOUBLING MARGINS	10	SUCCESSFUL INORGANIC GROWTH	12	PERFORMANCE OVERVIEW										
	14	FINANCIAL SUMMARY	15	FINANCIAL HIGHLIGHTS	16	CHAIRMAN'S STATEMENT	18	BOARD OF DIRECTORS	20	CEO'S REVIEW	26	INVESTING FOR VALUE	36	M&A CAPABILITY	40	OUR GLOBAL PRESENCE	42	EDIBLE NUTS, SPICES & BEANS	48	CONFECTIONERY & BEVERAGE INGREDIENTS	52	FOOD STAPLES & PACKAGED FOODS
	56	INDUSTRIAL RAW MATERIALS	60	OUR PEOPLE	64	RISK MANAGEMENT	66	CORPORATE RESPONSIBILITY & SUSTAINABILITY	68	CORPORATE GOVERNANCE	85	CORPORATE INFORMATION	86	FINANCIAL ANALYSIS	90	GENERAL INFORMATION	93	DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS				

## Two Decades of Success

From one country and one product in 1989, we have expanded to 60 countries and 20 products, building market-leading positions and becoming a truly global agri-business supply chain manager.

1989

1990

1991

1992

1993

1994

1995

1996

1997

1998

### The Formative Years

#### 1989 – 1994

- Established to export non-oil products from Nigeria
- Exports Cashews from Nigeria, gradually expands into Cotton, Cocoa and Sheanuts in multiple African origins and India
- Engaged in origination, primary processing and trading/marketing
- Shifted headquarters to London

 7 products across 4 countries

### Business Model Development

#### 1995 – 2001

- Expansion into Asia and Europe
- Refined farm-gate to factory-gate model
- Entry into new products  
Coffee, Rice, Wood products
- Shifted headquarters to Singapore

 10 products across 20 countries



We have been consistently profitable from inception, successfully growing our revenues at a CAGR of 50% and core net profits at 45% over the last 20 years. Since our listing in Singapore in 2005, we have generated annualised total shareholder returns of 39%. Our market capitalisation rose five-fold from S\$929 million upon listing, to approximately S\$4.8 billion as of 30 June 2009.

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

### Rapid Expansion, Private Equity and IPO

#### 2002 – 2005

- Developed coherent legal holding structure and appointed global auditor
- Private equity investments from Russell AIF, IFC and Temasek Holdings
- In 2005, listed on SGX at PE multiple of 11 times; oversubscribed by 15 times
- Expansion into Middle East, North and South America, Russia

 14 products across 40 countries

### Building a Global Leader

#### 2006 – Present

- Global leader in agri-commodities supply chain management, participating across the value chain
- Built leadership position in Edible Nuts, Coffee, Cocoa, Cotton, Rice and Sesame
- First M&A transaction in 2007; subsequently completed 13 bite-sized transactions
- Expansion into Oceania
- US\$300 million equity injection by Temasek Holdings in June 2009
- Issued a seven-year no put US\$400 million convertible bond

 20 products across 60 countries



## Twenty Years of Creating Sustainable Value



We have delivered sustainable, profitable growth consistently over the last 20 years across both economic and commodity cycles. We grew top line at a CAGR of 50% and bottom line of 45%.

## Building a recession resilient portfolio

We have stayed focused on a single commodity asset class, namely the agricultural complex, and chosen a business portfolio largely comprising food raw materials and ingredients that are relatively recession resilient.

## Capturing a relatively predictable, fee quality income

We participate in the agri-commodity industry as a supply chain manager, not as a positional, directional or proprietary commodity trader. As a result, we earn a relatively more predictable, fee quality income, leading to better stability in earnings.

50%

**Sales Revenue**  
CAGR (FY1990-2009)

45%

**Net Profit After Tax**  
CAGR (FY1990-2009)

## Diversified portfolio provides better consistency in earnings

We are diversified across 20 products, in 60 countries, with more than 10,000 customers, providing better consistency in our earnings without customer, product or country concentration risk.

## Building Financial Strength to Support Growth



We considerably strengthened our financial position during the downturn by raising US\$916 million of long-term funding and through proactive capital management, including improving working capital productivity, buy-back of outstanding convertible bonds and better deployment of capital in excess-return opportunities.



## Prudent capital management

During FY2009, we consciously lowered our headline gearing to a range between 2.5 and 3.5 times and ended the year at 2.41 times. Our banks remained comfortable with the transactional nature of our working capital financing as it entails less risk. Not only did our working capital lines remain intact during the crisis, but we increased our lines by S\$503 million.

Internally, we maintained a very tight reign on working capital utilisation, through careful monitoring of supplier credit as well as improvements in cycle time efficiencies. We operated with large safety margins on working capital with utilisation against our total working capital, not exceeding 55% of the available limits.

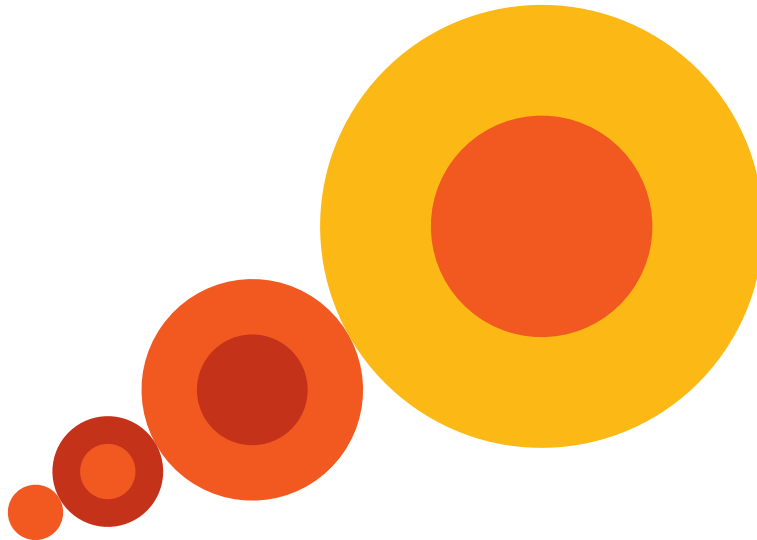
Bond markets collapsed between September 2008 and January 2009, sending bond yields to new highs. We seized this opportunity and bought back US\$124 million of our outstanding convertible bonds at a discount of 35%. We further bought back US\$157 million of the remaining bonds at a 22% discount and exchanged them for new bonds with a lower conversion price to reduce potential refinancing obligations. This exercise locked in a net gain of S\$80.6 million, which increased our equity and brought down leverage even further.

## Financial flexibility to support long term growth

Keeping in view our long-term plans for growth, we successfully brought in Temasek Holdings as a strategic investor through a US\$300 million equity placement of new shares. We also raised long-term debt of approximately US\$616 million through a seven-year no put US\$400 million convertible bond issue and a five-year US\$216 million syndicated term loan facility.

This capital raising provides the financial strength and flexibility to execute both our organic capital expenditure and inorganic growth plans going forward.

## Doubling Margins



Our strategy for growth over the next two three-year growth cycles will be to pursue multiple scaleable niche growth opportunities that will double our portfolio profit margin from 2% to 4%. To this end, we will seek to selectively expand our participation in upstream plantations and midstream value-added processing initiatives that provide us excess returns.

## Strategic intent

Our vision is to be a leading, global, integrated supply chain manager and processor of agri-commodities by serving our strong grower and customer franchise globally; pursuing select scalable and attractive niches in upstream and midstream value-added processing; and capitalising on our emerging market expertise.

## Upstream integration

We plan to selectively integrate upstream into plantations (palm, rubber, coffee, cocoa, cashew and almonds), farming of select annual crops (peanuts, tomatoes, onions, rice, wheat and stevia), dairy farming and forestry concessions (tropical hardwoods) in certain countries.

We expect net profit margins from plantation investments to be in the range of 15% to 40% compared to our current portfolio net margin of 2%. We will only target investing upstream in products and geographies where we can produce crops cheaper and better on a sustainable basis and where there are clearly excess returns to be made. These upstream initiatives will add about 0.7% to our net margins.

## Midstream value-added processing

We plan to selectively invest in value-added midstream processing, including cocoa grinding in the origins, soluble coffee processing, tomato paste manufacturing, wheat milling, sugar milling and refining, palm oil refining and almond processing. Like with upstream investments, we will only invest in midstream processing where excess return opportunities exist. The above midstream initiatives are expected to have EBITDA margins of 15% to 20% compared to our existing portfolio EBITDA margin of 5.2%. These midstream initiatives will add about 1.1% to our net margins.

## Successful Inorganic Growth



We have successfully developed our M&A capability since embarking on inorganic acquisitions two years ago to complement our organic growth engine.

Our disciplined approach to inorganic growth – securing excess returns through acquiring earnings and value accretive businesses closely related to our core – has helped accelerate our growth.



## Delivering above-target returns

In the last 24 months, we completed and integrated a total of 14 acquisitions. The consolidated acquisitions have performed above expectations by growing Net Contribution by 57.3% and accounting for 23.5% of our total Net Contribution in FY2009.

## Lifting portfolio equity and capital spreads

Against the total investment outlay of US\$520 million for the consolidated acquisitions, we have achieved an ROE of 23%, and are well on track to meet projections in our investment theses. This performance trajectory will enable us to lift portfolio equity and capital spreads, thereby building fundamental intrinsic value.

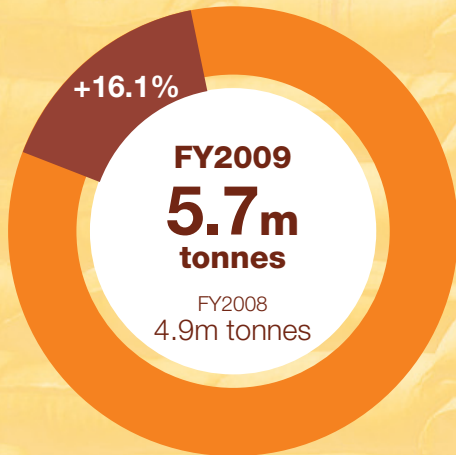
## A strong platform to build and consolidate market leading positions

These acquisitions, through integration with our existing businesses, have catalysed our market position in the value chain for the respective products and also delivered additional synergies for other products in the portfolio.

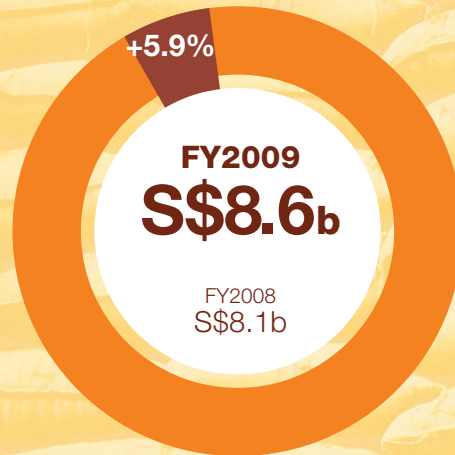
## Acquiring strengths

More critically, our acquisitions have improved management bench strength considerably and injected new skills sets, which will be a key enabler for executing our growth strategy over the next six years.

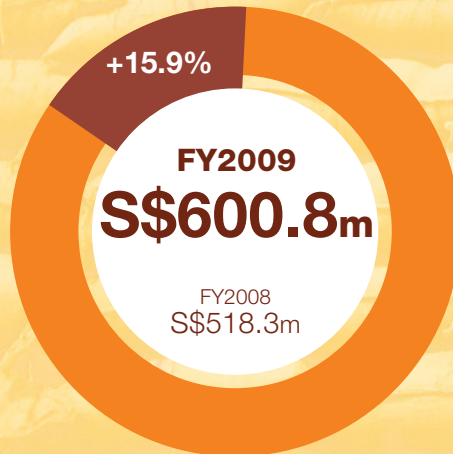
## Performance Overview



Volume



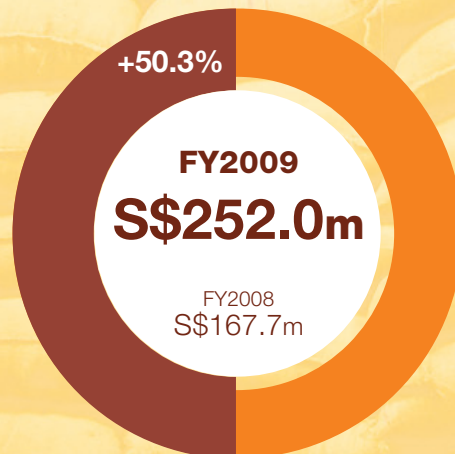
Sales Revenue



Net Contribution

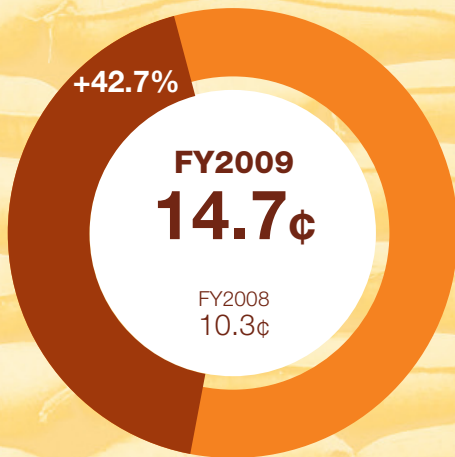


Net Contribution/tonne

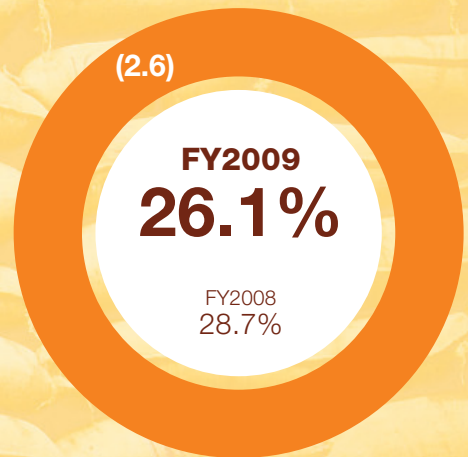


NPAT

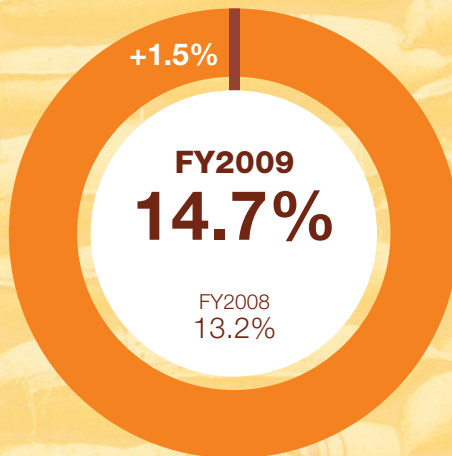




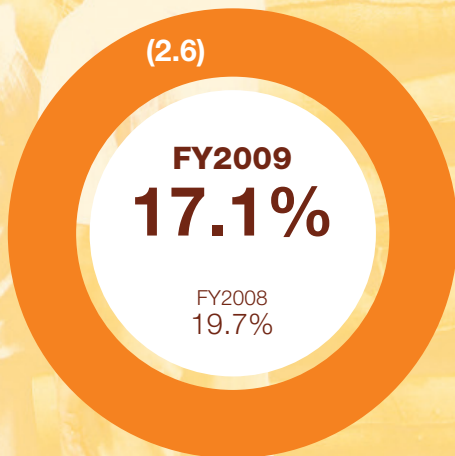
EPS



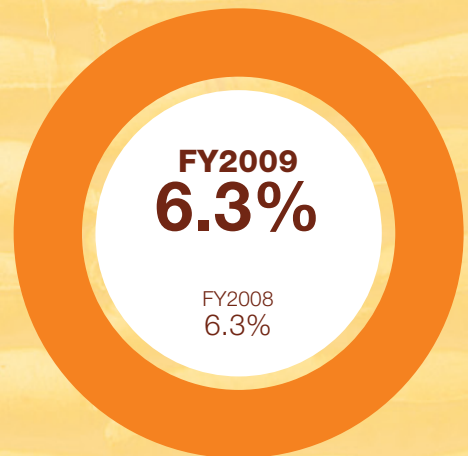
ROE



ROIC



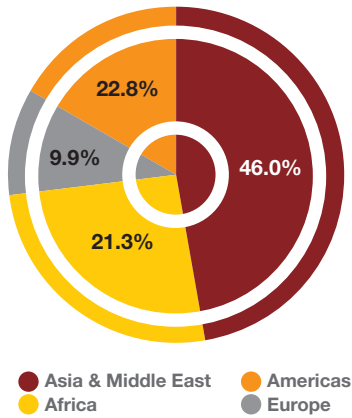
Equity Spread



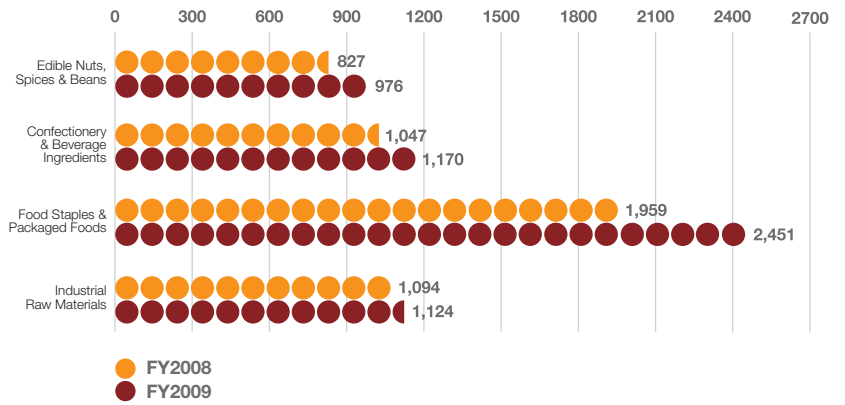
Capital Spread

# Financial Summary

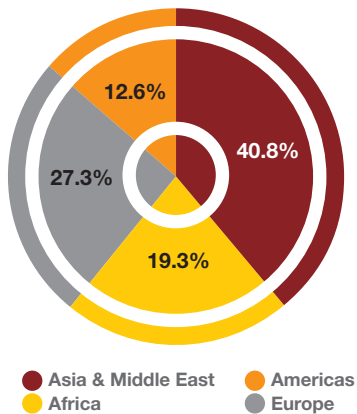
## Sourcing Volume by Continent (FY2009)



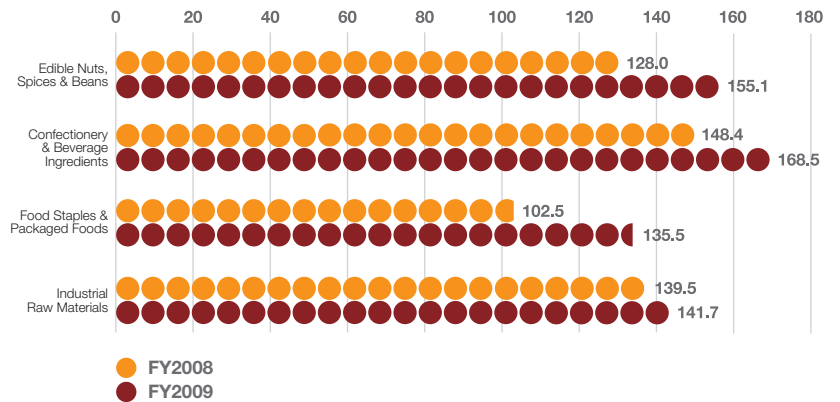
## Sales Volume by Segment ('000 metric tonnes)



## Sales Revenue by Continent (FY2009)



## Net Contribution by Segment (\$\$million)



## Sales Volume

Sales volume grew by 16.1% to 5.7 million tonnes in FY2009 compared to FY2008, with growth registered across all four product segments. The contribution to the increase in volume was led by the Food Staples & Packaged Foods, followed by Edible Nuts, Spices & Beans, Confectionery & Beverage Ingredients and Industrial Raw Materials segments. Sales volume from Edible Nuts, Spices & Beans grew by 18.0%, Confectionery & Beverage Ingredients by 11.8%, Food Staples & Packaged Foods by 25.1% and Industrial Raw Materials by 2.7% over FY2008. The combined sales volume from the food raw materials and ingredients segments (namely Edible Nuts, Spices & Beans, Confectionery & Beverage Ingredients and Food Staples & Packaged Foods) grew by 19.9% in FY2009 compared to FY2008, confirming that the demand for these food raw materials and ingredients is relatively resilient to economic recession. From a sourcing perspective, Asia & Middle East contributed to 46.0% of our sales volume, followed by Africa at 21.3%, Europe at 9.9% and the Americas at 22.8%.

## Sales Revenue

Sales revenue grew 5.9% to S\$8.6 billion as prices came down across most products even though sales volume increased during FY2009. The increase in sales revenue was contributed mainly by Confectionery & Beverage Ingredients, followed by Food Staples & Packaged Foods, Edible Nuts, Spices & Beans and Industrial Raw Materials. Our sales revenues are well-diversified across the world with Asia & Middle East accounting for 40.8%, Europe 27.3%, Africa 19.3% and the Americas 12.6%.

## Net Contribution (NC)

NC increased by 15.9% to S\$600.8 million in FY2009 with growth from all four segments. The largest contributor to NC growth was Food Staples & Packaged Foods with a 32.2% increase over FY2008, followed by Edible Nuts, Spices & Beans at 21.2%, Confectionery & Beverage Ingredients at 13.5% and Industrial Raw Materials at 1.6%. Of the increase in NC, 85% came from volume growth and 15% from margin expansion.



# Financial Highlights

OLAM INTERNATIONAL LIMITED ANNUAL REPORT 2009

For the Year Ended 30 June (S\$'000)	FY2009	FY2008	Change %
<b>Consolidated Results</b>			
Sales Volume ('000 Metric Tonnes)*	5,721	4,926	16.1
Sales Revenue	8,587,932	8,111,910	5.9
Gross Contribution	762,091	676,371	12.7
Gross Contribution Per Tonne (S\$)	133	137	(2.9)
Net Contribution	600,848	518,330	15.9
Net Contribution Per Tonne (S\$)	105	105	0.0
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	430,305	364,790	18.0
Earnings Before Interest and Tax (EBIT)	407,379	349,404	16.6
Profit Before Tax	258,024	164,969	56.4
Reported Net Profit After Tax Attributable to Shareholders	252,029	167,703	50.3
Core Net Profit After Tax Attributable to Shareholders (excluding non-recurring items)	182,248	150,743	20.9
Earnings Per Share basic (cents)	14.7	10.3	42.7
Net Dividend Per Share (cents)**	3.5	2.5	40.0
<b>Other Financial Information</b>			
Total Debt	3,174,191	2,984,564	6.3
Shareholders' Equity	1,045,846	638,414	63.8
Net Debt to Equity (times)***	2.41	3.17	(0.8)
Return on Equity (%)#	26.1	28.7	(2.6)
Return on Average Invested Capital (%)	14.7	13.2	1.5
Interest Coverage (times)	2.08	1.82	0.3
Cash to Sales (%)	6.19	4.18	2.0

\* Includes proportionate share of volumes from jointly controlled entities and associates.

\*\* As recommended by the Board for approval at the 15th Annual General Meeting.

\*\*\* Before Intangibles and Fair Value Adjustment Reserves.

# Based on beginning-of-period equity.

## Profits

Earnings Before Interest and Tax grew 16.6% to S\$407.4 million in FY2009 while Profit Before Tax rose 56.4% to S\$258.0 million from S\$165.0 million in FY2008. Reported Net Profit After Tax Attributable to Shareholders in FY2009 registered a 50.3% increase over the previous financial year to S\$252.0 million. Excluding non-recurring items of S\$69.8 million, comprising an aggregate net gain on buy-back of convertible bonds of S\$80.6 million offset by impairment of assets of S\$10.8 million, the core Net Profit After Tax Attributable to Shareholders increased by 20.9% year-on-year to S\$182.2 million in FY2009.

## Dividends

Consistent with the regular dividend policy of the Group, the Board of Directors has recommended a dividend payout ratio of 27.6% of Net Profit After Tax for FY2009 in the form of a First and Final Tax Exempt Dividend of 3.5 cents per share.

## Shareholders' Equity

Shareholders' Equity increased by 63.8% from S\$638.4 million in FY2008 to S\$1,045.8 million in FY2009. The increase was 27.1% from S\$964.3 million in FY2008 to S\$1.2 billion in FY2009 before adjusting for fair value reserves in relation to the application of Financial Reporting Standard (FRS) 39 which resulted in a net reduction in equity of S\$325.9 million and S\$179.9 million for both years respectively. On 15 July 2009, Olam issued 273.6 million new shares at S\$1.60 per share to Temasek Holdings to raise gross proceeds of S\$437.5 million. As a result, total shareholders equity increased by 35.7% from S\$1,225.8 million to S\$1,663.3 million.

## Net Debt to Equity

Net Debt to Equity by the end of FY2009 was 2.41 times (before intangibles and fair value adjustment reserves) as compared to 3.17 times in the previous financial year. Considering the equity infusion from Temasek Holdings, the net debt to equity ratio improves to 1.72 times.

## Chairman's Statement

Financial Year 2009 proved to be an unusually eventful year. In the early part of the year, we witnessed significant price corrections in agricultural commodities from the all-time highs of 2008. Not long after, we saw an unprecedented financial meltdown across the globe, exacerbating the impact of falling agricultural commodity prices on production and consumption levels. Olam's global, integrated and diversified business model provided the necessary resilience to manage this severe volatility and weather the follow-up storms.

I am pleased to report that, despite these unusual conditions, Olam was able to record its 20th consecutive year of profitable growth and deliver yet another set of strong financial and operating results in FY2009.

Sales revenue grew by 5.9% to S\$8.6 billion, backed mostly by our strong 16.1% growth in sales volume. Net Profit after Tax (NPAT) surged 50.3% over the previous financial year 2008 to S\$252.0 million. Part of the NPAT increase was due to a one-off net gain of S\$69.8 million arising from the buy-back of convertible bonds during the year and an asset impairment loss. Excluding these one-off gains, NPAT grew 20.9% to S\$182.2 million. The credit for this performance in these tough times goes to the people of Olam. The efforts of our experienced management team and the commitment and dedication of all our employees helped us to deliver solid results and prepare Olam for future growth.

I am pleased to report to all shareholders that the company delivered a Total Shareholder Return of 39% for FY2009. Our earnings per share increased 43.1% from 10.3 cents to 14.7 cents. Total shareholder funds crossed the one billion dollar mark to reach S\$1.2 billion (before fair value adjustment reserve). The Board of Directors has therefore recommended a First and Final dividend of 3.5 cents per share (FY2008: 2.5 cents). This amounts to a total dividend payout of S\$69.6 million, compared to S\$42.8 million in FY2008, and a dividend payout ratio of 27.6% for FY2009.

A more detailed review of the results for the year and the operating performance of the Group is contained in the CEO's Review on pages 20 – 25 of this report.

We are committed to a high standard of Corporate Governance in the Company. During the year, the Board and the Management Team continued to engage one another in addressing a wide range of strategic, compliance, risk and sustainability related issues – all areas of critical importance to investors. Olam being declared the second runner up in The Asset Corporate Governance Awards for 2008 in Singapore, is a testimony to this commitment. I would like to congratulate the entire Board and Olam team on this achievement.

At the previous Annual General Meeting of the Company on 29 October 2008, Mr. Peter Francis Amour retired by rotation from his position as a Non-Executive Director of the Company. We would like to thank Mr. Amour for his contribution and support to Olam since 2001 when AIF Capital invested in Olam as a cornerstone shareholder. AIF Capital today continues to hold an important stake in the Company. I would like to welcome Mr. Jean-Paul Pinard, who was elected to the Board on the same day as an Independent Director. Mr. Pinard brings with him 17 years of experience with the International Finance Corporation where he oversaw the management of a very large portfolio of loan and equity investments in agri-business and food industries, and pioneered sustainable agriculture initiatives in Latin America and South-East Asia.

I would also like to welcome Temasek Holdings as our strategic shareholder following their S\$437.5 million investment in the Company in July 2009. Temasek is highly regarded, not just in Asia but around the world for its long-term outlook and investment philosophy based on shareholder value creation. The Board and management strongly believe that Temasek's investment will help further raise Olam's profile among global investors.

The process of evaluation of Board members in their role on the Board and as Board committee members started in FY2008, and continued with another annual evaluation during FY2009. The findings were shared with individual members and discussed in the Board. Suggestions were taken to make the process even more effective.

On behalf of the Board, I would like to congratulate and thank our global team of more than 13,000 employees and 420 senior managers, for continuing to display an extraordinary commitment and putting in the discretionary effort which resulted in yet another strong performance and Company growth for the 20th year running. Aligning employees' interests with Olam's continues to be an area of focus for us. During the year, we granted a total of 45.375 million options to a large cross-section of our global talent pool.

Last but not the least, I would like to thank all our shareholders, investors, business partners and other stakeholders for their unstinting support for Olam over the last 20 years. We solicit your continued support.



**R. Jayachandran**  
Chairman



Consistent  
Performance  
in Tough Times

## Board of Directors



### **R. Jayachandran** NON-EXECUTIVE CHAIRMAN

Mr R. Jayachandran was appointed Non-Executive Chairman of Olam in 2006. He has been a Non-Executive Director since 1995 and was Non-Executive Vice-Chairman from 2004. He has been on the board of Kewalram Singapore Limited since 1979 and a member of the Kewalram Chanrai Group Board since 1992. Mr. Jayachandran is Executive Chairman of Aquarius Investment Advisors Pte Ltd, Singapore. He is also a founding shareholder and Director of Redington Group of Companies. In 2008, Mr. Jayachandran was appointed as Singapore's High Commissioner to the Republic of Mauritius.

Mr. Jayachandran is a qualified chartered accountant and has over 35 years' experience in capital raising, strategic planning and business development. He completed the Advanced Management Program (AMP) at Harvard University in 1995. He sits on our Governance & Nomination, Human Resource & Compensation and Capital & Investment Committees.

### **Mark Haynes Daniell** NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Mr. Mark Daniell is a Non-Executive and Independent Director and was appointed to the Board in October 2002. He is currently Chairman of The Cuscaden Group Pte Ltd, Vice-Chairman of Aquarius Investment Advisors Pte Ltd and a Director Emeritus of Bain & Company. Mr Daniell has experience in investment banking, business strategy, mergers and acquisitions and corporate transformation. His career with Bain & Company spanned over 20 years and was formerly Managing Director of Bain & Company (Asia) Inc. He holds a Juris Doctor degree from Harvard Law School, a law degree from University College, Oxford and is a qualified Attorney in the Commonwealth of Massachusetts. He is Chairman of the Human Resource & Compensation Committee and is a member of the Corporate Responsibility & Sustainability, Audit & Compliance and Governance & Nomination Committees.

### **Narain Girdhar Chanrai**

**NON-EXECUTIVE DIRECTOR** Mr. N G Chanrai is a Non-Executive Director and was appointed to the Board in 1995. He is the Managing Director of Kewalram Singapore Limited and has been the Group CEO of the Kewalram Chanrai Group since December 2004. A BSc Economics graduate from the University of London, he has worked in various operations of the Kewalram Group in Africa, the UK and Singapore and oversaw its global treasury and accounting functions before becoming Kewalram's Group CEO in 2004. Mr. Chanrai sits on our Audit & Compliance, Governance & Nomination and Capital & Investment Committees.

### **Robert Michael Tomlin** NON-EXECUTIVE

**AND INDEPENDENT DIRECTOR** Mr. Robert Tomlin is a Non-Executive and Independent Director and was appointed to the Board in September 2004. Mr. Tomlin is on the Board of Trustees of Singapore Management University and a member of the Catalyst Advisory Panel of the Singapore Exchange. Mr. Tomlin retired from UBS Investment Bank in August 2009, having served as Vice-Chairman, Asia and subsequently Senior Advisor. Prior to this, he spent 30 years with Schroder Group, 12 of which were as CEO, SE. Asia. He also chairs the Design Singapore Council and the Singapore Repertory Theatre. Mr. Tomlin holds a BA in Modern Languages from Downing College, Cambridge and is a Business Management Graduate from Harvard Business School. He chairs our Capital & Investment Committee and is a member of the Audit & Compliance, Risk and Corporate Responsibility & Sustainability Committees.

### **Michael Lim Choo San** NON-EXECUTIVE

**AND INDEPENDENT DIRECTOR** Mr. Michael Lim is a Non-Executive and Independent Director and was appointed to the Board in September 2004. Mr. Lim is Chairman of the Land Transport Authority of Singapore and Nomura Singapore Limited. He is a Lead Independent Director of Chemoil Energy Limited and is a director of PSA International Pte Ltd. A chartered accountant by profession, Mr. Lim was PriceWaterhouse Singapore's Managing Partner from 1992 and the Executive Chairman of PricewaterhouseCoopers Singapore, from 1999 until his retirement in 2003. He is also a member of the Public Service Commission, the Legal Service Commission and the Board of Trustees of the Nanyang Technological University. He is Chairman of our Audit & Compliance and Governance & Nomination Committees.

### **Jean-Paul Pinard** NON-EXECUTIVE AND

**INDEPENDENT DIRECTOR** Mr. Jean-Paul Pinard is a Non-Executive and Independent Director and was appointed to the Board in 2008. Mr. Pinard spent 17 years with the International Finance Corporation, Washington, DC (IFC) becoming Director of the Agricultural Department, responsible for managing IFC's US\$1.5 billion portfolio of loan and equity investments in agribusiness and food industries. Mr. Pinard is currently a board member of several companies and is a member of the Advisory Committee of Pampa Agribusiness Fund L.P. Mr. Pinard holds a Ph.D., Economics from the University of California and a Diplome d'Ingenieur from the Ecole Polytechnique, Paris. He chairs our Corporate Responsibility & Sustainability Committee and is a member of the Capital & Investment and Human Resource & Compensation Committees.





**Wong Heng Tew** **NON-EXECUTIVE AND INDEPENDENT DIRECTOR** Mr. Wong Heng Tew is a Non-Executive and Independent Director and was appointed to the Board in 2003. He was Managing Director, Investments at Temasek Holdings from 2002 to 2008 and was concurrently their Chief Representative in Vietnam from 2005 to 2008. Following his retirement in 2008, Mr. Wong is now Advisory Director for Temasek Holdings. His experience lies in investments, mergers and acquisitions, restructuring of companies, divestments and corporate stewardship. In 1998, he was appointed to the Pro Tem Committee for the formation of the Singapore Exchange. Mr. Wong holds directorships in local and overseas companies. He holds a Bachelor of Engineering degree from the University of Singapore and completed the Program for Management Development at Harvard Business School. He is a member of our Audit & Compliance, Governance & Nomination and Human Resource & Compensation Committees.

**Sridhar Krishnan** **EXECUTIVE DIRECTOR** Mr. Sridhar Krishnan is an Executive Director and was appointed to the Board in 1998. He is a Non-Executive Director of The Singapore Commodity Exchange. He is currently responsible for Olam's Rice, Wood Products and Shipping businesses. He is a member of the Corporate Executive Team and Strategy Committee and is the Head of the Programme Office, responsible for driving the implementation of the Group's Corporate Strategy. He has over 35 years' experience, more than half of which have been with Olam. He has held many senior positions in the Company including being Product Head for many businesses. He holds a Bachelor's degree in Commerce and is a postgraduate in Business Management from a leading business school in India. He is a member of the Company's Risk and Corporate Responsibility & Sustainability Committees.

**Andy Tse Po Shing** **NON-EXECUTIVE DIRECTOR** Mr. Andy Tse is a Non-Executive Director and was appointed to the Board in 2002. He is Managing Director of AIF Capital Limited and has over 13 years of experience in private equity investment in infrastructure and other related sectors in Asia and Australia. Mr. Tse holds directorships in both local and overseas companies. He obtained an MBA from the Chinese University of Hong Kong and is a qualified Chartered Financial Analyst. He has been conferred an Investment Adviser's License by the Securities and Futures Commission of Hong Kong. He chairs our Company's Risk Committee and is a member of our Capital & Investment Committee.

**Shekhar Anantharaman** **EXECUTIVE DIRECTOR** Mr. Shekhar Anantharaman is an Executive Director and was appointed to the Board in 1998. He is currently responsible for our Edible Nuts, Spices & Dehydrates, Beans and Packaged Foods businesses. He also has regional oversight for operations in China, Brazil, Argentina and North America. He is a member of the Strategy Committee and the Corporate Executive Team. He has 23 years of experience, 17 of which have been with Olam. He has held various senior roles in Country Management, Finance and Treasury as well as being the Global Product Head for many businesses. He holds a degree in Aeronautical Engineering and a postgraduate degree in Business Management from a leading business school in India. He is a member of the Board's Capital & Investment and Corporate Responsibility & Sustainability Committees.

**Sunny George Verghese** **GROUP MANAGING DIRECTOR AND CEO (EXECUTIVE DIRECTOR)** Mr. Sunny Verghese is the Group Managing Director and CEO and was appointed to the Board in 1996. He has been with the Kewalram Chanrai (KC) Group for two decades and in 1989 was mandated to build an agricultural products business for the Group. Before joining the KC Group, he worked for Unilever in India. As the CEO of Olam, he provides the leadership to steer Olam through its expansion and growth plans. He is also a member of the Company's Capital & Investment and Risk Committees. Mr. Verghese is currently Chairman of International Enterprise, Singapore and CitySpring Infrastructure Management Pte Ltd. Earlier this year, he was invited to sit on the Board of Trustees of the National University of Singapore. In 2008, Mr Verghese was appointed as a Non-Executive Director on the Board of PureCircle Limited, which is listed on AIM. He is also a Singaporean representative to the ASEAN Business Advisory Council. He holds a postgraduate degree in Business Management from the Indian Institute of Management, Ahmedabad and has also completed the Advanced Management Program at Harvard University. In 2008, Mr. Verghese was named the Ernst & Young Entrepreneur Of The Year 2008 Singapore, and represented Singapore at the Ernst & Young World Entrepreneur Of The Year Awards in 2009 in Monte Carlo. Sunny was voted the Best Executive in Singapore in 2006 in the AsiaMoney Awards and was declared 'Outstanding Chief Executive for 2006' in the 2007 Singapore Business Awards.

# CEO's Review

## The Economic Crisis and its Consequences

Financial year 2009 was a historic year that produced a brutal macro economic environment unprecedented in its scope and intensity – an economic scenario that was virtually inconceivable even just a year ago. The crisis began as a sub-prime credit problem in the US housing market and soon developed into a fully-fledged credit crunch and financial crisis before morphing into a synchronised global recession.

The various events that occurred in the US financial markets in September 2008 starting with the partial nationalisation/conservatorship of Fannie and Freddie, the acquisition of Bear Sterns by JP Morgan, the collapse of Lehman, the acquisition of Merrill Lynch by Bank of America, the bailout of AIG, the conversion of the last two remaining Investment Banks, Goldman Sachs and Morgan Stanley into bank holding companies and the collapse of Washington Mutual Bank, all contributed to September 2008 crisis, replacing 9/11 as the worst period in Wall Street history.

The structural imbalances in the global economy, including a dramatic shift in the balance of payments and current account surpluses to China, West Asia, NIEs and other ASEAN countries, resulted in a prolonged period of cheap credit, excess liquidity and under-pricing of risk, which in turn led to excess leverage across financial, corporate and household sectors. Such easy credit encouraged US consumers to go on a borrowing and spending spree, which in turn boosted the purchases of Asian exports. These factors directly contributed to the growing financial imbalances that fed this financial and economic crisis. We believe that this crisis represents a significant discontinuity and reflects a structural break in long-term economic trends.

As we began our fiscal year in July 2008, commodity markets took a significant turn for the worse. Over the course of the subsequent two quarters, prices for the various agricultural commodities we deal in declined by 50 – 60% or more, touching historical and in some cases lifetime lows by December 2008. From one of the steepest and most prolonged upcycles seen in commodity markets, which peaked in June 2008, the sharp fall in prices in just six months was a reversal that was stunning in both its sharpness and speed.

As I write this review, the financial shockwaves from the crisis are still reverberating. However, recovery in the global economy and financial markets is becoming increasingly more apparent. While some of the structural imbalances underlying this economic crisis are waning, others still persist and new ones are being created by policymakers' attempts to stimulate economies and markets. In particular, the crisis has reversed one of the

main engines that underpinned much of the last decade's global GDP growth – namely US consumer spending and US household savings rates. This reversal leaves the expected rise of the emerging market consumer as a necessary and important condition for a stronger world economy. Such profound changes in consumption and trade patterns will have major implications for the dollar, for globalisation and for the direction of commodity prices, which in turn, will irreversibly change the global economic and financial landscape.

### Navigating the Economic Crisis

To navigate through this crisis, we were prepared to make strategic, structural, financial and operational changes in the face of the economic uncertainties that lay ahead. The key questions that we asked were: How do we reshape our businesses to steer it through whatever hard times lie ahead? How do we make the changes now to emerge in better shape than before to seize the growth opportunities that will eventually come?

At Olam, the task of leading through this period of sustained crisis was executed in two parts, which we focused on concurrently. The first part was the emergency phase where the primary task was to stabilise the situation and quickly reduce our downside risk. The immediate challenge was to act quickly and decisively to prepare for the worst possible scenario. We increased our focus on the balance sheet as we realised protecting and enhancing our cash flow was the first priority. Managing the reduction of working capital in terms of inventories and receivables in the context of a deteriorating credit and counterparty environment became a central focus. We stayed focused on ensuring we had sufficient liquidity. We pruned and rationalised several of our underperforming or marginally-performing profit centres and brought down our operating risk by reducing our overhead costs. The strength of our network in 60 countries, our involvement in 20 product markets, our network of over 200,000 suppliers and 10,600 customers enabled us to detect early signs of economic change and respond appropriately. These special insights were accumulated

## Weathering Cycles





from many product markets, countries and activities and enabled our trading teams to avoid being adversely impacted by plunging commodity prices. This insight, combined with our network franchise, also helped us manage the heightened counterparty exposure normally resulting from such price movements.

The second part was the adaptive phase, where we began to reposition Olam to build capacity and thrive in the new reality. Since there is a lot of uncertainty about that new reality, we are building strategic and financial flexibility to cope with different potential scenarios. As outlined in my previous reviews, at Olam we develop strategy across two three-year cycles at a time, generating a six-year forecast. To this end, we have developed three plans: i) a minimalist plan, ii) a balanced plan, and iii) an unconstrained plan. These plans reflect three capital availability scenarios, namely, a second wave of the financial crisis further restricting capital availability, a modest opening of capital and debt markets and a return to a more normal capital and debt market environment respectively.

We have also refined our strategy to significantly improve the margin profile of the business by selectively integrating upstream into plantations, and midstream into value-added processing. We will do this in select products and geographies where excess return opportunities exist by leveraging our supply chain and emerging markets expertise to capture this value. This will enable us to significantly lift our margin profile (double net profit margins) and generate profitability outcomes over the next six years with much lower capital, which is extremely important in a potentially capital-constrained world.

We are also taking advantage of the dislocated markets to acquire distressed assets that have a strategic fit with our core business and have made five “string-of-pearls” acquisitions in the last six months. A large part of building the Company’s capacity to thrive in the new reality is improving our capacity to take and manage risk – the heart of creating shareholder value. We will strike a balance that protects the Company from the costs of financial distress, while allowing enough space for entrepreneurship. We have developed a risk environment where the potential rewards of our various business decisions, capital allocation and investment choices are continuously weighed against the risks and determining the risk-adjusted returns resulting from those decisions. This kind of strong risk management has provided us with a competitive advantage that has helped us scale our business more safely.

## Weathering the Cycles

Olam will be celebrating its 20th anniversary this year. We take great pride in continuing to remain a growth company even after 20 years. During this period, we have survived and prospered through four recessions (1991, 1998, 2001 and 2008) and three, deep commodity downcycles. We will continue to work hard to build Olam for the long term.

Over the years, we have built a unique business model that helps us weather these inevitable economic and commodity cycles. At its core, this Olam model consists of the following key facets:

1. Building a **recession resistant** portfolio: Nearly 80% of our portfolio is in the food space, where demand is more resilient during a downturn. As a result of this focus, we are less subject to major business volume risk in an economic downcycle.
2. Participating as a **supply chain manager** and not as a positional, directional or proprietary commodity trader enables us to navigate commodity cycles better, as we capture a reasonably more predictable margin irrespective of the direction of commodity prices.
3. Our **diversification** across 20 agricultural commodities, 60 countries and 10,600 customers with no product, country or customer dominating our business or earnings also helps us perform more consistently as a portfolio across these cycles.
4. Building **sustainable competitive advantages by differentiating ourselves** both by out-originating our competition through our farm gate cross-sourcing model, and providing customised and differentiated marketing solutions and services to our customers. This differentiation enables us to grow at above market growth rates.
5. Pursuing a **proven and disciplined growth model of identifying adjacencies** – that is, opportunities that share customers, suppliers, costs, channels or capabilities with our existing businesses. This has helped us generate multiple growth vectors and platforms across product, country and value chain segments and enable us to remain a premium growth company.
6. Accelerating profitable growth through selective **acquisitions** that can catalyse our supply chains. In this regard, we focus on identifying excess return opportunities that are highly value-accretive with a clear, strategic fit with our existing businesses.
7. Building **financial flexibility** by pre-emptively raising capital to give us the opportunity to act aggressively if and when required; and to have the cash and borrowing capacity available to run our businesses smoothly and support our customers’ supply chains.
8. **Replicating the Olam DNA:** In the ultimate analysis, it is our people, our culture and values that remain our single most important competitive advantage. Through this crisis, we have been focused on building and growing our pool of high-calibre managers and leaders. Today we have built our Global Assignee Talent Pool (GATP) to 420 leaders who carry the Olam DNA, understand our business model, our operating systems, risk systems, control systems, IT systems and live our values. This gives us enormous bandwidth to develop winning strategies and implement them with intent.
9. Putting in place foundational enablers by building and institutionalising **scalable systems** including risk systems, control systems, operating systems, IT systems and people systems that allow us to scale and grow with less execution risk.
10. Institutionalising a **governance framework** in terms of building an engaged Board, attracting a high-quality shareholder base, establishing high standards of transparency and disclosure, and operating the business with integrity in a socially responsible and environmentally sustainable manner.



This **Olam Model** has helped us deliver consistent and above-market financial results over the last 20 years across both economic and commodity cycles. At the same time, it has helped us build leadership businesses with strong competitive positions and continuing growth potential. At Olam, we don't start managing a crisis when we are in the midst of a crisis. We take the view that economic and commodity cycles are an inherent part of our business landscape and we must build the necessary strategic, financial and organisational flexibility to successfully navigate through these inevitable cycles. In fact, we try and take advantage of these market disruptions to act aggressively to reposition ourselves and gain competitive ground.

### Olam Model Continues to Deliver

It was heartening to see that, even in the depths of this crisis, when financial institutions and capital markets were in free fall, Olam was able to maintain uninterrupted access to short-term credit to support our business. Against such a tough economic and commodity cycle backdrop, our financial results for FY2009 were very strong in absolute terms and even better in relative terms as we outperformed both our peers and the broader market. We grew volumes at 16.1%, reported after tax earnings growth by 50.3%, core operational after tax earnings growth excluding one-off gains and losses by 20.9%, EPS by 42.7% compared to FY2008 and achieved an ROE of 26.1% and an ROIC of 14.7%. Our continued access to scarce capital during the crisis, constant focus on risk management, a fierce control over costs and a robust and differentiated strategy that was effectively implemented, all combined to serve as the key facets of our comparative advantage through the crisis. This provided us the opportunity to reshape and consolidate our market position in FY2009. In that context, I believe and I hope you will agree, our performance in FY2009 may have been one of our best ever. During the year we continued to build on our long track record of innovating our business model to develop sustainable competitive advantages that help us build strong, market-leading global businesses.

### Operating and Financial Review

Our Group Net Profit After Tax (NPAT) rose by 50.3% to reach S\$252.0 million for FY2009. Excluding one-off gains and losses NPAT grew by 20.9%. Given the economic crisis, this is a very strong and creditable outcome. We performed well across all our key financial metrics:

Financial Highlights	FY2009	FY2008	Change (%)
Sales Volume ('000 metric tonnes)	5,721	4,926	16.1
Sales Revenue (S\$ million)	8,587.9	8,111.9	5.9
NC (S\$ million)	600.8	518.3	15.9
NC/tonne (S\$)	105	105	-
Reported NPAT (S\$ million)	252.0	167.7	50.3
One-off Gains (S\$ million)	69.8	16.9	N.M.
Core NPAT (S\$ million)	182.2	150.7	20.9
EPS (cents per share)	14.7	10.3	42.7
Core EPS (cents per share)	12.4	10.1	22.8
ROE (Beginning-of-Period Equity) (%)	26.1	28.7	(2.6)
ROIC (Average Capital Employed) (%)	14.7	13.2	1.5

**Sales Volume** grew 16.1% to 5.72 million metric tonnes from a year ago, contributed by growth from all four business segments, including the Industrial Raw Materials segment where there was significant contraction in demand due to the global economic downturn. The food raw materials and ingredients segments, namely the Edible Nuts, Spices & Beans, Confectionery & Beverage Ingredients and Food Staples & Packaged Foods segments, which accounted for 80% of our total sales volume, grew 19.9%, confirming our belief that food raw materials and ingredients are relatively more recession resilient. The Fibre & Wood Products segment (now known as Industrial Raw Materials segment with the inclusion of Rubber and Wool as new products), grew volumes by 2.7%, a very creditable performance, given the severe contraction in aggregate demand for this segment.

Sales Volume	FY2009 (MT/'000)	FY2008 (MT/'000)	% Change
Edible Nuts, Spices & Beans	976	827	18.0
Confectionery & Beverage Ingredients	1,170	1,046	11.8
Food Staples & Packaged Foods	2,451	1,959	25.1
Food Raw Materials & Ingredients	4,597	3,832	19.9
Industrial Raw Materials	1,124	1,094	2.7
Consolidated Total	5,721	4,926	16.1

Revenues grew by 5.9% to S\$8.59 billion, mainly on account of strong volume growth as prices came down for most products in our portfolio.

Net Contribution (NC), which is gross profit less variable interest expense, was up 15.9% to S\$600.8 million, as all four segments recorded NC growth. 85% of the growth in NC was due to volume growth and the remaining 15% was driven by margin growth. Our margin as measured by NC per tonne remained at S\$105 per tonne. The food raw material and ingredients segments grew its NC per tonne from S\$99 in FY2008 to S\$100 in FY2009, while Industrial Raw Materials' NC per tonne declined from S\$128 to S\$126 during the period, resulting in portfolio margins staying relatively unchanged for the year.

Net Contribution	FY2009 (S\$million)	FY2008 (S\$million)	% Change
Edible Nuts, Spices & Beans	155.1	128.0	21.2
Confectionery & Beverage Ingredients	168.5	148.4	13.5
Food Staples & Packaged Foods	135.5	102.5	32.2
Food Raw Materials & Ingredients	459.1	378.8	21.2
Industrial Raw Materials	141.7	139.5	1.6
Consolidated Total	600.8	518.3	15.9

**Net Profit After Tax (NPAT)** increased 20.9% to S\$182.2 million excluding one-off net gains recorded in both FY2008 and FY2009. There were two one-off items amounting to S\$69.8 million in FY2009. As part of our proactive capital management, we bought back convertible bonds of aggregate principal amount of US\$123.6 million for US\$80.5 million, at a discount of 35%. We then bought back an additional US\$157.2 million for US\$122.6 million and exchanged them for new bonds with a lower conversion premium to reduce potential refinancing obligations due in 2011. As a result of this convertible bond buy-back and exchange exercise, we booked a non-taxable net gain of S\$80.6 million. The second one-off item was the impairment of asset of S\$10.8 million arising from the write-off of the investment in cotton gins in Twynam, Australia due to the possible reduction of cotton production in the Twynam upland regions. Earnings Per Share (EPS) rose 42.7% to 14.7 cents and excluding one-off items, the growth was 22.8% to 12.4 cents in FY2009.

A more detailed discussion of the performance and growth initiatives for each segment is discussed on pages 42 to 59 of this report.

### Acquisition Strategy Beginning to Pay Off

Our strategy of combining organic and inorganic growth has worked very well for us and acquisitions have played an important role in catalysing supply chains for several products in our portfolio. These acquisitions have been both earnings and value-accretive almost from the start and have helped us strengthen our competitive position in these businesses. Importantly, we were able to integrate these businesses well, extracting the identified synergies and thereby adding value to the businesses we acquired.

Inorganic growth contributed strongly to earnings growth in FY2009. NC contribution from acquisitions increased 57.3% from S\$89.9 million in FY2008 to S\$141.4 million in FY2009. The increase in NC contribution was due to the growth of these businesses post-integration, the full-year impact of earnings from acquisitions completed in FY2008, as well as the consolidation of new acquisitions completed in FY2009, including peanut processing company Industrias Martin Cubero in Argentina, and our share of results from joint ventures and associates, Nauvu Investments, Open Country Dairy (formerly known as Dairy Trust) and Olam-Wilmar Investment.

By FY2009, new businesses, which we acquired over the past 24 months, accounted for 16.3% of our total sales volumes and 23.5% of total NC. As we enter into the third year of our acquisition strategy, we believe we will be close to our target of inorganic growth contributing to between 25 – 30% of our overall earnings by the end of this planning cycle.

	FY2009			FY2008			Total
	Existing Business	New Business	Total	Existing Business	New Business	Total	
Volume (Metric Tonnes)	4,784,400	936,240	5,720,640	4,530,153	396,209	4,926,362	16.1%
NC (S\$'000)	459,407	141,441	600,848	428,409	89,921	518,330	15.9%
% Share of NC	76.5%	23.5%	100.0%	82.7	17.3%	100.0%	

A more detailed description regarding the effectiveness of our acquisition strategy is discussed in this annual report on pages 36 to 39.

### Continuing to Meet our Governing Objective

We continue to deliver on our governing objective of maximising intrinsic shareholder value over time for our continuing shareholders. There are three key drivers to building intrinsic value, namely improving equity capital spread (ROE –  $K_e$ ) or total capital spread (ROIC – WACC), increasing the rate of profitable growth and sustaining this growth over time.

Value Drivers	Year Ended		
	FY2009 (%)	FY2008 (%)	Change (%)
ROE	26.1	28.7	(2.6)
ROE – $K_e$	17.1	19.7	(2.6)
ROIC (Average)	14.7	13.2	1.5
ROIC – WACC	6.3	6.3	–

In FY2009, our ROE was 26.1% generating an equity spread of 17.1% over our cost of equity of 9%. We generated a capital spread of 6.3%. We exceeded our targets in this regard, which was to generate at least a 10% spread over our cost of equity and at least 5% over our WACC.

### Building Financial Flexibility

Even at the peak of the financial crisis, our working capital lines remained intact as our lenders fully understood the transactional nature of our working capital financing and the high quality of liquid hedged assets that they finance.

Given the financial crisis, we decided to de-gear our balance sheet and consciously lowered our net debt to equity target to a range between 2.5 – 3.5 times during the year for short-term current assets and a target of 1 – 2 times for long-term capital investments and acquisitions.

Internally, we maintained a very tight reign on working capital utilisation, through careful monitoring of debtors and supplier credit, as well as trade creditors and stock days to improve our cash cycle time. We operated with large margin of safety on working capital to keep utilisation rate at around 50 – 55% of available credit lines through the course of FY2009.

I am pleased to say that all our working capital ratios, with the exception of stock, improved in FY2009. Debtor days were reduced by two days to 31 days. Quality of debtors remained good with 70% secured by letters of credit or documents of title. Advances to suppliers came down from 19 to 13 days and trade creditors increased from 26 to 30 days. During the year, when many of our customers were faced with severe credit constraints, we took stocks to destination markets, where we broke bulk and sold in cash to customers there, leading to slightly longer stocking days at 91 compared to 88 last year. But overall, we have managed our working capital much better, with cycle time reduced from 114 to 105 days, while using the same amount of working capital to generate higher sale volumes. Current ratio at 1.37 was better than last year.

We were also proactive in managing our long-term debt obligations. Most of our three-year and five-year debt does not fall due for repayment until late 2010 and 2011. Bond markets collapsed between September 2008 and January 2009, sending bond yields to new highs. We seized this opportunity and bought back most of our convertible bonds that were issued in June 2008 and then issued new bonds with a lower strike price to mitigate potential refinancing obligations. The net gains from

this exercise enhanced shareholder equity and at the same time brought down leverage.

In addition, we grew our total working capital lines during the year. In September 2008, amid extremely challenging global credit market conditions, we successfully closed a three-year US\$115 million Islamic Syndicated Commodity Murabaha Facility arranged by the Islamic Bank of Asia, reflecting our ability to attract well-regarded financial institutions. The syndicated loan was specifically targeted towards the Islamic Financing market with the objective of achieving diversification in our debt portfolio. In March 2009, we renewed and upsized a US\$150 million one-year Revolving Multicurrency Trade Facility to US\$170 million for our working capital requirements.

Around the same time, we increased long-term debt facilities, including the three-year loan of US\$75 million for the convertible bonds buy-back and the 8.5 year export credit facility of US\$33 million supported by the official Export Credit Agency of Denmark and guaranteed by the Danish State.

Our total borrowing facilities increased S\$340 million, or 6.5%, to S\$5.5 billion during the year, net of the reduction in our convertible bonds. Approximately 57.4% of these facilities were utilised as of 30 June 2009.

(S\$ million)	FY2009	FY2008	Increase/ Decrease	% Increase/ Decrease
Short Term	4,149	3,646	503	13.8
Long Term	1,384	1,547	(163)	(10.5)
Total	5,533	5,193	340	6.5

Total shareholders' equity and reserves (before fair value adjustment reserve) grew 27.1% from S\$964.3 million in FY2008 to S\$1.2 billion. We ended the year with a net debt to equity (before fair value adjustment reserve and intangibles) ratio of 2.41 times, a significantly lower gearing than a year ago (3.17 times). Adjusting for the 83.8% of inventories that are liquid, hedged or sold forward, and receivables secured by letters of credit or documents of title, the adjusted gearing comes down to 0.45 times compared to 0.74 times in FY2008.

Post our balance sheet date, there were three significant developments that have further enhanced our financial flexibility.

Firstly, we completed the strategic placement of 273.46 million new ordinary shares to Temasek Holdings to raise US\$300 million (S\$437.5 million) of permanent capital for Olam. This represents 13.76% of the enlarged issued share capital of the Company held by Temasek, a widely respected, long-term oriented strategic investor with an excellent track record. This investment from a discerning investor like Temasek is a clear vote of confidence in Olam's competitive position, our supplier and customer franchise, our strategy, the strength of our management team and our future prospects. Temasek invested in Olam because it fits well with their investment theme of supporting emerging global champions and participating in the long-term growth potential of the agricultural sector. We believe Temasek's involvement at a time when we are embarking on our next growth phase will provide us significant support to execute our key strategic thrusts.

Secondly, Olam has put in place additional debt facilities, both for our working capital and fixed capital investment plans. In August 2009, we announced the conclusion of a US\$100 million Islamic Revolving Trade Finance Facility with the Islamic Bank of Asia and a US\$540 million Syndicated Transferable Term Loan Facility fully underwritten by nine banks. The latter comprises a three-year term loan of US\$324 million mainly for working capital uses, and a five-year term loan of US\$216 million for capital expenditure and acquisitions.

Thirdly and most recently, we successfully launched a seven-year non put convertible bond issue to raise US\$400 million with an upside option of an additional US\$100 million, being the only non-rated issuer from Europe or Asia to achieve such a long tenor. The seven-year long tenor enables us to term out our debt maturity profile at attractive terms. The convertible bonds were offered with a 6% coupon and a 25% conversion premium. The bonds have been trading extremely well in the after-market and are trading at 105/106 at the time of writing this review.

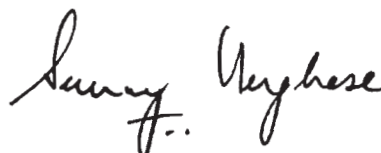
With the additional equity capital, long-term debt and convertible bond issuance, we are now very well-positioned financially to execute on both our organic and inorganic growth initiatives.

## Conclusion

Over the last 20 years, we have grown from a one product, one country business to a 20-product, 60-country operation with a turnover of S\$8.6 billion and net profits of S\$252.0 million in FY2009. Given our unique competitive position, our strong supplier and customer franchise, our scalable Risk/IT/HR processes and systems, and our deep bench strength of talent, we believe we are well-positioned to take advantage of emerging opportunities of this new world. A critical point to highlight is that several of our businesses now rank as the top three players in the industry. In 2009, all our businesses have grown stronger. Our goal for each business is to be the best, not necessarily the biggest.

Looking back at last year, I remain very proud of our people across the Company. They worked harder and smarter than ever and delivered admirably for our shareholders, our suppliers and customers, and for the communities in which we operate. I thank all of them for the ownership mentality they have shown and for the discretionary effort that they have put in to deliver another successful year under the most trying conditions. Our success would not have come if it were not for the commitment of our shareholders to take a long-term view and support us through this crisis. As a management team, we will strive to do our utmost to repay the trust, commitment and confidence shown to us.

Looking forward, I remain confident about our future. Olam is a significantly stronger company after winning through this crisis. We have an opportunity-rich environment which we intend to seize. I hope after reading this letter you will share my confidence in our ability to build an even stronger and more successful Company in the future.



**Sunny George Verghese**

Group Managing Director & Chief Executive Officer

# Investing for Value

## Our Corporate Strategy

Next two three-year cycles (FY2010 – 2012 and FY2013 – 2015)

### Background

It has been well documented that when a person's life is threatened, the body adapts superbly to cope with the crisis. Breathing, heart rates and response times accelerate. Blood flow is diverted to the lungs and other critical areas. The odds of survival improve. Can companies respond to economic turbulence as brilliantly? The key goal of strategy in a downturn is to help you end up on the right side of the mortality tables – not just surviving, but poised for growth. As somebody said recently, "A crisis is a terrible thing to waste". Can we take advantage of the market disruptions caused by the crisis to significantly enhance our competitive position?

At Olam, the end game for developing good corporate strategy is to make our business more valuable by establishing clear pathways for sustainable profitable growth that helps build fundamental intrinsic value. There are only two ways to get this outcome. Firstly, you can invent your way to success but unfortunately that is a long shot with low odds of success. Secondly, you can exploit some changes in your environment, a macro trend, a sub trend, changes in competitive behavior, changes in consumer preferences or changes in regulation etc, and ride that change with quickness and skill. Although any such change in key trends has long term consequences, effective corporate strategy development necessitates that we take a "position" now. By taking a position, we mean investing in resources that will be made more valuable by the changes that are happening. Speculative judgments are the essence of strategic thinking and typically can be the starting points for taking a position.

We believe that an important factor in developing good corporate strategy is to adopt a predatory posture focused on going after these structural changes or trends. At Olam, every three years, we review our strategic plans for the next two three-year cycles (next six years). The current economic crisis provided us further impetus for this year's exercise. This was also an appropriate juncture to assess opportunities and risks posed by structural changes in our industry.

We also developed this corporate strategy keeping in mind the possibility that we will potentially face an increasingly capital constrained world experiencing sub-par growth through our plan period.

### Objectives

We set out five objectives for this strategy exercise including:

- i. Taking stock of our current position and articulating required changes to the business model and shape of portfolio in order to achieve our value creation targets (**point-of-departure**);
- ii. Aligning the Management Team and Board to a common set of goals, outcomes and vision for 2015 (**point-of-arrival**);
- iii. Synthesising the overall corporate strategy, developing the key strategic imperatives and building the implementation roadmap (**developing strategic pathway**);
- iv. Mobilising the organisation for execution;
- v. Developing a compelling communication of our next phase of growth strategy to all stakeholders (**communicating strategy**).

As a starting point, we laid out a clear hierarchy of objectives and goals and some boundary conditions under which to achieve them. Our governing objective will continue to remain as before, namely, to maximise intrinsic shareholder value for our long term or continuing shareholders in an ethical, socially responsible and environmentally sustainable way. The specific drivers and goals to achieve our governing objective include:

- i. Double intrinsic shareholder value every three years or quadrupling it over the six-year time frame;
- ii. Increase equity spread  $\geq 10\%$  ( $ROE - K_e : 20\% - 10\%$ );
- iii. Increase capital spread  $\geq 5\%$  ( $ROIC - WACC : 12\% - 7\%$ );
- iv. Target PBT margin  $\geq 5\%$ ;
- v. Target PAT margin  $\geq 4\%$ ;
- vi. Reducing earnings volatility (Business Unit and Portfolio);
- vii. Achieve strategic and financial flexibility; and
- viii. Be widely recognised as a responsible and sustainable value creator.

Our strategic intent and vision is to be the leading global supply chain manager and processor of agri-commodities by:

- i. Serving growers and customers globally;
- ii. Pursuing select scalable and attractive niches in upstream and value-added midstream processing;
- iii. Capitalising on our emerging markets expertise.

In order to build a strategy that will achieve these outcomes, we need to know exactly:

- i. Where we will compete;
- ii. How we plan to win; and
- iii. How we will mobilise the organisation to implement this strategy.



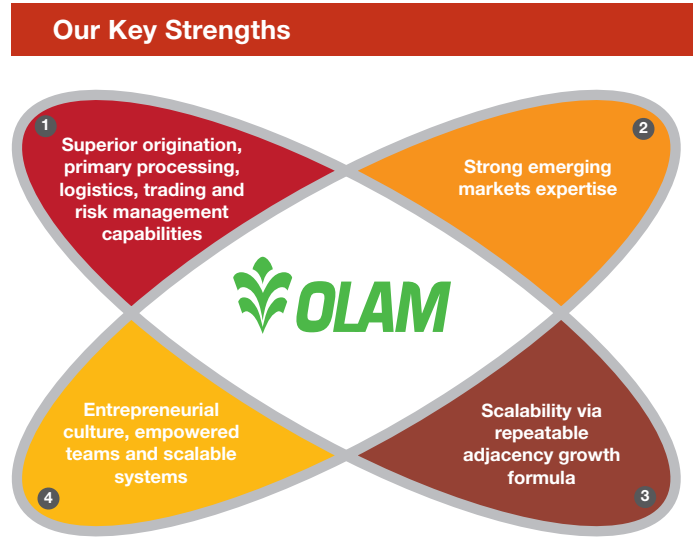
### Where to Compete: Defining the Core

Over the 20 years that we have been in business, we have developed a strong core as a leading global supply chain manager of agricultural raw materials and food ingredients. Our core business consists of five key facets:

- i. **Sourcing/origination:** Farm gate cross-sourcing model, built a valuable franchise of over 200,000 grower and supplier relationships;
- ii. **Primary processing:** Converting agri-raw materials into intermediate products;
- iii. **Logistics:** Inland and marine logistics;
- iv. **Risk Management:** Capturing, measuring and managing risk at a transactional level;
- v. **Trading/marketing:** Providing customised marketing solutions and services to over 10,000 customers globally. Our strong core has helped us perform strongly and consistently over the last 20 years across both economic and commodity cycles. We have built a strong business portfolio based on key strengths developed over the past two decades (see Chart 1).

The key to our strong core business is a repeatable and scalable formula that has allowed the company to reinforce and expand the core in different ways. This kind of repeatability has conditioned us to move quickly, instinctively and reflexively in the same way as years of practice help great athletes to develop the muscle memory that enables them to compete at the highest levels. Our success in the past has been clearly based on this repeatable model that has strengthened and expanded the core. The power of this repeatable model is its simplicity. Everyone in the organisation knows the business' priorities and has the skills and capabilities to make the core as strong as it can be.

Chart 1



Our approach when we looked at the next six years is to:

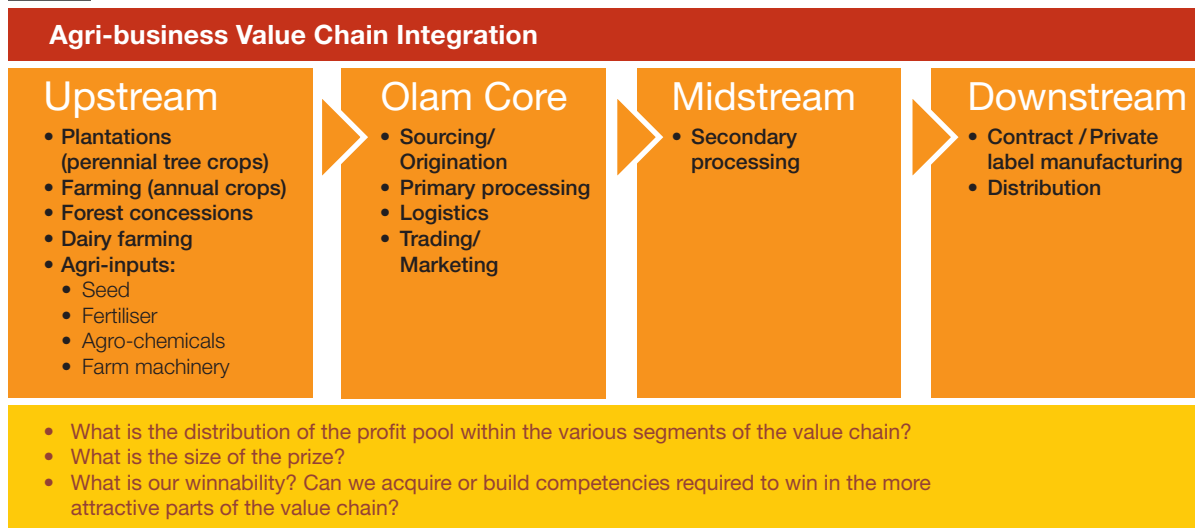
- i. Consolidate the core by focusing and recognising its full potential;
- ii. Identify the hidden assets and how these could be leveraged;
- iii. Expand by exploiting the power of the repeatable formula;
- iv. Refine the strategy by following profit pools as a direction finder for our future investments.

### Understanding the Agri-business Value Chain

The agri-business value chain consists of four parts:

- i. An upstream piece which includes plantations, farming, forestry, dairy farming, etc;
- ii. A supply chain piece (Olam's core);
- iii. A mid stream value-added processing piece; and
- iv. A downstream contract manufacturing, private label manufacturing and distribution piece (see Chart 2).

Chart 2



## Our Point-of-Departure

The following chart illustrates our current competitive position (point-of-departure) in each of our products across the value chain and the strength of that participation. We have rated our competitive position in three categories: i) leader (red); ii) close follower (blue); iii) minor presence or distant follower (yellow). One of the key outcomes of the strategy exercise is to improve our competitive position in these or other adjacent businesses over the next six years (see Chart 3).

## Two Alternative Growth Approaches

Given our expectations of a potentially capital constrained world going forward combined with our ambition to quadruple our intrinsic shareholder value over the next six years, we had essentially two alternative approaches to achieve this outcome. We could do more of the same in terms of scaling our current

asset light supply chain business with a relatively predictable net after tax profit margin of 2%. In order to achieve our target of quadrupling intrinsic value, this would mean that we had to scale our existing business from the current US\$6 billion in revenues to roughly US\$25 billion in revenues by the end of year 6. This would imply a total capital requirement of US\$9 billion with equity of US\$2.25 billion compared to approximately US\$1.2 billion equity that we currently have. In a potentially capital constrained world, this did not seem to be the best course of action. An alternative approach was to map the profit pool for each product and migrate into the more attractive parts of the value chain so as to double our after tax net profit margin profile from 2% to 4%. If we could do this, we could achieve the same profit outcomes by growing the business to a US\$12.5 billion business that would require total capital of about US\$5.5 billion with equity of about US\$1.75 billion. This is a better alternative from a capital and return perspective as shown in Chart 4.

Chart 3

Our Current Point-of-Departure					
<ul style="list-style-type: none"> <li>● Leader</li> <li>● Follower</li> <li>● Minor Presence</li> </ul>	Upstream	Olam Core	Midstream	Downstream	Adjacencies leveraging Olam capabilities
	Value Chain Integration				
Cashew		●		●	<ul style="list-style-type: none"> <li>● Packaged Foods Business</li> <li>● Commodity Financial Services (CFS)</li> <li>● Fertiliser Distribution</li> </ul>
Peanuts	●	●	●		
Almonds		●			
Coffee	●	●	●		
Palm*	●	●	●		
Rubber*	●	●	●		
Dairy		●	●		
Spices & Dehydrates		●	●		
Grains		●			
Sugar		●	●		
Cocoa		●	●		
Rice	●	●			
Cotton		●			
Sesame		●	●		
Pulses		●			
Timber	●	●	●		

\* In West Africa

Chart 4

Two Alternative Approaches				
	Profit Margin	Asset Turns	Financial Leverage*	ROE
<b>Approach A:</b>				
More of the same (current core)	2%	2.75x	4.0x	22%
<b>Approach B:</b>				
Selective value chain integration in excess return opportunities	4%	2.25x	3.2x	29%

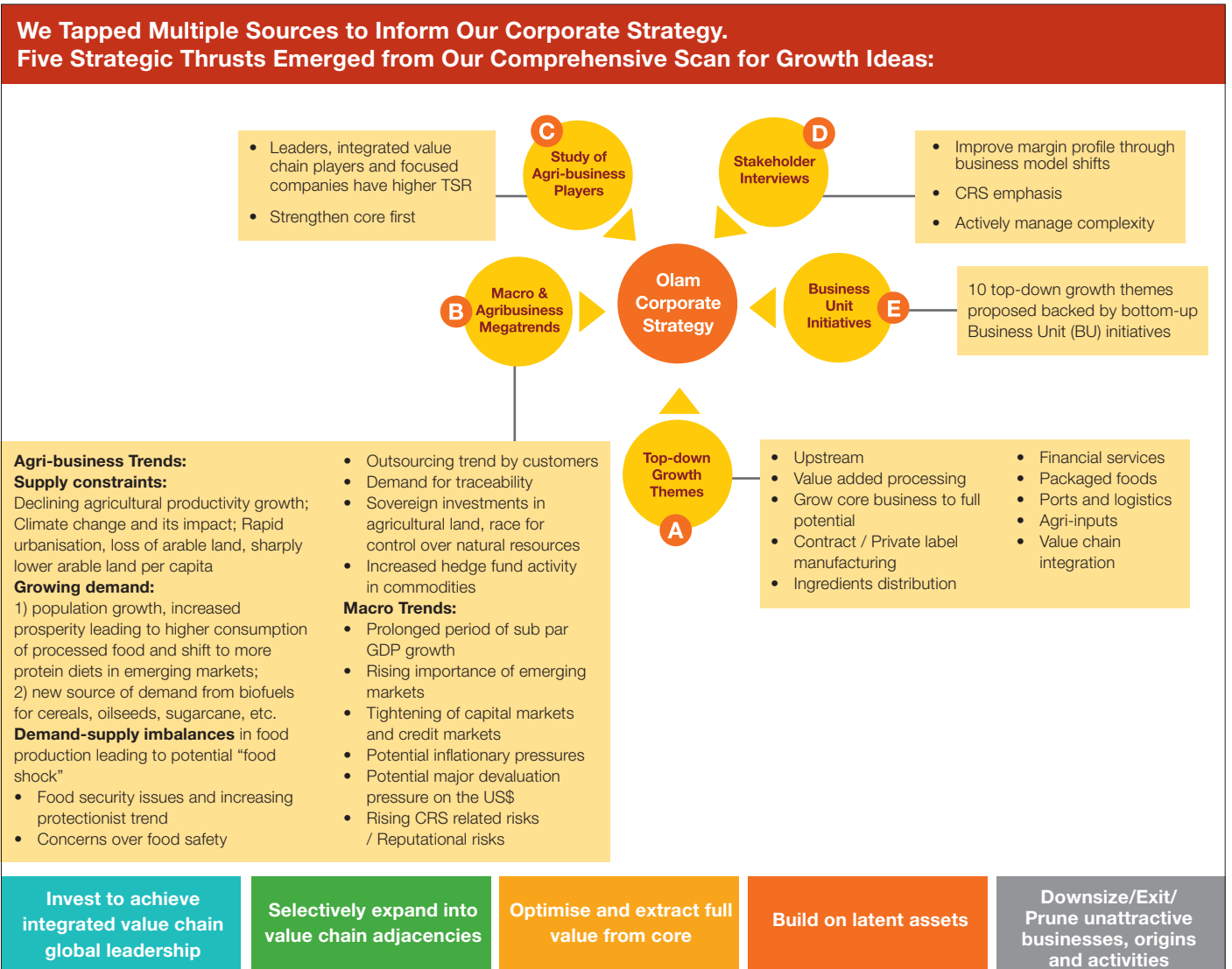
\* Net Debt: Equity +1

### Strategy Process

We tapped multiple sources to inform our judgment and develop our corporate strategy. These include:

- i. Identifying **top-down growth themes** that would enable us to double our margin profile in the next six years;
- ii. An analysis of **macro and specific agri-business mega trends** that would impact our business;
- iii. A **survey/study of over 50 agri-business players** to understand best practices and also uncover the margins in different parts of the agri-business value chain; and
- iv. **Stakeholder interviews** with both internal and external stakeholders to tap on their insight to inform our strategy development. The summary of this assessment is shown in Chart 5 below:

Chart 5



## Five Strategic Thrusts

Based on the above analysis, for each of our businesses, we mapped the profit pool to determine the distribution of the profit pool between the upstream, Olam core, midstream and downstream segments. Having determined the size of opportunity in each of these segments, we looked at our winnability in selectively integrating into the more attractive parts of the profit pool where excess return opportunities exist.

We developed five key strategic thrusts that we want to pursue as a result:

- i. pursue integrated global value chain leadership;
- ii. selectively expand into value chain adjacencies;
- iii. optimise and extract full value from the core;
- iv. grow into new adjacent businesses building on the latent assets and capabilities that we have;
- v. downsize/exit/prune unattractive businesses, origins, profit centres and activities.

We mapped and prioritised our various businesses based on 1) their historical financial performance, 2) their current competitive position and 3) the addressable size of the prize to determine which of these businesses will fall into each of these five strategic thrusts as follows (see Chart 6):

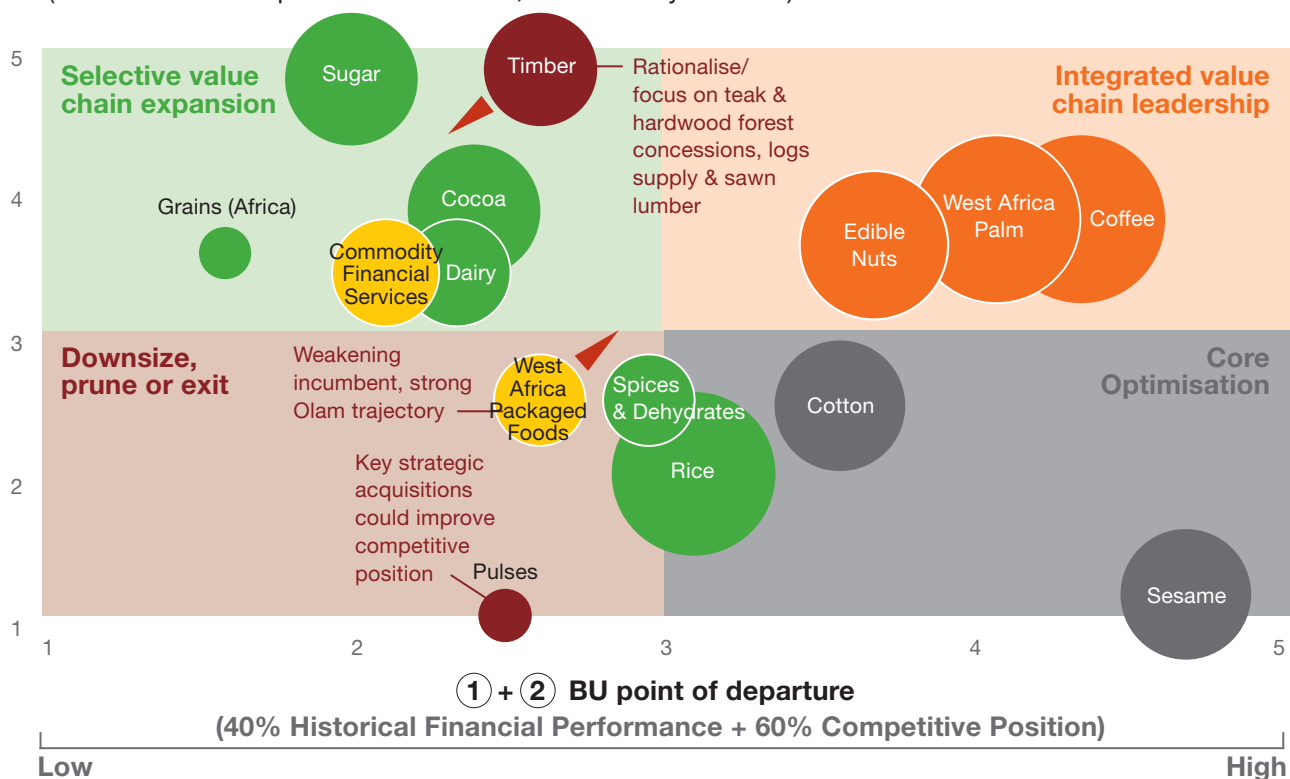
Three businesses, namely coffee, edible nuts and West Africa palm are selected for significant investments to build integrated global value chain leadership. Six other businesses including cocoa, dairy, sugar, rice, grains and spices and dehydrates fit selective value chain expansion investments. Four businesses including cotton, sesame, pulses and wood products are selected for optimising the core and extracting the full potential of the investments already made. We also identified three new businesses that we would like to get into based on leveraging and building on the latent assets and capabilities that we have developed over the 20 years of being in this business. These three new businesses include **Packaged food distribution in Africa, Fertiliser distribution in Africa** and the **Commodity financial services** business. The packaged food distribution business leverages our distribution franchise and network in 24 African countries and in Russia. The fertiliser distribution business will leverage our grower and supplier relationships that we have built over the last 20 years and supply them with the fertiliser inputs they need and provide off-take for their commodities at the backend. In the commodity financial services business we plan to undertake three activities: i) market making and volatility arbitrage trading;

Chart 6

### BU's Were Mapped to Our Strategic Thrusts

#### ③ Addressable BU profit pool

(size of accessible parts of value chain, achievability of share)





ii) risk solutions; and iii) fund management – first launching a relative value commodity fund. In this business we are leveraging our understanding of commodity markets, our knowledge of derivative markets and our strong risk management skills to enter this space. We plan to create a wholly owned subsidiary to segregate the earnings from the financial services business and to track and report it separately. Twenty-three out of the 177 profit centres have been identified to be downsized or pruned based on the fact that they were generating negative economic profit, and had limited prospects for changing that status. This released capital and people bandwidth to focus on the first four strategic thrusts.

Based on the five strategic thrusts developed and the mapping of the various BUs along these five strategic thrusts, we developed a prioritisation matrix to screen the 57 growth initiatives submitted by all the BUs for consideration. We screened these initiatives based on their strategic value (assessing whether the proposed initiative will help the BU to develop a competitive advantage as well as assessing our ability to win in terms of execution) and their profitability index (based on the present value of the economic profit generated by that initiative in relation to the present value of the equity that is required to execute that initiative). On this basis we de-prioritised 11 initiatives not meeting our minimum requirements on the strategic index/profitability index. The remaining 46 are prioritised into 2 categories, tier 1 and tier 2 based on how highly they scored on both dimensions.

### Point-of-Arrival

Based on the five key strategic thrusts identified and the selection of the BUs under each of these strategic thrusts, Chart 7 outlines the shape of the portfolio at the point-of-arrival by the end of the plan period (year 6). The chart shows what our aspiration for leadership is in each of these BUs, how integrated we would be in the value chain for each BU and whether we would achieve that integration through organic growth or through acquisitions. Thus for example, we intend to achieve a global leadership position in the almond business over the next six years (depicted in red) and to be integrated upstream, in Olam's core as well as midstream. The chart also shows that this value chain integration in almonds will be achieved inorganically.

At the heart of our selective upstream and midstream integration strategy is to identify excess return opportunities in these value chain segments and not have any strategic orthodoxy to be similarly integrated in each product and in each country. For each of the products where we are integrating upstream, we have mapped the cost of production and the sustainable comparative advantage a particular country has to produce that crop cheaper and better. We then assess whether we can win in that country and in that part of the value chain before determining our investment choices. Thus, we will largely invest in palm and rubber plantations in Africa rather than the mainstream palm and rubber producing countries in Asia (Malaysia, Indonesia, Thailand) because returns in Africa would be twice the returns in Asia due to cheaper land acquisition costs, lower labour costs, slower wage price inflation, regulatory arbitrage opportunities, lower competitive intensity and higher perceived risk of execution in Africa. Similarly we are unlikely to invest in wheat milling in India, China, North America or Europe but will be very keen on investing in a configuration of port-based wheat milling assets in Africa on account of the excess returns available there. This strategy will help us reshape our portfolio and enable us to double our net profit margins by year 6 from the current 2% to 4%.

This more integrated strategy will make us relatively more asset intense than we were in the past. However, we believe that asset light or asset intense is not the end game in itself. On the other hand, our end game is to identify investment opportunities and make capital allocation decisions that will allow us to have a step order change in our margin and return profile to create additional intrinsic value. If we are able to identify excess return upstream or midstream opportunities, this will help us create and build significant intrinsic value.

Chart 7

**Growth Initiatives are Well Aligned with Our Portfolio Strategy**

		Upstream	Core	Midstream	Downstream
<b>Integrated Value Chain Global Leadership</b>	Cashew	●	●	●	●
	Peanuts	●	●	●	●
	Almonds	●	●	●	●
	Coffee	●	●	●	●
	Palm*	●	●	●	●
<b>Selective Value Chain Expansion</b>	Rubber*	●	●	●	●
	Dairy	●	●	●	●
	Spices & Dehydrates		●	●	●
	Grains	●	●	●	●
	Sugar		●	●	●
	Cocoa	●	●	●	●
	Rice	●	●	●	●
<b>Core Optimisation</b>	Cotton		●		
	Sesame		●	●	
	Pulses		●	●	
	Timber	●	●	●	
<b>Latent Assets</b>	CFSG		●		
	PFB			●	●
	Agri-inputs / Fertilisers		●	●	●
<b>Downsize, Prune or Exit</b>	Select profit centres				

● Leader   ● Follower   ● Minor Presence   ■ Inorganic Moves

Expand West Africa leadership

Major inorganic expansion, supported by smaller organic moves

Expand into plantations, value-added services in specialty/certified, soluble coffee

Expand selectively into value added processing, e.g. dairy processing, wheat milling, sugar milling/refining

Selectively integrate in the value chain & drive existing businesses to full potential

Organic expansion in core

Monetise existing capabilities to create new value

Pruning 23 profit centres & deprioritising 11 initiatives

Gain share in consumer staples across West Africa, e.g. Nigeria Acquisitions

Seed for future growth

Chart 8

<b>Strategy to Significantly Diversify Our Portfolio and Achieve Step Order Change in Margin Profile</b>				
<b>Value Chain Segments</b>	<b>2009 Breakdown</b>	<b>2015 Breakdown</b>	<b>Net Profit Margin</b>	<b>Share of PBT Margin</b>
<b>Upstream</b>	5%	15%	15.0%	2.25%
<b>Core + VAS*</b>	75%	40%	2.2%	0.85%
<b>Midstream &amp; Downstream</b>	15%	35%	4.0%	1.40%
<b>Latent Assets</b>	5%	10%	5.0%	0.50%
<b>Total</b>	100%	100%	N.A.	5.00%**
<b>PBT margin</b>	2.2%	5.0%	N.A.	5.00%

\* Value-added services

\*\* A 5% PBT margin will translate to a 4% PAT margin

### **Building strategic and financial flexibility**

Given the economic uncertainties that lie ahead, we have built strategic and financial flexibility to cope with different potential economic scenarios. To this end, we have developed three plans: i) a minimalist plan, ii) a balanced plan, and iii) an unconstrained plan reflecting three capital availability scenarios namely, a second wave of the financial crisis further restricting capital availability, a modest opening of capital and debt markets, and a return to a more normal capital and debt market environment respectively. We are currently working on executing the balanced plan but have developed clear decision rules on switching to the other two scenarios if the envisaged scenarios change (see Chart 8).

## Our Strategy-on-a-Page

Chart 9 below summarises our next six-year Corporate Strategy on-a-Page.

Chart 9

Our Strategy-on-a-page					
Our governing objective is to maximise intrinsic value for our long term shareholders					
<b>Vision</b>	<b>To be the leading global supply chain manager and processor of agri-commodities by:</b> <ul style="list-style-type: none"> <li>• Serving growers and customers globally</li> <li>• Pursuing select scalable and attractive niches in upstream and value-added processing; and</li> <li>• Capitalising on emerging markets expertise</li> </ul>				
<b>Goals</b>	<ul style="list-style-type: none"> <li>• Increase Intrinsic Value by 3-4x over the next two 3-year cycles</li> <li>• Equity spread <math>\geq 10\%</math> (ROE - <math>K_e</math> : 20% - 10% )</li> <li>• Capital spread <math>\geq 5\%</math> (ROIC - WACC : 12% - 7%)</li> <li>• PBT Margin <math>\geq 5\%</math></li> </ul>	<ul style="list-style-type: none"> <li>• PAT Margin <math>\geq 4\%</math></li> <li>• Reduction in earnings volatility (BU &amp; Portfolio)</li> <li>• Achieve strategic and financial flexibility</li> <li>• Be widely recognised as a responsible and sustainable value creator</li> </ul>			
<b>Strategic thrusts</b>	<b>Invest to achieve integrated value chain leadership</b> Coffee, Edible Nuts, West Africa Palm	<b>Selectively expand into attractive value chain adjacencies</b> Cocoa, Sugar, Rice, Dairy, Spices & Dehydrates, Grains, West Africa Rubber	<b>Optimise and extract full value from core</b> Cotton, Sesame, Pulses, Timber	<b>Leverage latent assets</b> Packaged food in West Africa, Agri-financial services, Agri-inputs	<b>Downsize/ exit/ prune unattractive activities</b> Select profit centres
<b>Enablers</b>	<b>Excellence in execution</b> <ul style="list-style-type: none"> <li>• Programme management</li> <li>• Value-added processing and upstream adjacencies set-up</li> <li>• Complexity management</li> <li>• IT, risk and compliance systems</li> </ul>	<b>M&amp;A effectiveness</b> <ul style="list-style-type: none"> <li>• M&amp;A pipeline</li> <li>• Due-diligence capabilities</li> <li>• Best-in-class integration</li> </ul>	<b>Capital efficacy</b> <ul style="list-style-type: none"> <li>• Capital structure</li> <li>• Overhead and capital productivity</li> </ul>	<b>People &amp; Values</b> <ul style="list-style-type: none"> <li>• Global talent pool</li> <li>• Entrepreneurial culture</li> </ul>	

### Mobilising to Execute Strategy

In order to align and mobilise the whole organisation for executing this strategy there are some key enablers that we need to continue to do well and execute with intensity. These enablers are listed in Chart 10 below. To this end, we have created a Programme Management Office to review, troubleshoot and track the implementation of the various growth initiatives that we have prioritised for execution.

Chart 10

We have Identified a Set of Key Enablers that are Critical to Executing Our Strategy			
Excellence in execution	M&A effectiveness	Capital efficacy	People and values
<p>Establish effective <b>programme management</b></p> <p>Ensures success of new <b>value-added processing and upstream adjacencies</b></p> <ul style="list-style-type: none"> <li>• Capabilities</li> <li>• Organisation structure</li> <li>• Performance metrics</li> </ul> <p>Effectively <b>manage complexity</b></p> <p>Scale up <b>IT, risk and compliance</b> systems</p>	<p>Continue to build strong <b>M&amp;A pipeline</b></p> <p>Further enhance <b>due-diligence capabilities</b></p> <p>Achieve <b>best-in-class integration</b> of new assets</p>	<p>Optimise <b>capital structure</b></p> <p>Enhance <b>overhead and capital productivity</b></p>	<p>Continue to attract and nurture <b>global talent pool</b></p> <p>Uphold <b>entrepreneurial culture</b></p>

### Reshaping the Portfolio

On execution of this plan, we would have successfully reshaped our portfolio by refining and evolving our strategy by building on our strong core. The main difference between where we are now and where we expect to be is captured in Chart 11.

Chart 11

Key Takeaways	
Point-of-Departure	Point-of-Arrival
<p>Achieved <b>leadership positions in core origination, primary processing and trading</b> (e.g. Cashew, Coffee, Cocoa)</p> <p>Successfully <b>replicated core model</b> across multiple new <b>product, geographic and value chain adjacencies</b></p> <p>Made <b>select entries</b> into midstream value added processing (e.g. Universal Blanchers, PT DUS, tomato processing)</p>	<p>Enhanced <b>participation across attractive value chain niches</b> with excess return potential (selective upstream, value-added midstream processing and downstream participation)</p> <p>Reshaped portfolio with a <b>step-up margin and return profile improvement</b>, keeping in mind an expected capital <b>constrained world</b></p> <p><b>Disciplined resource allocation</b> for individual businesses and growth initiatives based on identified <b>strategic thrusts</b> and clear <b>prioritisation framework</b></p> <p><b>Investments</b> behind <b>latent assets</b> to extract full value from existing latent capabilities (eg. Packaged Foods, Commodity Financial Services, Fertilisers)</p>

## M&A Capability

### New Engine for Profitable Growth



Tomato cleaning at Lemoore processing facility, California, US: The last five transactions we have done, including this tomato processing facility, have all been distressed assets that we have bought at a fraction of the replacement cost.

During our last strategic planning exercise in 2006, we identified the need to develop M&A capability and capacity to do cross-border acquisitions as an important enabler to support our growth plans. Right from the beginning we had identified that the most important objective of developing an acquisition capability is to help execute our strategy. We did not look at acquisitions as a strategy in itself but have been very clear that M&A is a tool for executing our corporate strategy. Acquisitions can be disastrous if companies go about them the wrong way. The key to avoiding these traps is to first have a clear strategy.

The identification of targets and the development of the investment thesis have always been tailored to our strategic priorities. We began to develop our M&A capability by first assembling a core, centralised deal team (which is currently six-member strong) so as to not fragment this skill by decentralising it right at the beginning. Over the last three years, we have done over 14 bite-sized, "string-of-pearls" kind of acquisitions that have cumulated and compounded our skills to identify targets that are aligned to our strategy, evaluate these targets, structure the deal, conduct rigorous business, commercial, legal and accounting due-diligences and develop a strong capability to successfully integrate these acquisitions.



### Using M&A as a Tool to Aid Strategy

We had clearly articulated our objectives of using M&A as a means to execute our strategy and developed a playbook to be disciplined about our acquisition strategy. With a well established set of processes underpinning our disciplined M&A approach, our execution has been very successful so far. (See Chart 1)

### Performance of Completed M&A Transactions

- a) All our acquisitions so far have clearly met the strategic objectives and catalysed supply chains for us in that product/region. (See Chart 2 and 3)
- b) Performance of six important acquisitions in FY2009

Acquisitions contributed significantly to volumes and earnings in FY2009. In terms of returns, the contribution from our acquisitions and jointly-controlled entities exceeded expectations. Against a total expected PAT of US\$29 million in FY2009, which is not yet the steady state year, we accreted earnings of **US\$40 million**. This represents an **ROE of 23%** (before full potential has been achieved).

- **Queensland Cotton** performed extremely well in the US and Brazil, with both these businesses growing significantly. This was supported by profitable contributions from our wool, wheat, barley and pulses business in Australia. Despite a write down of S\$10.8 million in gin assets in New South Wales, the overall business was profitable. The cotton crop in Australia was 1.2 million bales in the 2009 season and is likely to be slightly higher at 1.3 million in 2010. In the medium term, we expect the crop to grow to 2.5 million bales.

Chart 1

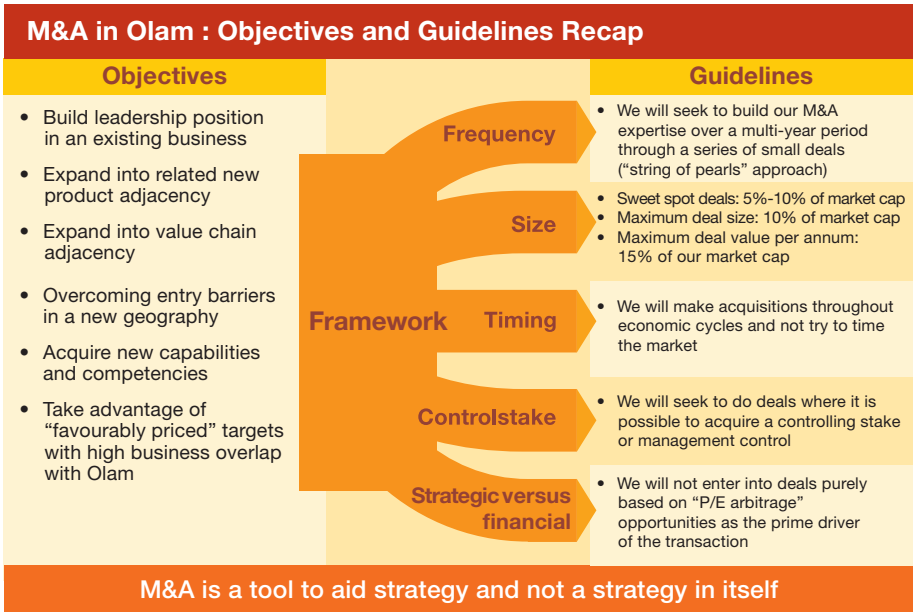


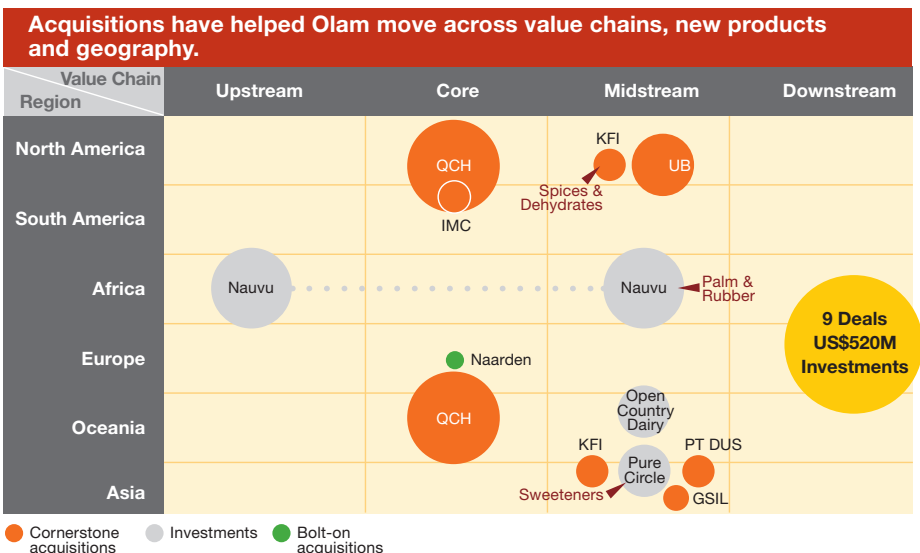
Chart 2

### Our Deals have met Strategic Objectives

Transaction	Value (US\$M)	Product adjacency	New Geography	Value Chain Expansion	Scale in existing business	Favourably priced target
Queensland Cotton (cotton)	136.3		●		●	●
Nauvu Investments (palm /rubber)	122.0	●		●	●	●
Open Country Dairy (dairy)	76.8	●	●	●		●
Universal Blanchers (peanuts)	73.1		●	●	●	●
PureCircle (sweeteners)	53.1	●				●
Key Food Ingredients (dehydrates)	18.5	●		●	●	●
PT Dharmapala Usaha Sukses (sugar)	14.0			●		●
GSIL Sugar Mill (sugar)	9.9			●	●	●
IMC (peanuts)	7.0			●	●	●
Naarden Agro Products BV (dairy)	3.8	●				●

All deals within the deal size cap guidelines

Chart 3



- **Universal Blanchers (UB)** has performed better than planned. We have been successful in leveraging expertise in that team to peanut processing in our other locations, getting into cashew ingredient manufacturing and also making inroads in securing additional outsourcing contracts.
- **Key Food Ingredients (KFI):** This business has performed better than our estimates. We used this platform to enter into other very value-accretive dehydrates businesses, including onion and tomatoes processing in California.
- **Open Country Dairy:** Our off-take arrangement with them for dairy products has worked very well and is tracking well above investment thesis estimates. The company is in line with regard to its expansion plans which are tracking on cost, time and budget.
- **PureCircle:** The business plan has been on track, with FDA approvals obtained in December 2008. We have been active in providing guidance at board level. We intend to commence initiatives on exploring plantation opportunities for stevia in the near future.
- **Nauvu Investments:** Performance was significantly higher than expectations with both palm and rubber tracking above plan. High-impact value creation initiatives on plantation, milling, refining and distribution have been identified and are being executed with focus and intensity by our Programme Management Office, with tracking systems in place. Early signs are very encouraging – yield improvements and cost benefits are flowing in earlier than anticipated.

### Leveraging Integrated Entities to Expand Our Business

We have been able to leverage the strength of some of these acquired companies to expand our business in the core, or grow them along the value chain (entering the ready-to-roast and ingredients cashew business using Universal Blanchers' technology platform), entering new products (wool, barley and wheat through Queensland Cotton's procurement franchise), and expanding into other dehydrates (onions and tomato paste through KFI).



Top: Palm oil drums ready for distribution at Sania, Nauvu Investments' palm refining unit in Cote d'Ivoire: High-impact value creation initiatives on palm plantation, milling, refining and distribution are being executed with focus and intensity by our Programme Management Office.

Above: Seed cotton quality checking prior to ginning at St George, Australia: The cotton crop in Australia is likely to be at 1.3 million bales in the 2010 season and in the medium term, we expect the crop to grow to 2.5 million bales.





Synergies identified in some of these transactions have been extracted successfully. In cotton, we have a single marketing structure that has helped optimise costs and provide significantly better services to customers. In peanuts, we have used the expertise of Universal Blanchers in improving efficiencies in other processing facilities in Argentina and China. Our grower relations in California through Anderson Clayton, our cotton franchise in the US, have helped us strengthen sourcing required for onions and tomatoes. In terms of best practices, we have been able to successfully transfer expertise in areas like employee health and safety and product safety from some of these companies to our businesses elsewhere.

Importantly, our acquisitions have improved our management bench strength considerably. Several managers from the acquired companies are now a part of our Management Committee, one of the two top management teams in the Company. Some of them have taken on responsibilities which impact other parts of the organisation positively through participation in standing committees, task forces and work groups.



Quality checking of peanut ingredients manufactured at Universal Blanchers: We have used the expertise of Universal Blanchers in improving efficiencies in other processing facilities in Argentina and China.

### Inorganic Growth in Future

For many, doing a deal in a downturn seems risky and impractical. Financing is expensive and hard to come by as credit markets are not functioning normally. Cash reserves need to be guarded as a safety net in case the economy continues to stay difficult. However, studies show that acquisitions completed during and after the last recession in 2001/2002 generated almost triple the excess returns of acquisitions made during the preceding boom. At Olam, we believe that M&A, in addition to helping us strengthen our core business, will also help to create new strategic options. We have therefore pre-emptively built the financial flexibility that has allowed us to emerge from this downturn well poised and flexible to seize the significant growth opportunities that are visible to us. The last five transactions we have done have all been distressed assets that we have bought at a fraction of the replacement cost. This helps us build one of the most cost-competitive structures in these product markets and provides us a significant margin of safety.

However, our strategy for acquisitions is not based solely on buying distressed assets, but also assets at fair value as long as we can bring our capabilities to bear to extract synergies that will make these acquisitions both earnings and value accretive.

We have an active and interesting deal pipeline that provides very good strategic fit with our core business and can potentially catalyse our supply chains in various products.

# Our Global Presence



- Marketing and Origination Offices
- Processing Factories
- Plantations / Farms / Forestry Concessions



**Canada**

Burnaby  
Vancouver

**USA**

Colusa  
Firebaugh  
Pasadena  
Fresno  
Lemoore  
Arizona

Chicago

New York

Peachtree City  
Sylvester

Edenton  
Blakely

Dublin  
Texas

**Honduras**

San Pedro Sula  
Comayagua  
Santa Rosa  
El Paraiso

Medellin  
Armenia  
Neiva-Garzón

**Colombia**

Fortaleza

São Paulo do Potengi

**Peru**

Lima  
Tacna

Jaen

**Brazil**

Manhumirim  
São Paulo  
Alfenas  
Santos

Salta-Jujuy

Cordoba  
Dalmacio Velez  
Rio Cuarto

**Argentina**

**Uruguay**

Rio Negro  
Florida  
Rocha

**Indonesia**

Palu  
Lapal  
Palopo  
Kolaka  
Makassar

Rabaul

**Papua New Guinea**

**Australia**

Beardmore  
Emerald  
Moura  
Dalby  
Dirranbandi  
Mt Tyson  
St George  
Mungindi  
Warren  
Cecil Plains  
Wee Waa  
Collymongle  
Brisbane

Auckland  
Wanganui

Waikato

**New Zealand**

Melbourne

Dalian

Shanghai

## Business Review

### Edible Nuts, Spices & Beans

We recorded a strong performance in this segment despite market destocking and counterparty defaults across some products. We grew market share in all products, making several key acquisitions and maintaining our global market positions.







The Edible Nuts, Spices & Beans segment posted an 18.0% increase in Sales Volume, a 2.7% increase in Revenue and a 21.2% increase in Net Contribution (NC) over FY2008.

### Cashew

The global cashew market experienced a sharp fall in prices last year as sales were dominated by spot purchases, due to pressures on working capital.

Against this backdrop, we continued to grow our cashew volumes by gaining market share from other suppliers. We selectively reduced our exposure to riskier counterparties in some markets and pre-sold on a 10-20% advance payment basis to mitigate default risks. Our competitive position was enhanced as we continued to build relationships with major confectionery and snack food brands that seek customised grades and qualities from reliable suppliers.

Demand for forward deliveries from key markets in the US and Europe began to recover towards the end of the financial year and we expect market recovery to continue into FY2010. We have expanded our processing capacity in Nigeria, Mozambique and Vietnam to help us sustain market share growth and meet rising demand for cashews processed at origin.



Cashew processing, Nampula, Mozambique: Processing capacity has been expanded to meet rising demand for cashews processed at origin.

Due to increased appetite from the confectionery and snack food majors for premium products, we have started to produce customised cashew ingredients in Vietnam. These customers also need high quality, reliable suppliers to whom they can outsource production of roast-ready, foreign-material free, food ingredients. We are well positioned to take advantage of this trend, given our global sourcing presence and our ability to process and sell differentiated qualities.

We will begin production on our “Clean Cashews” project in the US in November 2009. Leveraging the capabilities of our subsidiary, Universal Blanchers, we will be able to provide customers with 100% foreign-material free, clean cashews which they can add directly to their recipes, or roasting and salting lines.

In an effort to standardise quality control procedures globally, SGS Geneva has been appointed to certify and monitor all our cashew factories around the world for compliance with BRC and HACCP guidelines. Differentiating our products and building barriers to entry in terms of food safety and certified processing is expected to improve both volume growth and margins in cashew.



Cashews being packed for export in Ho Chi Minh, Vietnam: Olam has started producing customised cashew ingredients in Vietnam to cater to the increased appetite from confectionery and snack food majors for premium products.



## Peanuts

As with many other agricultural commodities, Peanuts went through a period of global destocking in FY2009. This was caused by a higher-than-normal inventory build-up in the previous year, when prices reached record highs. Despite falling prices and lower than expected demand during the year, we concentrated on expanding our reach in new and existing markets, as we believe our strong reputation as a sound and reliable counterparty would put us ahead of competition.

Even with a general slowdown in the US, we gained significant mind share and, consequently, market share, amongst some of the largest confectionery companies in the country. Increasingly, Olam is recognised as a preferred supplier of peanuts from non-US origins, due to our high-quality, uncontaminated products and the customisation options we offer.

We successfully shifted our participation in the Russian market from an indent model to a distribution model, allowing us to access end-users, and therefore a larger profit pool.

Our domestic China market initiative, which started in 2008, registered robust growth in FY2009, strengthening our position in this fast-growing local market.



Peanut processing, Qingdao, China: Olam's domestic China market initiative for sourcing, processing and marketing locally grown peanuts registered robust growth in FY2009.

As local consumption of peanuts increases all over Asia, exporting countries such as Argentina are expected to gain a higher share of the world kernel trade. With a well-developed contract-farming infrastructure and therefore a strong and reliable supply foundation in a low-cost origin like Argentina, we are now focused on extracting margins from processing efficiencies and improvements to the final product. We acquired a leading peanut-shelling and blanching company, Industria Martin Cubero (IMC) in Argentina this year. With IMC's high quality shelling and blanching facilities and Hi-Oleic Peanuts programme, our fully-integrated operation in Argentina strengthens our global positioning as a leading supplier of high-quality products to key importing countries, including the US and Oceania markets.



Key Foods garlic processing, Qingdao, China: Capacity for garlic processing was doubled during the year as Olam gained larger share of US' total garlic imports from China.



## Spices and Dehydrates

Our spices and dehydrates business achieved significant milestones in FY2009, despite tight credit conditions affecting some customers.

Sales volume and NC increased during the year as we successfully captured strong demand from retail buyers, specialty and private label segments to offset a lower off-take from the industrial and food service segments. In addition, the launch of our Olam Fresh Flavor line, which caters to value-conscious buyers in the US and EU, proved successful in the current economic climate.

Our volume growth and value chain participation in spices and dehydrates was also supported by our recent investments in pepper in Vietnam. FY2009 recorded the first full year of returns from our steam sterilisation plant investment, which led to a significant improvement in net margins. Following this success, we have increased our production capacity in pepper and other spices.



Tomato processing, California, US: The acquisition of tomato processing facilities in the US is a critical step towards being a dominant one-stop supplier in the flavours, condiments, coatings and seasonings industry.

We enhanced our product offering by embedding traceability, safety certification and just-in-time inventory management solutions, which improved margins. We also introduced product customisation with enhanced flavour profiling, an area that we believe will offer us a distinct competitive advantage.

As we gained a larger market share of US' total garlic imports from China, we doubled the capacity of our garlic processing unit, Key Foods, installing new equipment and the latest processing technology.

We also made two key acquisitions in the US to strengthen our overall competitive position in dehydrated vegetables and accelerate our entry into new products. The acquisition of a dehydrated onion facility and tomato processing facilities in California are two critical steps towards being a dominant one-stop supplier in the flavours, condiments, coatings and seasonings industry. Besides offering a larger basket of dehydrates, we capture significant synergies associated with cross-selling to an enlarged customer base and leveraging grower relationships. Consolidating all our operations in California also allows us to share processing and packaging technology and reduce administrative costs.



AIB certified pepper grinding facility, Ho Chi Minh, Vietnam: Olam initiated pepper grinding operations during the year to offer ground pepper in addition to steam sterilised pepper to customers.



## Pulses and Beans

The pulses and beans industry was also characterised by a sharp decline in prices in FY2009, combined with large carry-in inventory, global destocking and counterparty defaults. However, our investments in origination and expansion of our marketing reach in North and South America helped us consolidate our position among the top five in the pulses industry, covering at least 80% of origins and destination markets. Our extensive market presence helped us place volumes consistently, while rigorous counterparty management protected us from material losses due to defaults.



Green mungbean processing, Mt Tyson facility, Brisbane, Australia: Olam continues to extend its supply chain presence in key origins of Canada, US, Australia and Argentina and marketing reach in the Middle East and South America.

During the year, we set up procurement operations in Canada (a new origin) and penetrated new markets in Turkey, Bangladesh, Brazil and Venezuela. Our sales volumes grew by 22% in FY2009 as a result.

One of our volume and margin growth strategies is to secure access to high quality pulses for premium bean packers and canners. Leveraging our success in peanut farming in Argentina, we initiated a contract-farming trial of Alubia beans in the country.

Olam will continue with its strategy of extending its supply chain presence in the key origins of Canada, US, Australia and Argentina and simultaneously its marketing reach in the Middle East and South America. The business outlook for FY2010 is positive, with demand expected to increase as restocking of pipelines gains momentum.



Sesame colour sorting, Lagos, Nigeria: Processing capacity was doubled during the year as Olam focused on value addition, offering more edible-grade sesame in addition to crushing-grade seeds.







On the sourcing front, we set up a procurement infrastructure in Senegal and were successful in expanding our procurement reach and depth in Nigeria and Mozambique. Maintaining our focus on value addition, we doubled hulling capacity in Nigeria. We are well poised to extend this capability to other growing origins and offer more edible-grade sesame in addition to crushing-grade seeds.

Going forward, we expect traditional sesame producing countries such as China and India to experience erratic production patterns, which will result in a steady increase in imports. Production volumes are also expected to increase in African origins. Given this scenario, our strong sourcing presence in Africa and growing market presence in Asia will leave us well-positioned to capture the benefits from an increased global trade flow between these continents.

## Sesame

We maintained our position as the world's largest supplier of sesame in FY2009, despite lower production and suppressed demand from traditional key markets such as Japan. Effects from the global financial crisis were minimal and well contained, as most of our sales transactions were on an advance payment basis. We also shifted to a direct distribution model to reduce dependence on third-party indent transactions in markets like Turkey.

We remained focused on diversifying our market presence by marketing sesame in new countries such as Taiwan, Egypt, Israel, Turkey, US, Canada and Mexico, while increasing our share of sesame import volumes into China (which is poised to overtake Japan as the world's largest consumer of sesame). We also strengthened local sourcing and distribution to complement our import operations in China.



Farm fresh sesame seeds from Mozambique, one of the key origins for sesame.

## Business Review

### Confectionery & Beverage Ingredients

Notwithstanding extremely tough market conditions, especially in cocoa, we consolidated our market-leading positions in this segment, increasing our origin and processing presence and growing market share in both cocoa and coffee.





Confectionery & Beverage Ingredients performed well, growing Sales Volume by 11.8%, Revenue by 18.6% and Net Contribution by 13.5% over FY2008.



Soluble coffee manufacturing, Ho Chi Minh, Vietnam: The facility is expected to commence production from November 2009 and contribute to margin growth in FY2010.

## Coffee

The coffee market continued to witness extreme volatilities in both physical and terminal prices in FY2009, amid dismal crops and mixed output from origins in Africa, Colombia and Vietnam (the world's largest producer of Robusta).

Despite supply disruptions, our coffee volumes increased significantly compared to FY2008, with our global trade market share improving from 7% to 8%. In addition, we were able to gain market share from competitors who were less capitalised due to the tight credit environment.

Our extensive farm-gate procurement infrastructure in Africa and Vietnam continued to give us direct access to Robusta coffee and allowed us to consolidate our position as the world's largest supplier.

We also made significant progress in the relatively new Arabica origins – Brazil, Colombia, Peru and Honduras, giving us a balanced portfolio in sales volume from both Robusta and Arabica.

Our Brazilian operations continued to expand during the year. We ramped up capacity in the mills and are poised to break into the ranks of the top three exporters in Brazil. We also began sourcing and distributing coffee for the local Brazilian market.

In Colombia, Peru and Honduras, we deepened our upcountry sourcing presence and increased processing volumes. Having achieved steady-state volumes, we plan to expand operating capacities to keep up with growth momentum in these origins.

We improved our overall margins in the coffee business as a result of our depth in procurement, as well as our success in expanding sourcing and production of sustainable coffees for markets in Europe.

Going forward, we will continue to pursue our integrated strategy of participation across the value chain, from farming to processing, to enhance margins further. We have set up a soluble coffee manufacturing facility in Vietnam, which is expected to commence production from November 2009 and contribute to margin growth from FY2010, and have also commenced investment in an Arabica coffee plantation in Laos, where the first crop is expected to arrive in 2012.



Colour sorting of coffee beans, Alfenas, Brazil: Capacity in the mills were ramped up during the year and Olam is poised to break into the ranks of the top three exporters in the country.

## Cocoa

The need for long-term sustainability of supply was a consistent feature of the cocoa market in FY2009, due to the short crop situation. However, the large deficit expected during the season was met by a significant destocking from chocolate manufacturers, leading to much lower than expected grinding and chocolate consumption during the year. These extremely tough market conditions, particularly in the second half of the year, resulted in modest growth for our cocoa business in FY2009.

However, despite this, we continued to consolidate our position as one of the world's leading suppliers of cocoa beans, growing our market share in Asia and most African origins. We expanded our processing operations in Nigeria and cake milling operations in Spain, increasing our supply of cocoa products to customers in Europe and North America.







Olam continues to be a leading promoter of sustainable cocoa, working to improve the livelihood of cocoa communities in developing countries. We have been running a joint initiative with USAID and customer Blommer Chocolate in Indonesia for several years. It has grown to become the largest cocoa programme in the country, supporting 23,000 farmers. Following its success we set up a similar programme in Cote d'Ivoire, which is already helping 1,600 farmers. We also run model farms in Nigeria and traceability and organic programmes in Tanzania and Uganda.

Olam remains an active member of the cocoa industry through its membership in various associations. Besides holding executive positions on the Federation of Cocoa Commerce (FCC London), Cocoa Merchants Association (CMA America), Cocoa Association of Asia, and the World Cocoa Foundation, Olam is a steering committee member of the Bill & Melinda Gates Foundation's Cocoa Livelihoods Programme.

Clockwise from top left: Rainforest Alliance, quality testing and solar-drying of cocoa, Abengourou, Cote d'Ivoire: An active promoter of sustainable cocoa, Olam has set up a cocoa programme in Cote d'Ivoire to improve livelihood of the farming community.

## Business Review

### Food Staples & Packaged Foods

Continued strengthening of our origin presence, diversifying markets and launching of several consumer products led to a strong all-round performance in this segment.





Food Staples & Packaged Foods delivered very strong results in FY2009, with growth of 25.1% in Sales Volume, 5.5% in Revenue and 32.2% in Net Contribution over FY2008.

### Rice

In line with the general trend in agricultural commodities and due to bumper production in most Asian growing countries, global rice prices fell considerably in FY2009 from the highs of 2007-2008.

We continued our strategy of making selective investments in the value-chain, simultaneously straddling origins and markets. This resulted in an increase in the breadth and depth of our participation, ensuring increased access to supplies from multiple origins and allowing us to better cater to specific customer requirements.



Rice sorting, Haryana milling facility, India: We are strengthening our investments in processing and quality control in large sourcing countries, such as India.

Origination is one of the most significant and important strategic planks for our rice business. Given our view of the continuing pressure on the availability of rice in the medium term, we are strengthening our investments in processing and quality control in several large sourcing countries where we are already present.

Our investments in expanding distribution, packaging and sales promotion also enabled us to enter new markets, as well as increase our market share, especially in premium segments.

In FY2008 we made selective investments in logistics to enable faster turnaround at both load and discharge ports. This led to higher efficiencies and increased margins on sales in FY2009 and we continued to extend our investments to a few additional ports, as well as vessel chartering and material handling.

We are therefore well positioned across the supply chain to participate in a larger profit pool and will continue our strategy of selectively expanding our participation in attractive parts of the value chain.

### Sugar

Our volume in FY2009 increased 23% over FY2008, aided primarily by the growing business in West Africa and Russia. Our initiatives to improve market share in West Africa were successfully implemented by a dedicated sales team put in place to export higher volumes of sugar into the region from Brazil. In Russia, we now have 5% share of sugar imports.

During the year, we focused on business with reliable counterparties and worked on a cash or fully-secured payment basis to mitigate any counterparty risks in the sugar market.

In India, farming practices and farmer remuneration systems are undergoing transformational changes. Our timely entry into sugar processing in the country, through acquisition of the milling assets of Giridharilal Sugar and Allied Industries, has led to significant learning on sugar cane farming and farmer management and the changes around them. We are now building on these to consolidate our position in the Indian sugar industry.



Sugar mill, Madhya Pradesh, India: Entry into sugar processing in India has led to significant learning on sugar cane farming and farmer management, which are key to improving competitive position in the Indian sugar industry.





The government of Indonesia has ceased providing licenses for white sugar imports, and participants in the food-processing sector are now required to buy white sugar from local refineries. We are well-positioned to leverage the opportunities these changes provide. We have increased processing volumes in our Indonesian refinery to cater for this large market and also installed a new power generation facility, reducing processing costs.

We believe that global trade flow will only increase as production in consuming countries is affected by adverse weather patterns. Our strategy is to assemble a portfolio of milling and refining assets that gives us greater control over supply and improves margins, therefore improving our overall competitive position.

### Dairy Products

The dairy market was also characterised by a steep fall in world prices from late 2008. Along with the global recession and restoration of export subsidies by the US and EU, the credit squeeze exacerbated the downward spiral of prices, leading to an overall reduction in demand and higher associated counterparty risks. Given our extensive distribution network, we were quick to minimise damages arising from counterparty risks through cross-shipments to other destinations. However, the melamine scare in China and severe economic downturn in Russia had an adverse impact on demand and therefore affected our volume growth during the year.

While dairy markets remained depressed throughout FY2009, we seized the opportunity to strongly position ourselves in the international tender business, successfully executing large supply contracts based on our enlarged commodity and specialty dairy portfolio.



Our "Pearl" brand in evaporated milk and milk powder at a distributor in Abidjan, Cote d'Ivoire: Following the success of the "Pearl" brand, we initiated a green field project to manufacture evaporated and condensed milk products in Cote d'Ivoire.

We also continued to diversify our markets across Africa, the Middle East and Asia and introduced new product lines to generate overall volume growth. We rolled out our flagship consumer brand "Pearl" into new markets in Africa and added new products such as evaporated milk and condensed milk to the "Pearl" portfolio. Based on the success achieved with this brand, we initiated a green field project to manufacture these products locally, in Cote d'Ivoire in West Africa, which is expected to go onstream in late FY2010. With our investments and distribution reach, "Pearl" is poised to become a leading pan-African dairy brand.

### Grains

Following the deregulation of the Australian wheat industry, we began containerised and bulk wheat exports from Australia and were successful in exporting substantial volumes of wheat and malt barley into South-East Asia, South Asia, China and Japan. Our success was replicated in Russia, where we sourced similar volumes for export into the Mediterranean markets of Turkey, Israel, Albania, Italy, Greece, Libya and Lebanon. Additionally, we started a desk in Brazil to source Argentinean wheat and market it to selected Brazilian millers.

Our grain products portfolio currently comprises milling wheat, feed wheat, corn, malt barley, feed barley and canola. As more than 75% of our sales volumes come from milling-grade wheat bound for food consumption, our growth potential has not been significantly impacted by the global recession, which mainly impacted the ethanol and compound feed industries.

Our grains strategy is focused on building a portfolio of wheat-milling businesses, primarily in Sub-Saharan Africa. We will leverage existing sales and distribution infrastructure, as well as our risk management experience in these countries. The low per-capita consumption of wheat flour in this region, combined







Packing facility for the "Vedan" branded seasonings, Lagos, Nigeria:  
This was initiated to benefit from preferential duties for locally-packed produce.

with the rapid pace of urbanisation and shifting tastes of consumers are the macro trends we believe will give headroom to grow this business over the next few years.

We plan to execute this strategy through a combination of acquisitions and green field ventures in selected countries in Sub-Saharan Africa. Whilst we look for potential wheat-milling business opportunities in the region, the initial growth of the grains business has come from other origins, where we have built on and leveraged our core competencies in origination and marketing of wheat and other grains.

### Packaged Foods

We started packaged foods distribution in 2006 to leverage a latent asset we have nurtured over the past 20 years in Africa. Our adjacency growth model gave us the unique ability to concurrently expand into multiple geographies and products, enabling us to achieve the necessary threshold scale and scope economies to strategically position ourselves in the packaged foods business. As a result, we achieved significant returns on our investments in consumer research and brand-building campaigns and have been successful in building barriers to entry. By continuously introducing new product lines and commanding a value premium for these products, we have increased our market share and profitability.

In FY2009, our packaged foods business showed strong all-round performance. We made substantial investments in several West African markets during the year to simultaneously expand distribution reach, increase market share in key products and expand product offerings.

We began distributing edible oils this year, achieving significant market share and volume growth and becoming the third largest supplier of imported edible oil in the region. Sales volume for tomato paste increased by more than four-fold, achieving a market share in excess of 20% in only our second year of

operations in Nigeria, Ghana, Cote d'Ivoire, Togo and Benin. We are now the second largest player in the tomato paste category across the region.

We also launched pasta and margarine products in these markets under our umbrella brands of "Tasty Tom" and "Fina" respectively, and set up a local packing facility in Nigeria for "Vedan" branded seasonings to benefit from preferential duties for locally-packed produce. These strategic moves helped us increase our overall market share from 12% to about 20% while concurrently improving our margin structure.

Our Russian operations also grew despite volatile market and currency conditions. We gained access to key channel partners, thereby enhancing distribution reach in the country. This enabled us to grow sales volumes of our "Ponchos" brand of snack nuts by 20% year-on-year, while we increased prices locally to counteract currency depreciation.

We will continue to invest strongly across West and Central African markets during FY2010 to build best-in-class, Africa-wide distribution capability, while building leadership brands across the packaged food category. We are also investing to build unique consumer insight into Africa that will enable us to innovate and tailor products especially for African consumers.



Tomato paste sold at retail outlets in Abidjan, Cote d'Ivoire:  
Olam is now the second largest player in tomato paste across West Africa.

## **Business Review**

### **Industrial Raw Materials**

The global economic downturn affected this segment more severely than the others, with steep declines in both prices and demand. Despite the downturn, we achieved positive results by selectively investing in profitable expansions and effectively managing counterparty risks.



A positive delivery despite a tough year: 2.7% increase in Sales Volume and 1.6% increase in Net Contribution over FY2008.

## Cotton

The extreme volatilities that affected the cotton industry between March and June 2008 became a case of severe demand destruction following the global financial meltdown in August 2008. World trade flows dropped 26% due to reduced imports in China and the production decline in the US. Retail sector demand in the US, UK and Europe declined sharply, leading to Turkey and Far East cotton markets, including China, being significantly affected. Several key players exited the industry and this depressed the market further through fire sales of their positions and inventories.

The industry also witnessed a large number of defaults and delayed take-ups in markets like India, Indonesia, Bangladesh and Vietnam. Our sound risk management processes, which included giving up some volumes that were deemed too risky, helped us steer through these tough times without material impact from defaults.



Cotton procurement, Ribaué, Mozambique: We increased cotton ginning capacity in Mozambique after successfully integrating the gins we acquired there during the year.

Despite these difficult conditions, our cotton business posted volume growth and we increased our sourcing market share in the US and East Africa. Improvements in the US were due to increased supplier reach and additional coverage in the Memphis Eastern region. In East Africa, we were able to increase our share of the market in Tanzania and Uganda, while in Zimbabwe we expanded our grower base and increased ginning volumes. We also enhanced our ginning capacity in Mozambique and Cote d'Ivoire after successfully integrating the gins we acquired in both these countries during the year.



Cotton ginning, St George, Australia: Cost optimisation and extraction of synergy values were the focus of the year to navigate the difficult market conditions caused by Australia's lowest crop in two decades.

In Australia, our focus on cost optimisation and extracting synergy values enabled the cotton business there to successfully navigate the extremely difficult market conditions caused by the country's lowest crop in two decades. On the marketing front, we benefitted from our enhanced portfolio of cotton varieties and qualities. Cross-selling and leveraging the combined channel strength from integrating Queensland Cotton resulted in notable benefits in both volumes and customer acquisition.





## Wool

We entered the wool business in Australia in FY2009 as a natural and logical adjacency to our cotton business. The basic supply chain, risk management process and logistics involved are the same for cotton and wool: the products are bought and sold in a similar way, packaged using similar technology and a similar transactional support system is used. Therefore, wool fits well into our industrial raw materials segment as an adjacent product. The business shares common cost with our cotton operations in Australia and generates profits that augment our fibre business.



Wool sampling and quality testing, Parkes, Australia: Olam entered the wool business in Australia in FY2009 as it is a natural and logical adjacency to its cotton business.

Australia is the largest producer and exporter of wool in the world. We assembled a team of experienced wool professionals in the country in early FY2009 to export wool tops to consuming markets in Asia and Europe.

Notwithstanding the fall in global demand, in the first year of operation we exported about 7,500 metric tons of wool tops profitably to markets including China. In order to continue to grow the wool business we purchased a wool broker in south-west New South Wales that provides us with a fee-based income from brokerage and strengthens direct sourcing and exports.



Inventorying of trees under Sustainable Forestry Management plan, Gabon: We made good progress on our Forest Management Plan for our forestry concessions and are on track to submitting it to the government of Gabon by end-FY2010.



## Wood Products

The global economic downturn had a significant impact on the housing market, with construction and furniture manufacturing activity registering a steep decline in all countries, especially in the US and Europe. This, in turn, resulted in contraction of demand for wood products, impacting our sales volume and margin growth during the year. The lack of pricing power in a weak demand situation led us to reduce exposure to riskier counterparties. Teak markets in India were a notable exception, remaining relatively steady throughout the year. Our imports into the country performed well with improved market share.



In preparation for market recovery, we continued with our policy of making selective investments in various parts of the value chain to improve our competitive position.

In our sourcing operations, we invested in establishing traceability and chain of custody procedures by engaging a reputed external expert in third-party certification. All our suppliers of tropical wood were covered by this process, which is based on internationally acceptable principles of traceability and legality. We are helping some suppliers who were unable to comply with process requirements in the first instance to progressively meet legal and traceability requirements.

We continued to make good progress on our Forest Management Plan for our forestry concessions and are on course to submit it to the government of Gabon by the end of this year. Investments were also made to carry out modifications to our saw mill in the country. We are now able to offer a wide range of lumber, both in terms of species and size, to our customers in Europe and China.

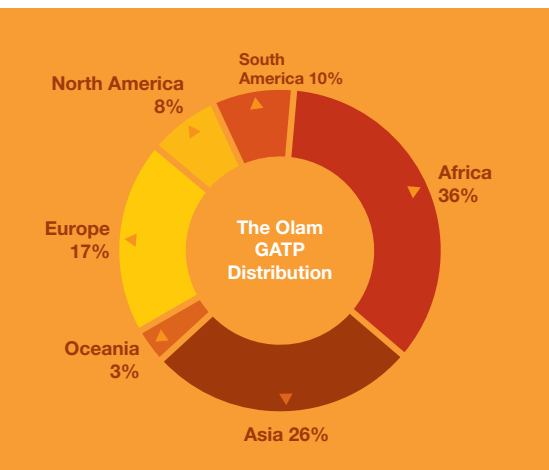
We also increased investments in distribution and marketing, with the objective of gaining increased direct access to processors and working closely with them to develop value-added products.



## Our People

### Celebrating the Entrepreneurial Spirit

Olam encourages employees at all levels to take ownership of businesses they manage. Investing to develop talent and leadership capabilities is one of our top priorities – a testimony to this being the fact that all our business plans have an embedded talent plan. We focus on finding high-quality talent, aligning them to the Olam culture, creating an environment conducive to their growth and keeping high levels of engagement.



#### Entrepreneurial roles attract, retain and motivate talent

Olam is a high-growth company, and offers significant headroom and opportunities for our managers to be entrepreneurs and build the business. Our people experience faster career growth and start their leadership development earlier than their peers elsewhere.

Our goal is to grow a team of entrepreneurs into leadership positions. We do not see this as the exclusive responsibility of human resources, but a responsibility of every line manager, who does his/her part in developing and coaching talent for the Company.

#### Talent Acquisition

Olam visits premier business schools located across Asia and Latin America to find the highest calibre graduates. This year we also visited business schools in Nigeria and have hired trainees who will be groomed to take on challenges there.

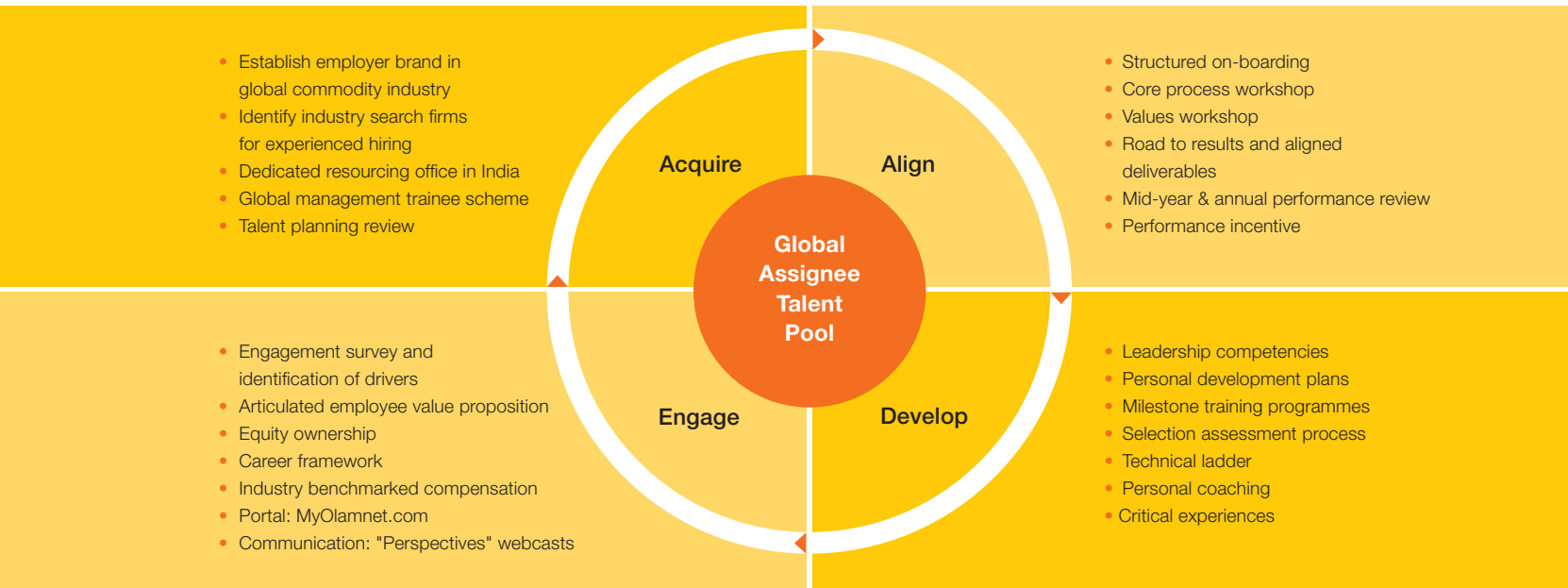
Apart from managerial talent, we have also assembled a line-up of specialists – consisting more than 10% of our global talent pool – with deep domain knowledge and technical skills that give us the edge in execution.

Our Global Assignee Talent Pool (GATP) has more than doubled in the last five years, from 168 in FY2005 to 420 in FY2009, through fresh graduate and experienced hires, as well as integrating people from newly-acquired businesses.

#### Talent Alignment

Learning and development process is a critical factor in creating alignment within our Company. All fresh graduates go through a rigorous, six-month management training process, exposing them to operations in at least two countries and two products to give them an overall feel of our operations.

All recruits and managers from acquired entities are also required to go through a Core Process Workshop, a four-day programme facilitated by the CEO, which covers all aspects of Olam's governing objective, business model, vision and values.



### Talent Development

Our employee life-cycle based training programme aims to provide specific inputs at specific moments in an employee's career with Olam. While classroom training combined with field experience gives a thorough grounding in the basics of a role, the focus shifts later on to experiential learning through critical roles, experiences, special projects and the chance to lead multi-location, multi-functional task forces. We also place special emphasis on building a pipeline for leadership to fuel our growth in future.

Level 1 Campus Hires	Level 2 Branch Managers	Level 3 Profit Centre Heads	Level 4 Country Heads	Level 5 Business/Regional Heads
Management training: 6 months	New leaders' programme: managing self	Mastering your leadership skills: managing others	Country management programme	Strategic leadership programmes
Core process workshop	Rotational/Task force based assignments	Product meets	Country/Product meets	Country/Product meet
Assessment and review based confirmation		External product/function training	Learning through leading tasks force	Learning through leading company-wide tasks forces
		Coaching	Executive coaching	Executive coaching

### Engagement and Support

Intrinsic to the entrepreneurial nature of our business is the high level of empowerment built into managerial roles. For empowerment to be effective, high levels of commitment and discretionary effort are required, which in turn need a high level of engagement.

Engagement is built by providing roles that are challenging and aligned with personal goals, by giving specific consideration to those working in difficult locations and by providing objective

assessment of effort and rewarding it accordingly. Our short-term incentive schemes promote ownership behaviour, while a string equity compensation scheme builds long-term alignment and commitment.

Effective communication also helps in building engagement, besides promoting Olam's culture and values. Apart from regular face-to-face interactions through product and country meetings, various Olam-wide channels are available to facilitate two-way communication.

### Being Prepared

The past 20 years have been an exciting journey, but the future holds ever more ambitious goals. We believe our talent pipeline and systematic approach to acquiring and developing it will allow us to successfully meet and exceed the high standards we have set for ourselves.



## Shared Values

Over the last 20 years, we have competed and won on the strength of our intangible assets – in other words, our people. We have attracted people who have grown into business leaders and developed an extraordinary combination of attributes including ambition, inventiveness, entrepreneurship and a commitment to make us a global leader in agri-commodities supply chain management.



We hire exceptional people and provide them with great opportunities to build themselves and their careers across multiple functions, businesses and geographies.

In the ultimate analysis, our people create our true sustainable, competitive advantage. Our culture of shared values acts as a glue, unifying our people all around the world - across product, geographical and functional boundaries, constantly helping us enter new products and regions and win.

As our business continues to grow in size and complexity, embedding and replicating our culture and values becomes ever more important to our success. Through a combination of recognising people who have demonstrated our culture and regular interface with employees through “value sessions”, we strive to maintain and reinforce these values throughout the organisation.



### **Entrepreneurial Spirit: 'We dare to dream'**

- We are always looking for unique opportunities and act upon them at every level in the organisation.
- We promote intelligent risk taking when the potential rewards are high.
- We make it safe for our managers to fail occasionally as a learning process.
- We eat our own cooking. We encourage our people to take equity stakes in the business – therefore truly participating in the risks and rewards.

### **Stretch and Ambition: 'Our passion for doing more'**

- We instill ambition in our people and aspire for high standards of success.
- We shape ambition by sharing our unique point of view on our business' future.
- We embed the desire to achieve that which seems beyond our grasp.
- We demonstrate passion by doing more than expected.

### **Ownership to Deliver: 'Our unyielding commitment in whatever we do'**

- We demonstrate an ownership mindset in everything we do.
- We show an intensity to win.
- We deliver on our roles and responsibilities. We make and honour commitments.
- We set the highest standards for execution through continuous improvement.
- We organise to get things right the first time.

### **Mutual Respect and Team Work: 'We treat each other the way we want to be treated'**

- We show respect for each other and others' points of view through responsible, open, two-way communication.
- We value the diversity among our colleagues in style, language and talent.
- We actively share information and ideas without boundaries, regardless of business unit or self-interest.
- We encourage widespread participation in our decision-making process.

### **Integrity: 'We believe in what we say and do'**

- We always strive to do the right thing.
- We are committed to fostering sustainable and responsible business practices.
- We promote ideas, projects and people based on merit in an objective and unbiased way.

### **Customer and Supplier Focus: 'Our relationships brings us the rewards'**

- We understand and respect our customers' and suppliers' needs.
- We strive to develop positive and long-term relationships with our customers and suppliers.
- We strive for high customer and supplier satisfaction.

## Risk Management

### Managing Volatility

Our presence in 60 countries and 20 agricultural products create multiple exposures to market risks, as well as price, credit, currency and sovereign risks. However, it is also our established presence and experience in such a diverse range of countries, products and our base of over 10,600 customers that allows us to diversify risk, with no one product, customer or supplier accounting for a significant portion.





We have successfully integrated critical information required for risk management and monitoring from our acquired entities that run on different information technology platforms.

### In Depth Counterparty Assessment

Precipitated by the crisis in the US financial sector, the past 12 months have seen unprecedented turmoil in the global economic environment. In addition to high volatility in markets, lack of credit and lower demand pushed customers in several markets to the brink. This led Olam to place greater focus and importance on counterparty management systems and processes, prompting a reassessment of all counterparties. Going forward, the risk capital

budgeting format for FY2010 has placed greater emphasis on individual credit and counterparty exposures. Collateral, in the form of advance deposits and pledges of other assets, are further taken as an added safeguard mechanism to reduce our risk exposure. For instance, in sales of sesame or cashews in certain markets, we insisted on advance payments or cash deposits to ensure contractual performance.

Our sound risk management practices in this area helped us manage heightened risk without significant adverse impact on our business. Our proprietary six-point counterparty rating scale, which assesses each business counterparty on its financial position, country of incorporation and trading history with us, was upgraded to provide us with an even more detailed assessment on their current situation. We also constantly update and review counterparty ratings to incorporate current data, as well as place a greater focus on lower-rated counterparties in our framework.

In view of our plans to invest upstream, midstream and downstream in the value chain, we will face new challenges in assessing and analysing aspects of risk specific to these investments. We will continue to upgrade and fine-tune our methodologies regularly to ensure focus on key areas of risk.

Counterparty Rating	Tenor of Forward Sales
A1 & A2 Counterparties	Up to 2 years
B1 & B2 Counterparties	From 6 months to 1 year
C1 & C2 Counterparties	Spot to 3 months

### Advanced Risk Systems

We are in the process of implementing a new version of the Olam Risk System (ORS), which serves as a one-stop portal for stakeholders on all risk issues such as limits, submission and viewing of exposures. This allows all managers across the globe to view their limits, exposures, and perform scenario analysis and stress tests. Our risk systems aim to combine the best of both worlds by incorporating our in-house exposure capture systems with specialist third-party Value-at-Risk (VaR) measurement systems.

### Value-at-Risk, Stress Testing and Scenario Analysis

Of particular relevance in the current environment is the use of stress tests and scenarios analysis to augment traditional VaR methodologies. This helps us manage our business exposures during periods of extreme volatility, as seen in commodity markets over the past 12 months.

# Corporate Responsibility & Sustainability

## Our Commitment



### **We are Accountable Not Only For Our Results, But How We Achieve Them.**

Olam's corporate responsibility and sustainability (CRS) model has evolved over the years, but has always been closely integrated with our business model. Our sustainability initiatives are closely aligned to our core business and aimed at making meaningful social impact in the communities in which we operate.

Our vision is to ensure that sustainability is achieved and profitable growth continues, whilst managing our business in a way that is supportive to communities, ensures a safe and productive workplace and is understanding of the environment.

We work in close partnership with public and private bodies throughout emerging economies where we are present, with the aim of creating lasting, positive, social and economic change in these communities.

### **We are guided by the following principles in implementing our sustainability objectives:**

- Improving the livelihoods of farmers and communities in which we operate through initiatives that enhance productivity and returns
- Forming alliances with developmental partners who bring skills and knowledge in areas relevant to our business
- Ensuring a safe, healthy and productive workplace for our people and those who work in our operations
- Participating in professional associations at international and national levels to further develop our key CRS goals
- Assessing the impact of our programmes on the community, the workplace and the environment

We now have an impact on more than 1,200,000 farmers across 22 of our key origin countries through a range of initiatives.

## Our initiatives

To fulfil our principles and responsibilities to our suppliers, customers, employees and the communities in which we operate, we have focused our initiatives within the following themes:

### Improving Rural Livelihoods

We help farmers build capacity in a variety of ways, including training on the latest farming and post-harvest methods, supplying them with new seeds, fertilisers and equipment and guaranteeing buy-back of produce.

An example of the many initiatives we are implementing is a project to help cocoa farmers in Indonesia, which has grown to become one of the largest of its kind in the world. Since inception in 2005, the programme has grown to support 23,000 farmers across Sulawesi, Aceh and Sumatra, and more than doubled average incomes.

### Pre-financing

Whether through cash loans, or in-kind resources, the pre-financing of farmers through a responsible source allows them scale up their farms to a commercially viable level. Pre-financing activities can be part of an outgrower programme, where we are paid back in the form of produce, or we may facilitate loans from national banks that are more willing to lend to farmers with a guaranteed buyer for their crops. Olam is one of the largest providers of pre-finance to the small-scale farming sector in Africa.

### Traceability

Olam has always encouraged good agricultural practice as a matter of course and today many of our products are fully traceable. Demand for independent certification within customer supply chains is increasing and we now work with several international certification bodies to ensure our products meet customer needs. We work towards certification at two points – production (farmer level) and processing (factory level).

We currently participate in the following certification initiatives: Soil Association Organic (cocoa and cashew); Rainforest Alliance (cocoa and coffee); UTZ (coffee); 4C (coffee); CAFÉ (coffee); AIB (spices); and FSC (timber certification in process).

### Biodiversity Management

Biodiversity management is relevant to all of Olam's lines of business and we are aware of the impact of our agriculture, plantation and forestry operations on the environment. In many origins, we work with producers to encourage diversification into other crops that can contribute to an improved agricultural system, or are more sensitive to the environment.

Biodiversity is particularly relevant to our forestry operations and we have a strategic goal of ultimately moving all our forestry operations, including contracted suppliers, towards Forestry Stewardship Council (FSC) certification standards.

### Food Security

Most of the farming in Africa is subsistence-based and as a result, many countries must import basic food staples like rice and wheat. In 2005, Olam decided to invest in local production of high-quality rice for the domestic Nigerian market. We commenced a farming initiative in association with the state government, local farmers and the USAID Markets programme. Today, 14,000 farmers covering 15,000 hectares provide paddy to our mill. Yields have more than doubled since the start of the initiative and farmers are earning substantially higher incomes than before.

This success has led us to expand across Nigeria and we plan to replicate this food security model with various staple crops in other countries.

### Social Welfare

In addition to providing employment and farmer-improvement opportunities, we reach out with many different types of assistance to our employees, suppliers and their families. Our social welfare and support activities are mainly focused on health improvement, education and gender equality.

In general, support initiatives will vary from region to region, depending on needs. This year, Olam is launching a large-scale HIV/AIDS education and awareness initiative across Sub-Saharan Africa to support the World AIDS Day.

### Partnerships

Olam sees partnerships as the most effective way to manage complex development challenges and maximise the impact of initiatives designed to meet them. We enter into partnerships with governments, international and national organisations, local communities, NGOs and customers to meet our CRS objectives.

As an example of a formalised partnership, Olam is a lead industry representative of two large-scale initiatives in Africa, match funded by the Bill & Melinda Gates Foundation. The aim is to lift millions of people out of hunger and poverty, by arming them with the knowledge and tools to build a better life through profitable farming.

*More details of our CRS strategy and initiatives are available in the 2009 Olam Corporate Responsibility & Sustainability Report.*



# Corporate Governance

“Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.”

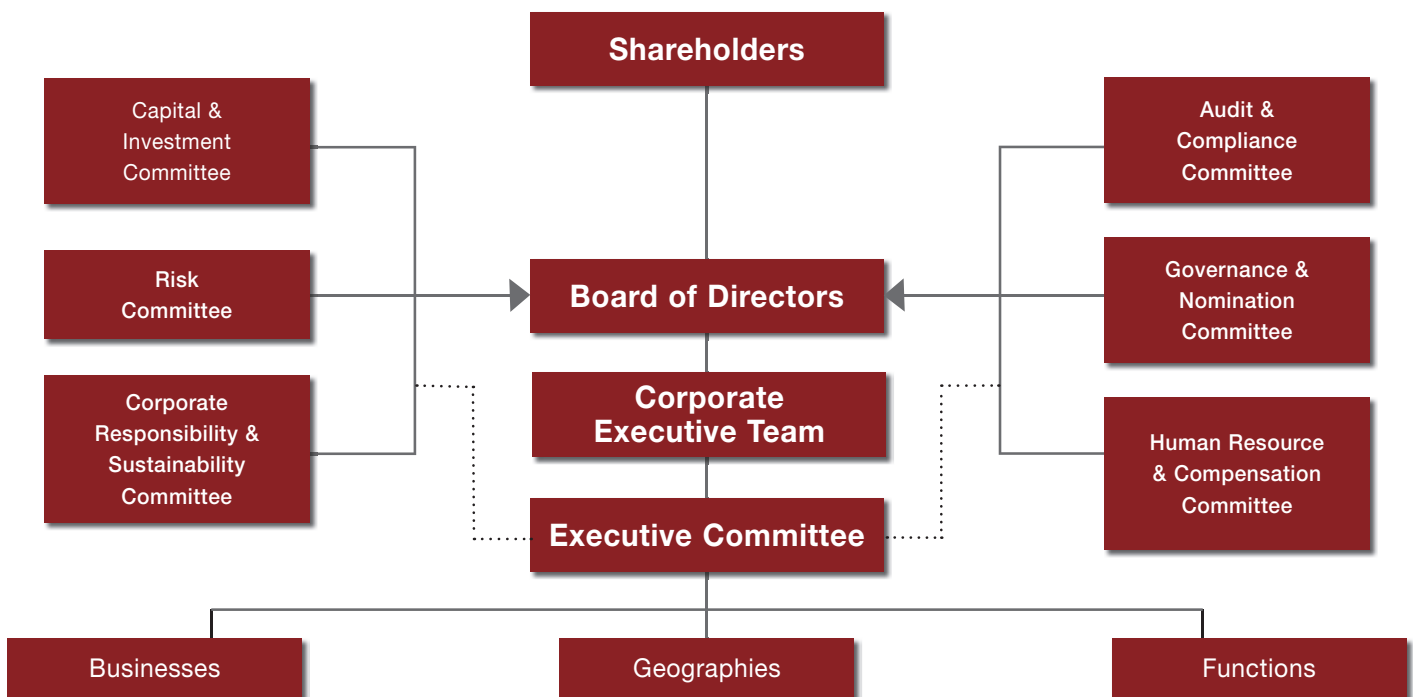
(Sir Adrian Cadbury, UK, Commission Report: Corporate Governance 1992)

Olam is committed to a high standard of corporate governance in keeping with its overarching philosophy of delivering consistent financial performance with integrity. It strongly supports the principles of openness, integrity and accountability as set out in the Code of Corporate Governance 2005 (the “Code”). The Board and Management continue to uphold the highest standards of corporate governance within

the Company in accordance with the Code and our own vision of good governance. In this area, we focus on the substance and spirit of the Code and at the same time delivering the Company’s vision and objectives.

The key aspects of our Company’s corporate governance framework and practice are outlined below:

## Our Current Corporate Governance Structure



## Our History

From the Company’s founding in 1995, we have consistently pursued the highest standards of corporate governance. The Board comprised of both Non-executive and Executive Directors and held regular meetings to review the operations of the Company. There was a clear division of responsibility between the Chairman and the Chief Executive Officer,

ensuring a balance of power and authority. The financial statements of the Group are audited by Ernst & Young LLP, one of the top four accounting firms globally.

## Effective Board to lead and control the Company (Principle 1)

The Board's task is to represent the shareholders of the Company and is accountable to them for value creation through the effective governance of the business. Our Board of Directors is responsible for the overall policies of the Company and for providing direction for corporate action. The principal functions of the Board are:

- (a) Providing leadership and guidance to management on strategic direction in relation to the Company's activities which are of a significant nature.
- (b) Approving and reviewing annual budgets and plans.
- (c) Overseeing the process for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and satisfy itself as to the adequacy of such processes.
- (d) Approving major acquisitions, divestments and fund raising exercises.
- (e) Ensuring the Company's compliance with laws and regulations as may be relevant to the business.
- (f) Assuming responsibility for corporate governance.
- (g) Setting the Company's value and standards, and ensuring that obligation to shareholders and others are understood and met, from time to time.
- (h) Review the Company's environmental policies and standards to ensure the Company's contribution to a positive social impact.

As a Board, the Directors meet on a quarterly basis to review and evaluate the Company's operations and performance and address key policy matters. However, ad-hoc, non-scheduled physical Board meetings and meetings held via telephone conference are convened to deliberate on urgent and substantive matters. Article 120 of the Company's Articles of Association allows for participation in board meetings via audio and video conferencing. During the year under review, the Board held four meetings and a 3-day off-site strategy meeting to discuss and review the Group's strategies and plans. Details of Directors' attendance at Board and Board Committees meetings during the year under review are provided below. The attendance matrix should not be the sole yardstick to measure the contribution of Directors who are professionals with diverse experience vital to the growth and excellence of the Company.

Name	Board Meeting	Audit & Compliance Committee Meeting	Human Resource & Compensation Committee Meeting	Governance & Nomination Committee Meeting	Capital & Investment Committee Meeting	Corporate Responsibility & Sustainability Committee Meeting	Risk Committee Meeting	Offsite Strategy Meeting
R. Jayachandran <sup>(1)</sup>	4	–	2	3	5	–	–	1
Narain Girdhar Chanrai <sup>(2)</sup>	4	2	–	3	5	–	2	1
Michael Lim Choo San	4	6	–	3	–	–	–	1
Robert Michael Tomlin	4	6	–	–	5	2	2	1
Mark Haynes Daniell	2	4	3	2	–	2	–	1
Wong Heng Tew	4	6	3	3	–	–	–	1
Tse Po Shing	4	–	–	–	5	–	3	1
Jean-Paul Pinard <sup>(3)</sup>	3	–	2	–	3	2	1	1
Sunny George Verghese	4	–	–	–	5	–	3	1
Shekhar Anantharaman	4	–	–	–	4	2	–	1
Sridhar Krishnan	4	–	–	–	–	2	3	1
No. of meetings held	4	6	3	3	5	2	3	1

- (1) Mr. R. Jayachandran was appointed as member of the Human Resource & Compensation Committee in February 2009.
- (2) Mr. Narain Girdhar Chanrai was appointed as member of the Audit & Compliance Committee and vacate as member of the Risk Committee in February 2009.
- (3) Mr. Jean-Paul Pinard was appointed as Director in October 2008 and was appointed as member of the Human Resource & Compensation, Capital & Investment and Corporate Responsibility & Sustainability Committees ("CRSC") in December 2008 followed by his appointment as Chairman of the CRSC with effect from 1 July 2009.

To keep the Directors abreast of developments in the industry as also in the Company's global operations, country visits and interactions with business and geography teams are amongst the different types of exposure provided to the Directors as a part of their ongoing education. Furthermore the Directors are taken through detailed presentations on the development and progress of the Group's key operations, updates on the changes to the SGX-ST Listing Rules, Companies Act, accounting standards and other relevant laws and regulations and where necessary, programs on Directors' duties and responsibilities etc. Newly appointed directors are issued with formal letters upon their appointment, which outlined their duties and obligations as Directors and are also given a handbook containing relevant information concerning the Group. Orientation Programs, which include visit to the Group's operations, briefing on the various operations of the Group and meeting with various key management personnel are arranged for newly appointed Directors.

Our Directors bring with them invaluable experience and extensive business networks and expertise in diverse fields. The size, composition and blend of experience of the current Board allow discussions on matters of policy, strategy and performance to be informed, critical and constructive. A brief profile of each Director is given on pages 18 and 19 of this annual report.

The Governance & Nomination Committee (GNC) is of the view that, given the size, nature and scope of the Company's operations, the Board should have between 10 and 12 members, who as a group, possess the required capabilities, skills and experience for the Board to discharge its duties and responsibilities effectively. The GNC determines on an annual basis whether or not a Director is independent, bearing in mind the definition of an Independent Director under the Corporate Governance Code.

The nature of the current Directors' appointments on the Board and details of their membership on Board Committees are set out below:

## A strong and independent element on the Board (Principle 2)

Our Board currently consists of 11 members, three of whom are Executive Directors and the balance eight, Non-executive directors. We have five Independent Directors on our Board.

Name	Board Membership	Audit & Compliance Committee	Governance & Nomination Committee	Human Resource & Compensation Committee	Risk Committee	Capital & Investment Committee	Corporate Responsibility & Sustainability Committee
R. Jayachandran	Non-executive Chairman	–	Member	Member	–	Member	–
Narain Girdhar Chanrai	Non-executive Director	Member	Member	–	–	Member	–
Michael Lim Choo San	Independent Director	Chairman	Chairman	–	–	–	–
Mark Haynes Daniell	Independent Director	Member	Member	Chairman	–	–	Member
Robert Michael Tomlin	Independent Director	Member	–	–	Member	Chairman	Member
Wong Heng Tew	Independent Director	Member	Member	Member	–	–	–
Tse Po Shing	Non-executive Director	–	–	–	Chairman	Member	–
Jean-Paul Pinard	Independent Director	–	–	Member	–	Member	Chairman
Sunny George Verghese	Executive Director & Chief Executive Officer	–	–	–	Member	Member	–
Shekhar Anantharaman	Executive Director	–	–	–	–	Member	Member
Sridhar Krishnan	Executive Director	–	–	–	Member	–	Member



## **Chairman and Chief Executive Officer to be separate to ensure appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making (Principle 3)**

There is a clear division of responsibility between the Chairman and the Chief Executive Officer (CEO) to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct while the CEO has overall responsibility of the Company's operations, organisational effectiveness and implementation of Board policies and decisions. The CEO remains accountable to the Board for the decisions and actions taken as well as for the performance of the Group.

The Non-executive, Independent Directors fulfill a pivotal role in corporate accountability. Their role is particularly important as they provide unbiased and independent views, advice and judgment to take care of the interests, not only of the Company but also of shareholders, employees, customers, suppliers and the many communities in which the Company conducts business.

## **Board Members to have complete, adequate and timely information (Principle 6)**

## **Board to provide a balanced and understandable assessment of the company's performance, position and prospects (Principle 10)**

Meeting agenda and board materials are sent to all Directors prior to all board and board committees meetings. This is sent sufficiently in advance to enable the Directors to obtain further details and explanations where necessary. Managers who can provide additional insight into the matters at hand are invited to be present at the relevant time during the Board

and Board Committees meeting. The Directors are also provided with the names and the contact details of the Company's Senior Management and the Company Secretary to facilitate direct access to them. Non-Executive Directors had met with Senior Management independently to be briefed on various issues. Offsite meeting, held annually, is organised for the Board members to interact with Senior Management. Presentations on the Group's business and activities are provided to the Board throughout the year by the Company's Management team. The Board takes independent professional advice as and when necessary to enable it or the Independent Directors to discharge their responsibilities effectively.

The role of the Company Secretary is clearly defined and includes the responsibility of ensuring that the board procedures are followed and that applicable rules and regulations are complied with.

The Board has adopted a policy of openness and transparency in the conduct of the Company's affairs while preserving the commercial interests of the Company. The Company has been reporting its financial results quarterly and holding media and analyst meetings to coincide with the quarterly results announcements.

Financial results and other price sensitive information are disseminated to shareholders via SGXNET, to the SGX-ST, press releases, the Company's website and through media and analyst briefings.

The Company has in place a comprehensive investor relations programme to keep investors informed of material developments in the Company's business and affairs beyond that which is prescribed, but without prejudicing the business interests of the Company.

## **Board Committees**

To assist the Directors in the discharge of their oversight function, Board Committees have been constituted with clear terms of reference, which are reviewed periodically. These are the Audit & Compliance Committee, the Capital & Investment Committee, the Risk Committee, the Governance & Nomination Committee, the Human Resource & Compensation Committee and the Corporate Responsibility & Sustainability Committee. All the committees are actively engaged and play an important role in ensuring good corporate governance in the Company.

## Establishment of Audit & Compliance Committee with Terms of Reference (Principle 11)

The Audit & Compliance Committee (ACC) has our four independent Directors, Mr. Michael Lim (Chairman), Mr. Robert Tomlin, Mr. Mark Daniell and Mr. Wong Heng Tew and our non-executive Director, Mr. Narain Girdhar Chanrai who was appointed in February 2009 as its members. The Committee met six times during the year and its terms of reference are to:

- (a) Review with the external auditors their audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the Company management's response.
- (b) Review the quarterly and annual financial statements before submission to the Board of Directors for approval, focusing in particular, on changes in accounting policies and practices, major operating risk areas and overview of all group risk on an integrated basis, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements.
- (c) Review the internal controls and procedures and ensure co-ordination between the external auditors and the Company management, reviewing the assistance given by the management team to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary).
- (d) Review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has, or is likely to have, a material impact on the Group's operating results or financial position, and the management's response to the same.
- (e) Consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors.
- (f) Review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors annually.

- (g) Review transactions falling within the scope of Chapter 9 of the Listing Manual.
- (h) Undertake such other reviews and projects as may be requested by our Board of Directors and report to the Board of Directors its findings from time to time on matters arising and requiring the attention of the ACC.
- (i) Undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The ACC has full access to and cooperation of the Management and full discretion to invite any Director or executive officer to attend its meetings. The Company has an Internal Audit team and together with the external auditors, report their findings and recommendations independently to the ACC.

On the recommendation of the ACC and the approval of the Board, the Company has formalized a Code of Conduct that provides an introduction to important standards and policies that everyone working for the Company should adhere to. This Code also encourages and provides a channel for employees to report in good faith and confidence without fear of reprisals or concerns about possible improprieties in financial reporting.

During the year, the ACC reviewed the financial statements of the Company before the announcement of the financial results. The Committee met with the internal and external auditors and discussed with them any issues of concern.

In addition, the ACC also reviewed the nature and extent of all non-audit services performed by the external auditors to establish whether their independence has in any way been compromised as a result, and has confirmed that such services would not affect the independence of the external auditors.

## Independent Internal Audit Function (Principle 13)

### Sound System of Internal Controls (Principle 12)

#### Internal Audit

The internal audit function is established to support the Governance Process and provide a source of confidence to the ACC that there is sound managerial control over all aspects of the operations of Olam including statutory compliances, accounting, asset management and control systems.

The Internal Audit Head reports directly to the Chairman of the ACC with a dotted line relationship to the CEO of the Company. The Internal Audit team has full, free and unrestricted access at all times to all books, personnel, documents, accounts, property, vouchers, records, correspondence and other data of the Company. The Internal Auditors also have the right, to enter any premises of Olam and to request any officer to furnish all information and such explanations deemed necessary for them to form an opinion on the probity of action, adequacy of systems and/or of controls.

The scope of Internal Audit is reasonably comprehensive to enable the effective and regular review of all operational, financial and related activities. The Internal Audit coverage extends to all areas of the Company and its controlled entities and includes financial, accounting, administrative, computing and other operational activities. An internal compliance monitoring system was developed as a self assessment tool for monitoring the performance of the business units on key control aspects and processes.

The ACC reviews the proposed scope of the Internal Audit function, the performance of the Internal Audit function and the Internal Audit Plan semi-annually. It ensures that no limitation on audit has been interposed. The Internal Audit's summary of findings and recommendations are reviewed and discussed at the ACC meetings.

The ACC is assisted in the discharge of this function by the Executive Audit Committee (EAC). The EAC has Jagdish Parihar, Managing Director of the Cotton Business as its chair and V. Srivathsan, Regional Head West Africa, S. Suresh, Senior Vice President and Rajeev Kadam, Global Head Internal Audit as its members.

## Internal Controls and Risk Management

The Company's internal control structure consists of the policies and procedures established to provide reasonable assurance that the organisation's related objectives would be achieved.

At Olam, the internal control extends beyond the accounting and finance function – its scope is Company-wide and touches all activities of the Company.

Our Field Operations Manual (FOM) is the main guidebook which prescribes the process and documentation requirements for all our procurement, grading, sorting, processing, storage, transits and shipment of our products. Strict adherence of this FOM is the key to our control over operational risks. To ensure that this is happening, we have periodical internal audit reviews.

To round off the process, we link the Internal Audit findings into the manager's performance evaluation system, to ensure the desired influence on behaviour.

The Company's Enterprise Risk Management (ERM) framework covers Market Risks, Credit & Counter Party Risks, Operational Risks and Information Risks. The Company has a Risk Committee and an independent Risk Control function to measure and monitor Market Risks and Credit & Counter Party Risks. Our risk management system is outlined on pages 64 and 65.

During the year, the ACC assessed the strength of the internal audit team in the Company in respect of its numbers and qualification. Whilst the internal audit system and the internal controls put in place by Management provides reasonable assurance against material financial misstatements or loss, reliability, relevance and integrity of information (including financial information), completeness of records, safeguarding of assets, effectiveness and efficiency of operations and compliance with applicable policies, laws and regulations, it is opined that such assurance cannot be absolute in view of the inherent limitations of any internal audit system and internal controls against the occurrence of significant human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

## Risk Committee

Our Non-Executive Director, Mr. Tse Po Shing chairs the Risk Committee. Mr. Robert Tomlin, Mr. Sunny Verghese and Mr. Sridhar Krishnan are the other members of this Committee. The Risk Committee met three times during the year under review and it has oversight of the following matters:

- (a) To review the adequacy and effectiveness of our Group's external, market and internal risk management policies and systems;
- (b) To review and recommend risk limits and budgets;
- (c) To review major non-compliances with risk policies; and
- (d) To review political and sovereign risk, and the management and insurance thereof.

The committee is assisted by the Executive Risk Committee (ERC), which ensures the day to day tracking, monitoring and control of risks. The Risk Committee Chairman is provided with regular risks reports and updates by the ERC. The ERC is chaired by Mr. Ashok Hegde, Global Head of Risk and has the Managing Directors of our Coffee, Cocoa, Cashew and Cotton businesses as its members, in addition to the Group CFO and the Group Risk Controller.

## Capital & Investment Committee

The Capital & Investment Committee (renamed from Finance & Investment Committee) (CIC) is chaired by the Independent and Non-Executive Director, Mr. Robert Tomlin. The members of the Committee comprised of Mr. R. Jayachandran, Mr. N.G. Chanrai, Mr. Tse Po Shing, Mr. Jean-Paul Pinard, Mr. Sunny Verghese and Mr. Shekhar Anantharaman.

Apart from the generally scheduled meetings, the CIC held frequent meetings via telephone conference as and when required to discuss any proposed capital projects of the Group. The CIC met five times during the year and has oversight of the following matters:

- (a) To review and recommend financial strategies, policies, gearing and financial risks, new business risks, and capital structure of the Company;
- (b) To review and recommend equity capital raising plans;
- (c) To review and recommend debt capital raising plans and significant banking arrangements;
- (d) To review investment policy guidelines and capital expenditure plans;

- (e) To review and assess the adequacy of foreign currency management;
- (f) To review and recommend on mergers, acquisitions and divestments; and
- (g) To review and recommend on dividend policy and dividend declarations.

The CIC has, as its executive arm the Executive Investment Committee ("EIC") with Mr. Richard Haire as its Chair, Mr. Jagdish Parihar as its Alternate Chair and Mr. K Ravikumar and Mr. Ashok Hegde as its members.

## Formal and transparent process for appointment of new Directors (Principle 4)

Our Governance & Nomination Committee (GNC) is chaired by Mr. Michael Lim Choo San, an Independent and Non-Executive Director. He is not a substantial shareholder nor is he directly associated with a substantial shareholder. Mr. R. Jayachandran, Mr. N. G. Chanrai, Mr. Mark Daniell and Mr. Wong Heng Tew are other members of the GNC. The GNC met three times during the year, which includes a joint meeting with the Human Resource & Compensation Committee. The GNC is guided by the following terms of reference:

- (a) To recommend the appointment and re-appointment of Directors.
- (b) To conduct an annual review of the independence of each Director.
- (c) To assess the effectiveness of the Board and its members.
- (d) To review the size, structure and composition of the Board annually.
- (e) To recommend performance criteria for evaluating the Board's performance.
- (f) To recommend membership for board committees.
- (g) To consider and review Company's corporate governance principles.
- (h) To consider questions of possible conflicts of interest of board members and senior executives.



## Independence of Directors

On an annual basis, the GNC carries out an assessment of the independence of individual Directors following the principles of the Code of Corporate Governance. The GNC also reviews the independence of a Director in specific instances by assessing all of the relationships between the Group and companies in which that Director holds or held positions to ensure that the relationships do not interfere with the Directors' exercise of objective or independent judgement or their ability to act in the best interests of the Group's business.

## Re-election of Directors

All Directors submit themselves for re-nomination and re-election at least once in three years. Pursuant to Article 107 of the Articles of Association of the Company, one third of the Directors retire from office at the Company's annual general meeting. In addition, the Company's Articles of Association also provides that a newly appointed Director must submit himself for re-election at the annual general meeting following the appointment.

The details of the retirement and re-election of the Directors are shown below:

Name	Board Membership	Date of First Appointment to the Board	Date of Last Re-election as Director
R. Jayachandran	Non-executive Chairman	4 July 1995	29 October 2007
Narain Girdhar Chanrai	Non-executive Director	4 July 1995	29 October 2008
Michael Lim Choo San	Independent Director	24 September 2004	29 October 2008
Mark Haynes Daniell	Independent Director	31 October 2002	30 October 2006
Robert Michael Tomlin	Independent Director	24 September 2004	29 October 2007
Wong Heng Tew	Independent Director	10 October 2003	29 October 2007
Tse Po Shing	Non-executive Director	12 September 2002	30 October 2006
Jean-Paul Pinard	Independent Director	29 October 2008	–
Sunny George Verghese	Executive Director & Chief Executive Officer	11 July 1996	29 October 2008
Sridhar Krishnan	Executive Director	1 April 1998	29 October 2007
Shekhar Anantharaman	Executive Director	1 April 1998	30 October 2006

All new appointments and re-nomination of Directors are subject to the recommendation of the GNC. Some of the criteria considered by the Committee while evaluating Directors' appointments are:

- (a) Independence of mind.
- (b) Capability and how he meets the current needs of the Company and simultaneously complements the skill set of the other Board members.
- (c) Experience and track record in high-performing companies.
- (d) Ability to commit time and effort toward discharging his responsibilities as a Director.
- (e) Reputation and integrity.

## Formal assessment of the effectiveness of the Board as a whole and the performance of individual Directors (Principle 5)

The Board considers the importance of putting the right people, with the range of skills, knowledge and experience together in order for effective governance of the Group's business. The GNC assists the Board in ensuring that the Board is comprised of individuals whose background, skills, experience and personal characteristics will enhance the present Board and meet its future needs.

Based on the recommendations of the GNC, the Board has laid down a preliminary set of assessment criteria to assess the effectiveness of the Board as a whole and contribution of each director to the effectiveness of the Board. The performance criteria for the Board evaluation covers amongst other criteria, Board performance in relation to discharging its principal functions and Board Committee performance in relation to discharging the responsibilities set out in their respective terms of reference. The individual Directors' performance criteria are in relation to their industry knowledge and/or functional expertise, contribution, sense of independence and participation at Board meetings. During the year, the GNC carried out an evaluation of the effectiveness of the Board, the individual Board Members and the Chairman of the Board. The Chairman of the Board, in consultation with the GNC Chairman, has set up review meetings with individual Board Members with a view to sharing this feedback and working out action plans to address specific feedback issues with each individual Board Member.

In the course of the year, the GNC also reviewed the adequacy and relevance of the assessment criteria for the evaluation of individual Directors and the Board.

It is expected that this process would help the Board uncover its strengths and challenges so that the Board would be in a position to further improve on the discharge of its oversight duties.

## Formal and transparent process for fixing remuneration packages of Directors and senior executives (Principle 7)

## Remuneration of Directors should be adequate but not excessive (Principle 8)

## Disclosure on remuneration policy, level and mix of remuneration and procedure for setting remuneration (Principle 9)

The Human Resource & Compensation Committee (renamed from Leadership Development & Compensation Committee) (HRCC) is responsible for developing the Company's remuneration policy and determining the remuneration packages of the senior executives of the Company. The HRCC proposes, subject to the approval of the Board, the remuneration and terms and conditions of service of Senior Management and the remuneration to be paid to each Director for his services as a member of the Board as well as Committees of the Board. The HRCC is chaired by Mr. Mark Daniell, our Independent and Non-Executive Director and has Mr. R. Jayachandran, Mr. Wong Heng Tew and Mr. Jean-Paul Pinard as its members. Apart from Mr. R. Jayachandran who is a Non-Executive Director, all members of the HRCC are Independent and Non-executive Directors. The HRCC met three times during the year. The terms of reference of the HRCC includes the following:

- (a) To recommend a framework of remuneration for the Board members, CEO and senior executives;
- (b) To determine the level and mix of remuneration packages for the CEO and the executive Directors;
- (c) To review the terms, conditions and remuneration of the senior executives of the Company (Policy Team);
- (d) To review the succession plans for Board, CEO, Executive Directors and the Senior Executives.
- (e) To design and approve employee share participation scheme; and
- (f) To review and approve any proposed grant of share options under the Company's employee share option scheme.

During the year, the HRCC also held a joint meeting with GNC to discuss and put in place processes for succession planning at the most senior levels including the CEO and the Chairman of the Board.

The HRCC, has, as its executive arm, The Human Resources Committee (HRC) with Mr. Ashok Krishen as its Chair, Mr. Gerry Manley as the Alternate Chair and, Mr. Ranveer Chauhan and Mr. V. Srivathsan as its members.

## Remuneration Policy for Non-Executive Directors

In reviewing the Non-Executive Director's remuneration for the year under review, the HRCC has adopted a framework which consists of a base fee, fees for membership of board committees, as well as fees for chairing Board Committees, taking into consideration the amount of time and effort that each Board member devoted to the role and the fees paid in comparable companies. To facilitate timely payment of Directors' fees, Directors' fees are paid in advance on a quarterly basis for the current financial year once approval is obtained from shareholders at the annual general meeting. In addition, the HRCC had recommended the extension of Olam's share option scheme to include non-executive directors and independent directors to recognize the invaluable role played by them

in furthering the business interests of the Group by their experience and expertise. During the year, the HRCC reviewed the adequacy of the current Directors' fees against the fees paid by the peers of the Company. In their review, the HRCC also took into consideration reports and survey on Directors' fees paid.

Executive Directors are not entitled to either base fees or fees for membership in Board Committees. Remuneration for Executive Directors comprises of a base salary and participation in an incentive and share option plan based on the Company's performance during the period of the plan.

The Directors' fees paid for the financial year ended 30 June 2009 quarterly in advance amounted to S\$808,333.00 (FY 2008: S\$775,000) and were based on the following rates:

Name	Position	Committee Chairmanship/Membership	Base Director fee	Committee Chairmanship/Membership fees	Total
R. Jayachandran <sup>(1)</sup>	Non-executive Chairman	Member, CIC Member, GNC	\$90,000	\$35,000	\$125,000
Narain Girdhar Chanrai <sup>(2)</sup>	Non-executive Director	Member, GNC Member, CIC Member, ACC Member, RC	\$45,000	\$45,000	\$90,000
Michael Lim Choo San	Independent Director	Chairman, ACC Chairman, GNC	\$45,000	\$60,000	\$105,000
Mark Haynes Daniell <sup>(3)</sup>	Independent Director	Member, ACC Chairman/Member, CRSC Member, GNC Chairman, HRCC	\$45,000	\$70,000	\$115,000
Robert Michael Tomlin	Independent Director	Chairman, CIC Member, ACC Member, CRSC Member, RC	\$45,000	\$70,000	\$115,000
Wong Heng Tew	Non-executive Director	Member, ACC Member, GNC Member, HRCC	\$45,000	\$40,000	\$85,000
Jean-Paul Pinard <sup>(4)</sup>	Non-executive Director	Chairman/Member, CRSC Member, HRCC Member, CIC	\$30,000	\$36,000	\$66,666
Tse Po Shing	Non-executive Director	Chairman, RC Member, CIC	\$45,000	\$40,000	\$85,000
Peter Amour <sup>(5)</sup>	Non-executive Director	Member, HRCC Member, CRSC	\$15,000	\$6,667	\$21,667
				Total	\$808,333

(1) Mr. R. Jayachandran was appointed as member of the HRCC in February 2009.

(2) Mr. Narain Girdhar Chanrai was appointed as member of the ACC and vacate as member of the RC in February 2009.

(3) Mr. Mark Haynes Daniell vacated as Chairman and remained as member of the CRSC.

(4) Mr. Jean-Paul Pinard was appointed as Director in October 2008 and was appointed as member of the HRCC, CIC and CRSC in December 2008 followed by his appointment as Chairman of the CRSC with effect from 1 July 2009.

(5) Mr. Peter Amour retired as Director in October 2008.

## Proposed Compensation for Non-Executive Directors for the Year Ending 30 June 2010:

Nature of Appointment	S\$	Nature of Appointment	S\$
<b>Board of Directors</b>		<b>Governance &amp; Nomination Committee</b>	
Base Fee (Member)	45,000	<b>Leadership Development &amp; Compensation Committee</b>	
Base Fee (Chairman)	90,000	<b>Corporate Responsibility &amp; Sustainability Committee</b>	
<b>Audit &amp; Compliance Committee</b>		<b>Risk Committee</b>	
Chairman's fee	40,000	Chairman's fee	20,000
Member's fee	20,000	Member's fee	10,000
<b>Capital &amp; Investment Committee</b>			
Chairman's fee	30,000		
Member's fee	20,000		

## Remuneration Policy for Executive Directors and Other Key Executives

The Company advocates a performance based remuneration system that is flexible and responsive to the market. The remuneration is linked to the Company and individual executive's performance.

The total remuneration comprises of three components: an annual fixed cash component, an annual performance incentive and a long term incentive. The annual fixed component consists of the annual basic salary and other fixed allowances. The annual performance incentive is tied to the Company's and individual executive's performance, while the long term incentive is granted based on the individual's performance and contribution made.

To remain competitive, it would be our aim to benchmark our executive's compensation with that of similar performing companies and remain in the top 25 percentile. The compensation structure would be so designed that as one moves up the corporate ladder, the percentage of his/her total remuneration at risk increases.



## Level and Mix of Remuneration of Directors for the Year Ended 30 June 2009

The level and mix of each of Director's remuneration in bands of S\$250,000 are set out below.

Remuneration Band & Name of Director	Base/ fixed salary	Variable or performance related income /bonuses	Fees	Benefits in kind	Total	Share Option granted under ESOS to date*
<b>\$3,500,000 to below \$3,750,000</b>						
Sunny George Verghese	18%	79%	–	3%	100%	15,000,000
<b>\$750,000 to below \$1,000,000</b>						
Sridhar Krishnan	40%	56%	–	4%	100%	800,000
<b>\$500,000 to below \$750,000</b>						
Shekhar Anantharaman	53%	41%	–	6%	100%	800,000
<b>Below \$250,000</b>						
R. Jayachandran	–	–	100%	–	100%	–
Narain Girdhar Chanrai	–	–	100%	–	100%	–
Mark Haynes Daniell	–	–	100%	–	100%	100,000
Michael Lim Choo San	–	–	100%	–	100%	100,000
Robert Michael Tomlin	–	–	100%	–	100%	100,000
Wong Heng Tew	–	–	100%	–	100%	100,000
Tse Po Shing	–	–	100%	–	100%	–
Jean-Paul Pinard	–	–	100%	–	100%	–
Peter Francis Amour (Retired 29 October 2008)	–	–	100%	–	100%	–

\* The subscription price of the share option is the price equal to the average of the last dealt prices for a share for the five consecutive market days preceding the date of grant.

## Level and Mix of Remuneration of Executive Directors for the Year Ended 30 June 2008

Remuneration Band & Name of Director	Base/ fixed salary	Variable or performance related income /bonuses	Fees	Benefits in kind	Total
<b>\$2,000,000 to below \$2,250,000</b>					
Sunny George Verghese	20%	69%	–	11%	100%
<b>\$500,000 to below \$750,000</b>					
Sridhar Krishnan	64%	4%	–	32%	100%
<b>\$250,000 to below \$500,000</b>					
Shekhar Anantharaman	71%	5%	–	24%	100%

## Level and Mix of Remuneration of the Top Five Executives for the Year Ended 30 June 2009

The level and mix of each of the top five executive's remuneration in bands of S\$250,000 are set out below.

Remuneration Band & Name of Executive	Base/fixed salary	Variable or performance related income/bonuses	Benefits in kind	Total
<b>S\$500,000 to below S\$750,000</b>				
Gerard Anthony Manley	76%	19%	5%	100%
Krishnan Ravikumar	36%	54%	10%	100%
Vivek Verma	38%	43%	19%	100%
<b>S\$250,000 to below S\$500,000</b>				
Jagdish Achleshwar Prasad Parihar	66%	23%	11%	100%
Ashok Krishen	53%	30%	17%	100%

### Remuneration of employees who are immediate family members of a Director or the Non-Executive Chairman

No employee of the Company and its subsidiaries was an immediate family member of a Director or the CEO and whose remuneration exceeded \$150,000 during the year under review. Immediate family member means the spouse, child, adopted child, step-child, brother, sister and parent.

### Corporate Responsibility & Sustainability Committee

As supply chain managers of agricultural products, our sustainability initiatives are inter-woven into our business model and are aimed at making meaningful social impact in the communities within which we are operating. The Corporate Responsibility & Sustainability Committee (CRSC) is chaired by our Non-executive and Independent Director, Mr. Jean-Paul Pinard and has Mr. Mark Haynes Daniell, Mr. Robert Tomlin, Mr. Shekhar Anantharaman and Mr. Sridhar Krishnan as its members. This committee met twice during the year. The terms of reference of this committee includes:

- (a) Reviewing and recommending Company's policy with respect to corporate responsibility and sustainability issues.
- (b) Reviewing the Company's environmental policies and standards.

- (c) Reviewing the social impact of the Company's business practices in the communities that it operates in.
- (d) Reviewing and recommending policies and practices with regard to key stakeholders (suppliers, customers and employees).
- (e) Reviewing and recommending policies and practices with regard to regulators.
- (f) Reviewing our annual Corporate Responsibility & Sustainability Report.

During the year, the CRSC undertook the review of the Corporate Responsibility & Sustainability Report 2009 for publication, the report of the WWF, the corporate responsibility and sustainability strategic framework, a proposed Code of Practice for the Workplace and other sustainability initiatives.

The CRSC is assisted in the formulations and implementation of various sustainability policies and projects, by the Executive CRS Committee with Mr. Gerry Manley as its Chair and Mr. Chris Brett as one of its members.

## Regular, effective and fair communication with shareholders (Principle 14)

### Greater shareholder participation at Annual General Meetings (Principle 15)

#### Investor communication: A key thrust area

At Olam, we believe it is important for us to communicate our business, strategic developments and financial results to investors and at the same time understand their perspectives. The Investor Relations Department has lead responsibility in this regard with the active involvement of the CEO and the CFO. The Board is periodically briefed on our interactions with investors. We also conduct investor perception surveys, the results of which are shared with the Board. We also track shareholder changes on a regular basis to have a good understanding of our investor base. Earning investors' trust and confidence is at the heart of Olam's investor relations efforts. The Company values strengthening shareholder and investor relations through regular dialogues with the investing community. Through these efforts, we continue to embrace strong principles in corporate governance and transparency.

We hold frequent dialogues, meetings and conference calls with analysts, shareholders and investors to facilitate understanding of the Company's business model and growth strategies. Investment roadshows are held on an ongoing basis to meet up with a broad spectrum of shareholders and potential investors across the globe. We also take initiative to help investors and analysts get a view of our business through field visits. On February 2009, we arranged for analysts to visit our facilities in Vietnam and interact with our managers.

## Delivering quality and timely information in a transparent manner

Besides communicating a clear business strategy with the investor community, we aim to deliver quality and timely information to analysts, shareholders and investors. We hold media and analysts conferences, both face-to-face and telephone conferences depending on the needs of our audiences, to announce our operating and financial results on a quarterly basis, as well as to communicate important corporate developments such as mergers and acquisitions announcements. Since FY2008 we started the practice of having a live video webcast to cater to the needs of global investors, retail and employee shareholders in Olam. In addition, the full financial statements and other presentation materials provided at the conferences are disseminated through the SGXNET onto the SGX-ST website outside trading hours.

We maintain an active electronic database of analysts, shareholders and investors, tracking every investor meeting, and measuring the frequency and content of each interaction. Such a system enables us to deliver our company results and announcements to the investment community electronically so that each has access to our information on an equal and timely basis. In addition, the tracking feature of the system helps us ensure that we have regular and meaningful interactions with the investors and are able to address their concerns and needs in a timely and informed manner.

As the internet and other electronic means of communication have become more accessible to investors, we continue to leverage such means in order to achieve a greater reach to investors, especially those who are outside Singapore and in different time zones. Our aim is also to facilitate investors' online information gathering process by providing easy-to-access financial and non-financial information, resources and tools. For instance, we included transcripts of the media and analysts conference held for the announcement of our full year FY2009 results in our investor relations website to facilitate investors' navigation through the various topics discussed at the conference.

## **Growing and diversifying shareholder base**

Our aim is to achieve a geographically diversified shareholder base. We do this by holding frequent dialogues, meetings and conference calls with a broad spectrum of shareholders and potential investors from targeted geographies.

In FY2009, we participated in several customised roadshows and international investment conferences held in Singapore, Hong Kong, Japan, Europe and the US with support from various brokerage firms. We believe these roadshows enhance the visibility of Olam among diverse groups of investors and provide the investors with access to the Management team, thereby helping them better understand our business environment, business model and growth potential. These road shows also provide opportunities for us to update our current shareholders on the developments in our business on a regular basis.

Our capital management exercises which we carried out between December 2008 and February 2009 by way of a convertible bonds buy-back and exchange offer were successfully completed given the strong interest by bondholders and investors and their confidence in the fundamentals of the Company in spite of weak capital markets at that time. We were also successful in raising US\$300 million of equity capital by issuing new shares to the indirect wholly-owned subsidiaries of Temasek Holdings after securing the necessary approval from minority shareholders. Our most recently launched seven-year no-put US\$400 million convertible bond issue was oversubscribed on 1 September 2009, signalling the trust and confidence that bondholders and investors have in our long term growth prospects.

Our share base and market capitalisation has increased and as of end-June 2009, our shareholder base comprised 304 high quality institutional investors spread across 27 countries, as compared to 279 across 29 countries in the previous year.

While Olam actively pursues an outreach programme to institutional investors, it does not neglect its relations with employee and retail shareholders. We keep our employee shareholders informed of our Investor Relations activities via our employee portal and with retail investors, we participate in corporate profile seminars organised by the Securities Investors' Association of Singapore (SIAS).

## **Increasing analyst coverage**

We continue to engage sell-side analysts with the objective of extending research coverage and thereby our reach to investors. To date, 16 research institutions cover Olam, unchanged from the previous year despite the high analyst churn witnessed during the year. We are actively and continuously involved in discussions with other leading international and local research firms to initiate coverage on our stock.

## **Encouraging greater shareholder participation at Annual General Meeting**

We regard the annual general meeting (AGM) as an opportunity to communicate directly with shareholders. We are committed to efforts to establish more effective ways of communicating with our shareholders around the AGMs. Shareholders are informed of the annual general meetings through notices published in the newspapers or through circulars. To encourage more shareholder participation, our AGMs are held at a central location that is easily accessible by most shareholders. Our 14th AGM was held at the SGX Centre at Shenton Way in Singapore's Central Business District.

All Board members and key executives of the Senior Management team attend the AGM. Our external auditors and legal advisers are also present at the AGM to assist the Directors in addressing shareholders' queries.

We treat shareholder issues, particularly those that require shareholders' approval, such as the re-election of Directors and approval of Directors' fees, as distinct subjects and submit them to the AGM as separate resolutions.

Voting in absentia by mail or electronic means requires careful study and is only feasible if there is no compromise to either the integrity of the information and/or the true identity of the shareholder. Legislative changes would also need to be made to recognise electronic voting.



## Accolades

### Best quoted companies and IR professionals

Olam was ranked among the top 25 best quoted companies in Singapore by Thomson Reuters' Extel Asia Survey of Investor Relations 2008. The survey was based purely on validated, verified responses of over 200 buy-side firms, 170 quoted companies and 450 analysts from 50 brokerage houses and included detailed rankings of IR performance by firms and IR professionals across Asia. The IR team was also ranked among the top 20 IR professionals in Singapore in the same survey of asset managers and brokers.

### Exemplary IR practices

The Company was rated No. 1 in Investor Relations (mid & small cap) in exemplary IR practices in the Singapore Management University-Investor Relations Professionals Association (Singapore)'s study of Institutional Investors' Assessment of Investor Relations in SGX-Listed Companies. The findings are based on the responses of 38 fund managers representing 27 institutional investors with estimated equity assets under management in Asia totalling over US\$30 billion.

### Most transparent company

Olam was awarded the "Most Transparent Company" trophy for the Commerce category at the SIAS Investors Choice Awards 2008 in October 2008 for the fourth consecutive year. The awards are based on key criteria such as timeliness, substantiality and clarity of news releases, degree of media access, frequency of corporate results, availability of segmental information and communication channels. Winners are selected from nominations received from investment analysts, heads of research, fund managers and members of the mass media.

## Securities Transactions

The Company is committed to transparency, fairness and equity in dealing with all shareholders and in ensuring adherence to all laws and regulations that govern a company listed and trading on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Employee Share Dealing Committee ("ESDC") was set up to formulate and review the best practices in the dealing of securities by directors, executives and employees. The ESDC is chaired by Mr. Ranveer Singh Chauhan with Mr. V. Srivathsan as the co-chair and Mr. Joydeep Bose, Mr. Rajesh Chopra, Mr. Sriram Subramanian and Mr. Vikash Sinha as its members. The ESDC reports to both the CEO and the Chairman of the Board's Governance and Nomination Committee.

Through the ESDC, the Company has issued a policy on dealings in securities of the Company in line with the Best Practices Guide issued by the SGX-ST to its Directors, executives and employees setting out the implications of insider trading and guidance on such dealings. The policy provides that the Company, its Directors, executives and employees undertake not to deal in the Company's securities at anytime after a price sensitive development has occurred, or has been the subject of a decision, until the price sensitive decision has been publicly announced. In particular the Company, its Directors and executives will not deal in the Company's securities during the following period:

- (a) commencing 15 days prior to making public of the quarterly financial results and ending 1 business day after the announcement; and
- (b) commencing 30 days prior to the making public the half yearly and annual financial results and ending 1 business day after the announcement.

## Material Contracts

There was no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder.

## Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the ACC and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. The Company's disclosure in respect of interested person transactions for the financial year ended 30 June 2009 are as follows:

Name of interested person	Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (S\$'000)
Kewalram Nigeria Limited Redington Nigeria Limited	538 2	Not applicable – the Company does not have a shareholders' mandate under Rule 920
Total	540	

## Board of Directors

Rangareddy Jayachandran	Tse Po Shing
Narain Girdhar Chanrai	Jean-Paul Pinard
Michael Lim Choo San	Sunny George Verghese
Mark Haynes Daniell	Sridhar Krishnan
Robert Michael Tomlin	Shekhar Anantharaman
Wong Heng Tew	

## Executive Committee

Sunny George Verghese	Ashok Krishen
Sridhar Krishnan	Krishnan Ravikumar
Shekhar Anantharaman	Ashok Hegde
Jagdish Achleshwar Prasad Parihar	Venkatramani Srivathsan
Gerard Anthony Manley	Ranveer Singh Chauhan
Vivek Verma	Richard Haire

## Management Committee

Sunny George Verghese	K C Suresh
Sridhar Krishnan	Kapa Prasad
Shekhar Anantharaman	M D Ramesh
Jagdish Achleshwar Prasad Parihar	M. Ramanarayanan
Gerard Anthony Manley	Mahesh Menon
Vivek Verma	Mukul Mathur
Ashok Krishen	Pawel Redzisz
Krishnan Ravikumar	Prakash Kanth
Ashok Hegde	Raghavan Sivaswami
Venkatramani Srivathsan	Raj Vardhan
Ranveer Singh Chauhan	John Gibbons
Richard Haire	Raja Saoud
Amit Agrawal	Rajeev Kadam
Amit Khirbat	Rajeev Raina
Amit Suri	Rajesh Chopra
Anupam Gupta	Ramesh Sundaresan
Anupam Jindel	Ravi Pokhriyal
Arun Balakrishnan	Sachin Sachdev
Arun Kumar Sharma	Sandeep Hota
Ashish Govil	Sandeep Jain
Bob Dall'alba	Sanjay Sacheti
Charles Davis	Sathyamurthy Mayilswamy
Christopher Brett	Shankar Athreya
Cliff White	Srinivasan Venkita Padmanabhan
Darshan Raiyani	Sriram Subramanian
Dave Watkins	Suresh Sundararajan
David DeFrank	Syed Abdul Azeez
Devashish Chaubey	Thiagaraja Manikandan Swaminathan
Jayant Parande	Thomas Gregerson
Joydeep Bose	Vasanth Subramanian
Juan Antonio Rivas	

## Company Secretary

Wan Tiew Leng, Lynn

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## Auditors

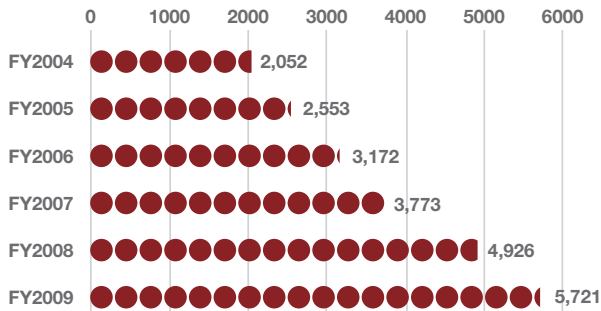
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North Tower, Level 18  
Singapore 048583  
Partner-in-charge (since FY2008) : Yee Woon Yim

## Principal Bankers

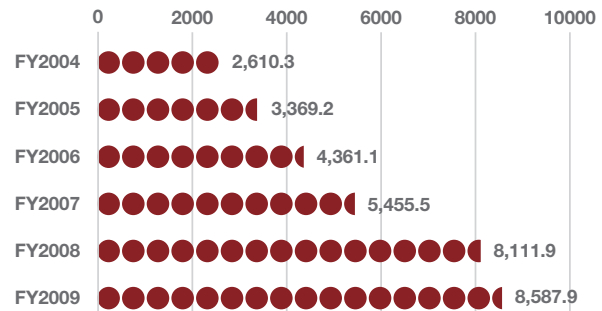
Australia and New Zealand Banking Group Limited  
BNP Paribas  
DBS Bank Ltd  
ING Bank N.V.  
JPMorgan Chase Bank, N.A.  
Natixis, Singapore  
Oversea-Chinese Banking Corporation Limited  
Rabobank International  
Standard Chartered Bank  
Sumitomo Mitsui Banking Corporation  
The Bank of Tokyo-Mitsubishi UFJ, Ltd  
The Hongkong and Shanghai Banking Corporation Limited  
The Islamic Bank of Asia Limited  
The Royal Bank of Scotland Plc

# Financial Analysis

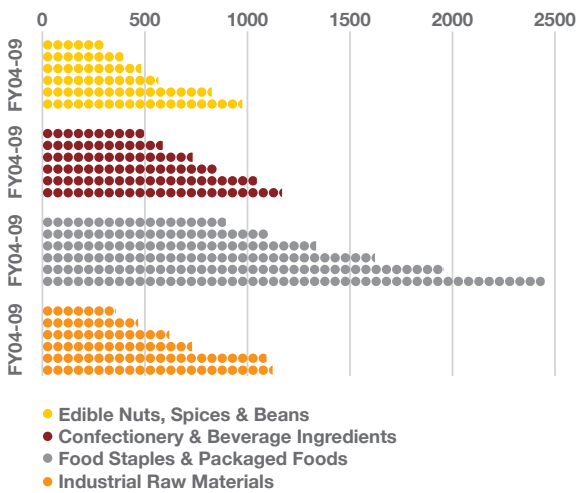
## TOTAL SALES VOLUME (’000 Metric Tonnes)



## TOTAL SALES REVENUE (S\$million)



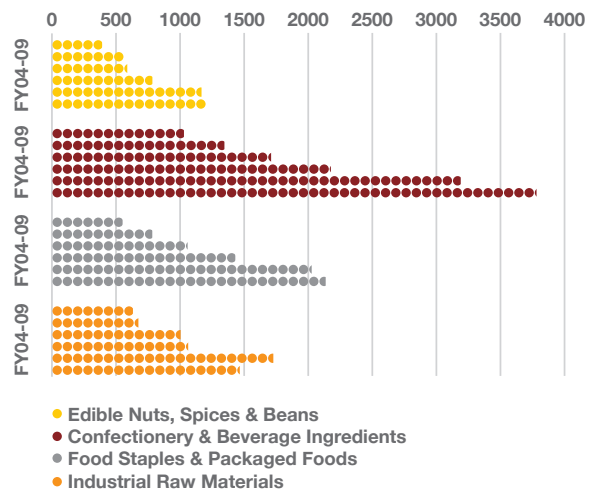
## SALES VOLUME BY SEGMENT (’000 Metric Tonnes)



### Sales Volume

(’000 Metric Tonnes)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Edible Nuts, Spices & Beans	300	395	482	567	827	<b>976</b>
Confectionery & Beverage Ingredients	497	588	734	853	1,047	<b>1,170</b>
Food Staples & Packaged Foods	896	1,102	1,336	1,623	1,959	<b>2,451</b>
Industrial Raw Materials	359	468	620	731	1,094	<b>1,124</b>
<b>Total</b>	<b>2,052</b>	<b>2,553</b>	<b>3,172</b>	<b>3,773</b>	<b>4,926</b>	<b>5,721</b>

## SALES REVENUE BY SEGMENT (S\$million)



### Sales Revenue

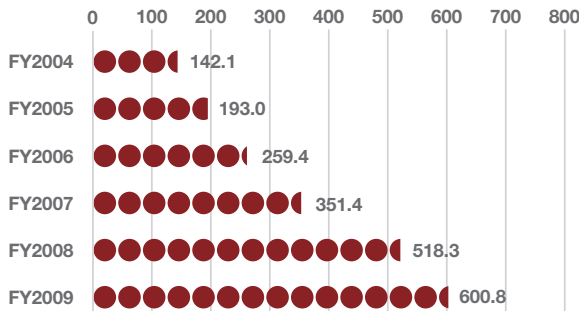
(S\$million)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Edible Nuts, Spices & Beans	391.8	566.8	588.2	783.2	1,168.9	<b>1,200.1</b>
Confectionery & Beverage Ingredients	1,031.2	1,345.9	1,711.3	2,177.8	3,188.9	<b>3,783.1</b>
Food Staples & Packaged Foods	552.9	782.7	1,058.4	1,432.3	2,027.5	<b>2,139.6</b>
Industrial Raw Materials	634.4	673.8	1,003.2	1,062.2	1,726.6	<b>1,465.1</b>
<b>Total</b>	<b>2,610.3</b>	<b>3,369.2</b>	<b>4,361.1</b>	<b>5,455.5</b>	<b>8,111.9</b>	<b>8,587.9</b>

**SALES VOLUME:** Total sales volume grew at CAGR of 22.8% over last six years, from 2.05 million tonnes in FY2004 to 5.72 million tonnes in FY2009. All the four segments contributed to the growth in volume in FY2009.

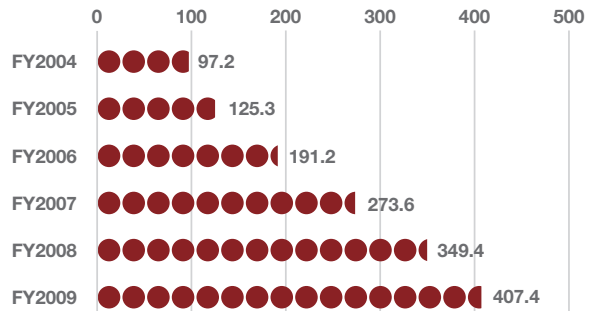
**SALES REVENUE:** Total sales revenue grew at CAGR of 26.9% over the last six years from S\$2.61 billion in FY2004 to S\$8.59 billion in FY2009. The growth in FY2009 was a result of the increase in volumes with a reduction in prices of most underlying products.



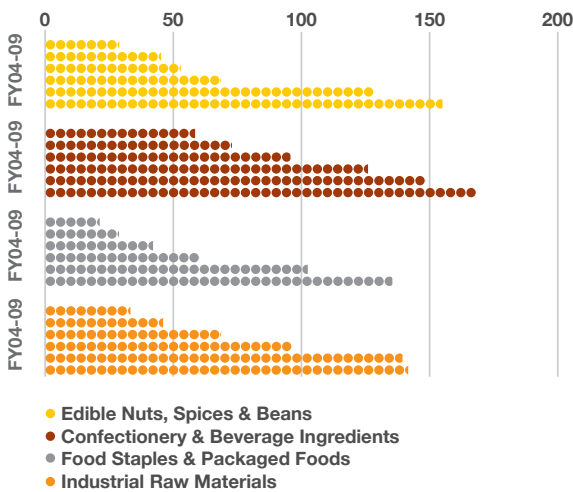
**TOTAL NET CONTRIBUTION**  
(S\$million)



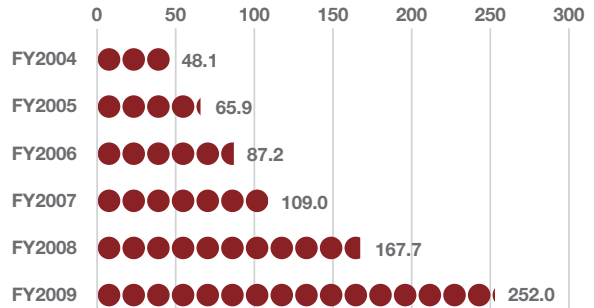
**EARNINGS BEFORE INTEREST AND TAX**  
(S\$million)



**NET CONTRIBUTION BY SEGMENT**  
(S\$million)



**NET PROFIT AFTER TAX**  
(S\$million)



**Net Contribution**

(S\$million)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Edible Nuts, Spices & Beans	29.0	45.3	52.9	68.8	128.0	155.1
Confectionery & Beverage Ingredients	58.5	72.9	95.7	126.0	148.4	168.5
Food Staples & Packaged Foods	21.3	28.8	42.1	60.2	102.5	135.5
Industrial Raw Materials	33.3	46.0	68.7	96.5	139.5	141.7
<b>Total</b>	<b>142.1</b>	<b>193.0</b>	<b>259.4</b>	<b>351.4</b>	<b>518.3</b>	<b>600.8</b>

**Earnings Before Interest and Tax**

(S\$million)	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004
	407.4	349.4	273.6	191.2	125.3	97.2

**NET CONTRIBUTION (NC):** All business segments recorded growth in NC over the six years from FY2004 to FY2009. Overall, NC grew at CAGR of 33.4% during this period with NC per tonne rising from S\$69 to S\$105.

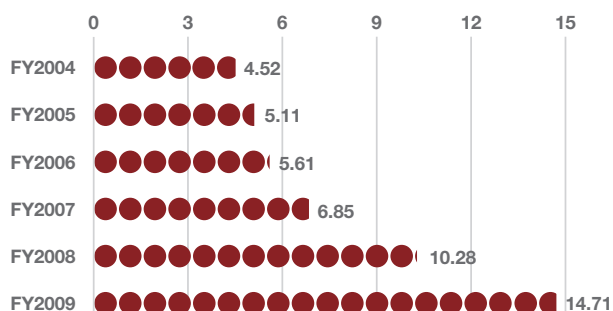
**EARNINGS BEFORE INTEREST AND TAX:** Earnings Before Interest and Tax grew from S\$97.2 million in FY2004 to S\$407.4 million in FY2009, a CAGR growth of 33.2% over the six-year period.

**Net Profit After Tax**

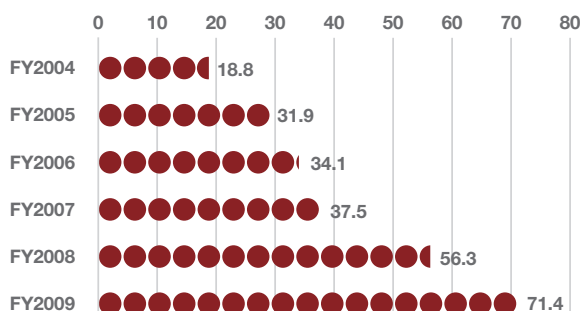
(S\$million)	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004
	252.0	167.7	109.0	87.2	65.9	48.1

**NET PROFIT AFTER TAX:** Net Profit After Tax increased from S\$48.1 million in FY2004 to S\$252.0 million in FY2009 at CAGR of 39.3%. Excluding one-off gains and losses, core Net Profit After Tax increased at a CAGR of 30.5%.

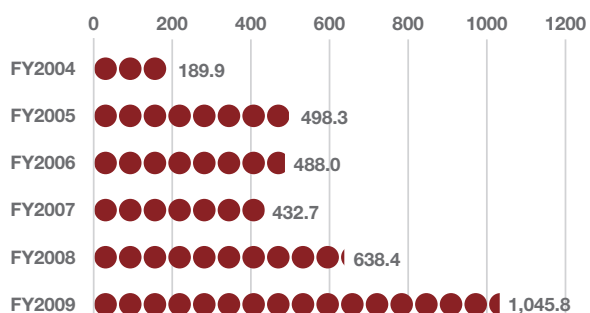
### EARNINGS PER SHARE (Cents)



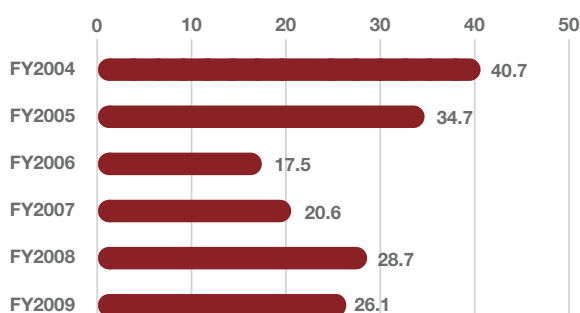
### NET TANGIBLE ASSET PER SHARE (Cents)



### SHAREHOLDERS' EQUITY (S\$million)



### RETURN ON EQUITY (%)



#### Earnings Per Share (cents)

FY2009	14.71
FY2008	10.28
FY2007	6.85
FY2006	5.61
FY2005	5.11
FY2004	4.52

#### Net Tangible Asset Per Share (cents)

FY2009	71.4
FY2008	56.3
FY2007	37.5
FY2006	34.1
FY2005	31.9
FY2004	18.8

**EARNINGS PER SHARE (EPS):** EPS grew from 4.52 cents per share in FY2004 to 14.71 cents per share in FY2009 at a CAGR of 26.6%.

**NET TANGIBLE ASSET PER SHARE:** Net Tangible Asset Per Share rose from 18.8 cents in FY2004 to 71.4 cents in FY2009, implying a CAGR growth of 30.6% during this period.

#### Shareholders' Equity (S\$million)

FY2009	1,045.8
FY2008	638.4
FY2007	432.7
FY2006	488.0
FY2005	498.3
FY2004	189.9

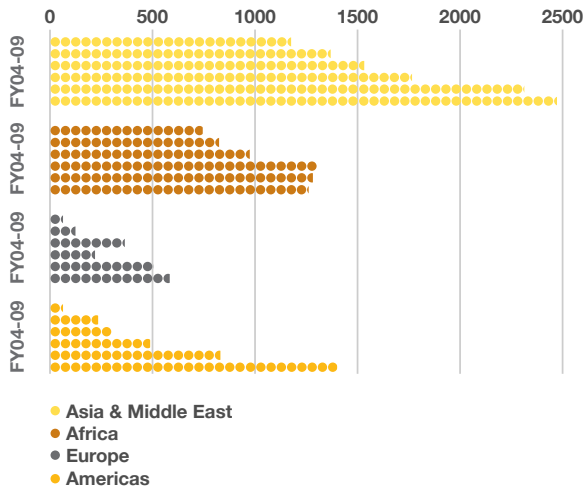
#### Return on Equity (%)

FY2009	26.1
FY2008	28.7
FY2007	20.6
FY2006	17.5
FY2005	34.7
FY2004	40.7

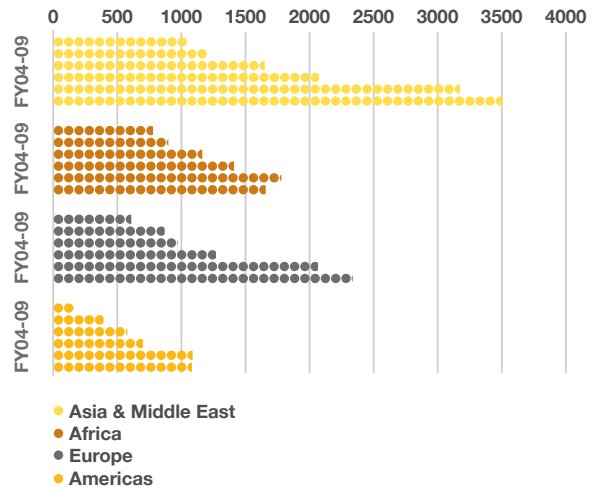
**SHAREHOLDERS' EQUITY:** Our equity base increased from S\$189.9 million in FY2004 to S\$1,045.8 million in FY2009. During this period, Olam raised net proceeds of S\$217.4 million during its initial public offering in FY2005, launched a preferential share offering in FY2008 to raise S\$307 million. Subsequent to FY2009, Olam raised a further S\$437.5 million of equity capital from Temasek Holdings.

**RETURN ON EQUITY (ROE):** Based on beginning-of-period equity, ROE for FY2009 was 26.1% compared to 28.7% in FY2008. The spread over cost of equity was therefore 17.1% in FY2009 (cost of equity: 9%).

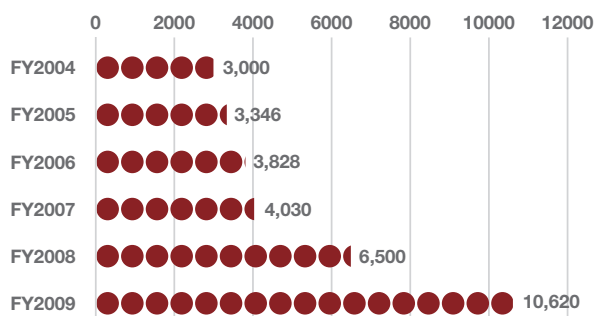
**SOURCING VOLUME BY CONTINENT**  
(’000 Metric Tonnes)



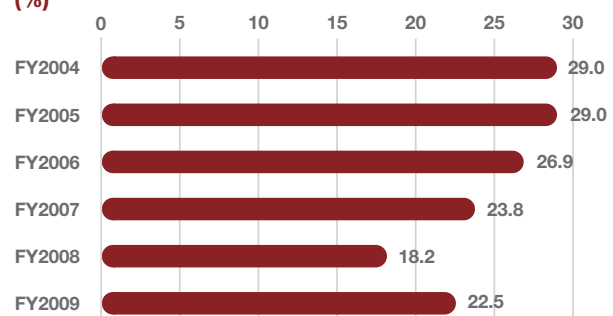
**SALES REVENUE BY CONTINENT**  
(S\$million)



**NUMBER OF CUSTOMERS**



**TOP 25 CUSTOMERS' SHARE OF TOTAL SALES REVENUE**  
(%)



**Sourcing Volume by Continent**

(’000 Metric Tonnes)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Asia & Middle East	1,178	1,369	1,532	1,765	2,314	2,473
Africa	746	825	974	1,302	1,276	1,262
Europe	64	123	364	218	505	583
Americas	64	236	302	488	831	1,402
<b>Total</b>	<b>2,052</b>	<b>2,553</b>	<b>3,172</b>	<b>3,773</b>	<b>4,926</b>	<b>5,721</b>

**Sales Revenue by Continent**

(S\$million)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Asia & Middle East	1,053.9	1,205.1	1,649.1	2,074.4	3,174.5	3,505.2
Africa	778.1	900.3	1,162.9	1,409.1	1,781.8	1,659.7
Europe	612.2	868.6	969.7	1,271.1	2,067.7	2,341.1
Americas	166.1	395.2	579.4	700.9	1,087.9	1,082.0
<b>Total</b>	<b>2,610.3</b>	<b>3,369.2</b>	<b>4,361.1</b>	<b>5,455.5</b>	<b>8,111.9</b>	<b>8,587.9</b>

**SOURCING VOLUME BY CONTINENT:** Asia & Middle East, Africa and Americas are our key sourcing continents, accounting for 89.8% of total volume while Europe accounted for the balance of 10.2% in FY2009.

**SALES REVENUE BY CONTINENT:** Asia & Middle East and Africa accounted for 60.1% of our sales revenue while Europe and Americas contributed the balance of 39.9% in FY2009.

**Number of Customers**

FY2009	10,620
FY2008	6,500
FY2007	4,030
FY2006	3,828
FY2005	3,346
FY2004	3,000

**Top 25 Customers' Share of Total Sales Revenue**  
(%)

FY2009	22.5
FY2008	18.2
FY2007	23.8
FY2006	26.9
FY2005	29.0
FY2004	29.0

**NUMBER OF CUSTOMERS:** The number of customers increased from 3,000 in FY2004 to 10,620 in FY2009, a CAGR of 28.8%. The increase is a result of our objective to diversify our customer base by growing the number of customers by 10% each year, as well as our acquisition-led growth strategy since FY2008.

**TOP 25 CUSTOMERS' SHARE OF SALES REVENUE:** We have been successful in growing and diversifying our customer base. Our share of revenues from top 25 customers have declined from 29% in FY2004 to 22.5% in FY2009.

# General Information

## General Information on Olam International Limited Annual Report 2009 for the Financial Year Ended 30 June 2009 (FY2009)

### Introduction

Our Annual Report and Accounts for FY2009 present an overview of the Company (Olam International Limited) and the Group (Olam International Limited and its subsidiaries), management's discussion of the Company's financial performance in FY2009, compared to that in prior years and our plans and strategies for the future. This guide is intended to walk you through the basics of how to read our Annual Report and Accounts for FY2009.

### Basis of Discussion and Analysis

A key driver of our profitability is the volume of products supplied. Given our integration and end-to-end supply chain capabilities, we seek to match the supply of our products with demand from our customers. The volume of agricultural products we supply is largely within our control and is a function of the extent of our supply chain infrastructure in the origins (producing countries) and the markets (consuming countries). Volumes include proportionate share of volumes from jointly controlled entities and associates.

We measure and track our profitability in terms of Gross Contribution (GC) and Net Contribution (NC) per tonne of product supplied.

GC is calculated as sale of goods and other revenue, less cost of goods sold (raw material costs plus other direct costs, including packing costs etc.), shipping and logistics expenses, commission and claims, bank charges, net measurement of derivative instruments (other than relating to Convertible Bonds), gains or losses on foreign exchange and share of gains or losses from jointly controlled entities and associates.

For the purposes of determining NC, interest expenses are deducted from the GC. For FY2009, we split the interest costs incurred for working capital debt and debt for fixed capital investments. We deduct the variable interest on working capital only from the GC as it is a function of our inventory holding period. We use mainly short term, transactional, self-liquidating, working capital funding to finance our short term inventories and debtors.

For analysing the performance of the Group, share of jointly controlled entities and associates has been included in the GC and NC along with the proportionate share of volumes. FY2008 financial figures relating to interest and associates have been reclassified to facilitate like-to-like comparison of segmental results.

For every transaction, we target a minimum NC per tonne of product supplied, based on the risks, complexities and value-added services we provide our customers to meet their specific requirements. We are focused on enhancing these margins through providing our customers with value-added services, including value-added processing, vendor-managed inventory services, organic certification, traceability, fair trade produce certification, customised grades and quality, proprietary market intelligence and risk management.

We believe that reporting profit measures of GC and NC provide valuable additional information on our underlying earnings trends to our shareholders. The terms GC and NC are not defined terms under the Financial Reporting Standards (FRS) of Singapore and may not, therefore, be comparable to similarly-titled profit measurements reported by other companies. These measures are not intended to be substitutes for, or superior to, FRS measurements of profit. GC and NC are key metrics used by management to measure the progress of Olam in the execution of its rolling two three-year strategic plans. We believe that the communication and explanation of the GC and NC profit measures are essential in order for readers of Olam's financial statements to understand fully the performance of the Company and the Group.



## Disclaimer

Readers should note that legislation in Singapore governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Except where you are a shareholder, this material is provided for information purposes only and is not, in particular, intended to confer any legal rights on you. This Annual Report and Accounts do not constitute an invitation to invest in the Company's shares. Any decision you make by relying on this information is solely your responsibility. The information given is as of the dates specified, is not updated and any forward-looking statement is made subject to the reservation specified in the following paragraph.

## Cautionary Statement

This document may contain forward-looking statements. Words such as 'expects', 'anticipate', 'intends' or the negative use of these terms and other similar expressions of future performance or results and their negatives are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual reports to differ materially from those expressed or implied by these forward-looking statements, including among others, competitive pricing and activity, demand levels for the products that we supply, cost variances, the ability to maintain and manage key supplier and customer relationships, supply chain sources, currency values, interest rate, the ability to integrate acquisitions and complete planned divestitures, physical risks, environmental risk, the ability to manage regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory development, political, economic and social conditions in the geographic markets where the Group operates and new or changed priority of the Company's or its subsidiaries' Boards. Further details of potential risks and uncertainties affecting the Group are described in the Group's prospectus dated 31 January 2005 and filings with the Singapore Exchange (SGX).

These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revision to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.





# Directors' Report and Audited Financial Statements

OLAM INTERNATIONAL LIMITED ANNUAL REPORT 2009

Olam International Limited and Subsidiary Companies 30 June 2009

## Contents

94	Report of the Directors
100	Statement by the Directors
101	Independent Auditors' Report
102	Profit and Loss Accounts
103	Balance Sheets
104	Statements of Changes in Equity
108	Consolidated Cash Flow Statement
109	Notes to the Financial Statements
174	Report on the Use of Proceeds
175	Substantial Shareholders Information
176	Statistics of Shareholdings and Bondholding
177	Notice of Annual General Meeting
179	Proxy Form



# Report of the Directors

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Olam International Limited ("the Company") and its subsidiary companies ("the Group") and the balance sheet, profit and loss account and statement of changes in equity of the Company for the financial year ended 30 June 2009.

## Directors

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

R. Jayachandran	Narain Girdhar Chanrai
Michael Lim Choo San	Robert Michael Tomlin
Mark Haynes Daniell	Wong Heng Tew
Tse Po Shing	Jean-Paul Pinard
Sunny George Verghese	Sridhar Krishnan
Shekhar Anantharaman	

## Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Directors' interests in shares and debentures

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

Name of directors	Held in the name of the director or nominee			Deemed interest		
	As at 1.7.2008	As at 30.6.2009	As at 21.7.2009	As at 1.7.2008	As at 30.6.2009	As at 21.7.2009
<b>The Company</b>						
<b>Olam International Limited</b>						
<b>(a) Ordinary shares</b>						
Narain Girdhar Chanrai	–	–	–	457,602,064 <sup>+</sup>	459,602,064 <sup>+</sup>	459,602,064 <sup>+</sup>
Sunny George Verghese	88,574,893	89,574,893	89,574,893	–	–	–
Sridhar Krishnan	14,429,138*	14,429,138*	14,429,138*	–	–	–
Shekhar Anantharaman	14,602,861*	14,602,861*	14,602,861*	–	–	–
<b>(b) Options to subscribe for ordinary shares</b>						
Mark Haynes Daniell	100,000	100,000	100,000	–	–	–
Michael Lim Choo San	100,000	100,000	100,000	–	–	–
Robert Michael Tomlin	100,000	100,000	100,000	–	–	–
Wong Heng Tew	100,000	100,000	100,000	–	–	–
Sunny George Verghese	15,000,000	15,000,000	15,000,000	–	–	–
Sridhar Krishnan	800,000	800,000	2,300,000	–	–	–
Shekhar Anantharaman	800,000	800,000	2,550,000	–	–	–



- + The deemed interest in these shares arose out of Narain Girdhar Chanrai being one of the trustees of the Girdhar Kewalram Chanrai Settlement ("GKC"), Hariom Trust and the Dayal Damodar Chanrai Settlement ("DKC") of whom three of the four are each holding approximately 28 per cent respectively in the issued and paid-up capital of Kewalram Chanrai Holdings Limited ("KCH"). The other shareholder is the PKC 2008 Settlement (formerly known as Pitamber Kewalram Chanrai Settlement) ("PKC"), holding approximately 16 percent in KCH. Pursuant to section 7(4A) of the Singapore Companies Act, Cap. 50, GKC, Hariom Trust and DKC are associates of PKC and vice versa. Hence, PKC would be deemed to be interested in the shares held by KCH. Kewalram Singapore Limited ("KSL") is a wholly-owned subsidiary of Chanrai Investment Corporation Limited ("CICL"), which in turn is a wholly-owned subsidiary of KCH. KSL has a direct interest in the Company amounting to 459,602,064 ordinary shares as at 30 June 2009 (2008: 457,602,064 shares). CICL and KCH are therefore deemed to be interested in the 459,602,064 shares held by KSL in the Company.
- \* These shares include shares that were jointly registered under Messrs Sridhar Krishnan, Shekhar Anantharaman and Joydeep Bose ("the Trustees") and are held in trust for the management (including the directors) and employees of the Group pursuant to the Olam International Limited Employee Share Subscription Scheme 2004 ("ESSS"). Under the ESSS, a total of 1,418,826 (2008: 1,418,826) shares are jointly registered under the Trustees and are held in trust for the management (including the directors) and employees of the Group with the balance being held in the director's own name as at 30 June 2009.

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

### **Directors' contractual benefits**

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

### **Employee share subscription scheme**

The Olam International Limited Employee Share Subscription Scheme 2004 ("the ESSS") was implemented on 26 October 2004. The ESSS comprised 73,913,044 ordinary shares of \$0.23 per share, which were fully allotted and issued by the Company.

### **Olam employee share option scheme**

The Olam Employee Share Option Scheme ("the ESOS") was approved by the shareholders on 4 January 2005 at the Extraordinary General Meeting of the Company. The ESOS Rules were amended on 29 October 2008 at the Extraordinary General Meeting of the Company. Under the amended rules, the directors (including Non-Executive Directors and Independent Directors) and employees of the Group are eligible to participate in the ESOS and all subsequent options issued to Group's employees and Executive Directors shall have a life of 10 years instead of 5. For Options granted to the Company's Non-Executive Directors and Independent Directors, the Option Period shall be no longer than 5 years.

The objectives of the ESOS are to provide an opportunity for employees of the Group, directors (including Non-Executive Directors and Independent Directors) or full-time employees of the Company, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standard of performance, and to give recognition to employees of the Group who have contributed to the success and development of the Company and/or the Group.

## Olam employee share option scheme (cont'd)

Subject to any adjustment as stated in the ESOS, the subscription price for each share in respect of which a Market Price Option is exercisable shall be at a price (the "Market Price") equal to the average of the last dealt prices for a share, as determined by reference to the daily official list or any other publication published by SGX-ST, for the 5 consecutive Market days immediately preceding the offering date of that option, rounded up to the nearest whole cent.

Each Option shall be exercisable, in whole or in part, during the option period as follows:

- (a) in the case of a Market Price Option, a period commencing after the first anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date.
- (b) in the case of an Incentive Option, a period commencing after the second anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date.

Provided that, in the case of non-executive directors or independent directors, such option period shall not extend beyond the fifth anniversary of such offering date or any maximum period that may be prescribed by law.

In the event of an Option being exercised in part, the balance of the Option not exercised shall continue to be exercisable until such time as it lapses in accordance with the ESOS.

Under the rules of the ESOS, the directors (including Non-Executive Directors and Independent Directors) and employees of the Group are eligible to participate in the ESOS. Controlling Shareholders and associates of Controlling Shareholders are not eligible to participate in the ESOS.

As at the date of this report, the ESOS is administered by the Human Resource & Compensation Committee (formerly known as Leadership Development & Compensation Committee) which comprises the following directors:

Mark Haynes Daniell – Chairman  
R. Jayachandran  
Wong Heng Tew  
Jean-Paul Pinard

During the financial year ended 30 June 2009:

- There were 2,681,500 ordinary shares issued pursuant to the exercise of options granted under the ESOS.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS outstanding as at 30 June 2009 are as follows:

Expiry date	Exercise price (\$)	Number of options
11 February 2015	0.62	15,000,000
1 June 2011	1.52	31,800,825
2 January 2012	2.04	525,000
2 July 2012	3.14	1,650,000
5 September 2012	3.03	1,345,000
8 October 2012	3.14	1,550,000
29 October 2012	3.14	400,000
9 January 2013	2.89	2,250,000
12 June 2013	2.65	1,780,000
<b>Total</b>		<b>56,300,825</b>

The details of options granted to the directors and employees of the Group, are as follows:

Name of Participant	Options granted during financial year under review	Exercise Price for options granted during the financial year under review	Aggregate options granted since the commencement of the scheme to the end of financial year under review	Aggregate options exercised since the commencement of the scheme to the end of financial year under review	Aggregate options outstanding as at the end of financial year under review
Mark Haynes Daniell	–	–	100,000	–	100,000
Michael Lim Choo San	–	–	100,000	–	100,000
Robert Michael Tomlin	–	–	100,000	–	100,000
Wong Heng Tew	–	–	100,000	–	100,000
Richard Haire	–	–	2,000,000	–	2,000,000
Sunny George Verghese	–	–	15,000,000	–	15,000,000
Sridhar Krishnan	–	–	800,000	–	800,000
Shekhar Anantharaman	–	–	800,000	–	800,000

The options granted to Mark Haynes Daniell, Michael Lim Choo San, Robert Michael Tomlin and Wong Heng Tew, who are Independent and Non-Executive Directors of the Company were approved by the shareholders of the Company at the Annual General Meeting held on 29 October 2007. These options are exercisable in 25%, 35% and 40% tranches on or after the first, second and third anniversaries of 29 October 2007. The options will expire 5 years after the date of the grant.

The options granted to Richard Haire, an employee of the Group, are exercisable in 25%, 35% and 40% tranches on or after the first, second and third anniversaries of the grant date (5 September 2007) at the exercise price of \$3.03 if the vesting conditions are met. The options will expire 5 years after the date of grant.

The options granted to Sunny George Verghese are exercisable in three equal tranches of 5,000,000 each on or after the first, second and third anniversaries respectively of the date of the admission of the Company to the official list of the SGX-ST (11 February 2005) at the exercise price of \$0.62 if the vesting conditions are met. The options will expire 10 years after the date of grant.

The options granted to Sridhar Krishnan and Shekhar Anantharaman are exercisable in 25%, 35% and 40% tranches on or after the first, second and third anniversaries of the grant date (1 June 2006) at the exercise price of \$1.52 if the vesting conditions are met. The options will expire 5 years after the date of grant.

Except as disclosed above, no directors or employees of the Group received 5% or more of the total number of options available under the ESOS during the financial year under review.

The options granted by the Company do not entitle the holder of the options, by virtue of such holding, to any right to participate in any share issue of any other company.

There were no Incentive Options granted from commencement of ESOS to the financial year end under review.

There were no options granted at a discount.

There were no options granted to controlling shareholders of the Company and their associates.

## **Audit & Compliance Committee**

The Audit & Compliance Committee (the “ACC”) comprises four independent directors and a non-executive director. The members of the ACC are Mr. Michael Lim Choo San (Chairman), Mr. Robert Michael Tomlin, Mr. Mark Haynes Daniell, Mr. Wong Heng Tew and Mr. Narain Girdhar Chanrai. The ACC performed the functions specified in Section 201B of the Singapore Companies Act, the Code of Corporate Governance 2005 and the Listing Manual of the Singapore Exchange.

The ACC held 6 meetings during the year. The ACC met with the Company’s external and internal auditors to discuss the scope of their work, the results of their examination and their evaluation of the Company’s internal accounting control systems.

The ACC reviewed the following:

- audit plans of the internal and external auditors of the Company and ensured the adequacy of the Company’s system of accounting controls and the co-operation given by the Company’s management to the external and internal auditors;
- quarterly and annual financial statements of the Group and the Company prior to their submission to the Board of Directors for adoption;
- the Company’s material internal controls, including financial, operational, compliance controls and risk management via reviews carried out by the internal auditors;
- legal and regulatory matters that may have a material impact on the financial statements, related compliance policies & programmes and any reports received from regulators;
- independence and objectivity of the external auditors;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange); and
- the scope and results of the audit.

Further, ACC

- held meetings with the external auditors, other committees, and the management in separate executive sessions to discuss any matters that these groups believed should be discussed privately with the ACC;
- recommended to the Board of Directors that the external auditors be nominated for reappointment and that their compensation for the renewed period be approved; and
- reported actions and minutes of the ACC meetings to the Board of Directors with such recommendations as the ACC considered appropriate.

The ACC had full access and cooperation of the management and full discretion to invite any director or executive officer to attend its meetings.

The ACC also reviewed the cost effectiveness of the audit conducted by the external auditors and the nature and extent of all non-audit services performed by the external auditors and has confirmed that such services would not affect their independence.

The ACC has nominated Ernst & Young LLP for reappointment as auditors of the Company at the forthcoming Annual General Meeting.

Further details regarding the functions of the ACC are disclosed in the Report on Corporate Governance in the Company’s Annual Report to shareholders.



## **Auditors**

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

On behalf of the Board,

R. Jayachandran  
**Director**

Sunny George Verghese  
**Director**

Singapore  
2 October 2009

## Statement by the Directors

We, R. Jayachandran and Sunny George Verghese, being two of the directors of Olam International Limited, do hereby state that, in the opinion of the directors:

- (i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and the results of the business, changes in equity of the Group and of the Company and cash flows of the Group for the financial year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

R. Jayachandran  
**Director**

Sunny George Verghese  
**Director**

**Singapore**  
**2 October 2009**

# Independent Auditors' Report

## To the Members of Olam International Limited

We have audited the accompanying financial statements of Olam International Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the balance sheets of the Group and the Company as at 30 June 2009, profit and loss accounts and statements of changes in equity of the Group and the Company and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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,

- (a) the consolidated financial statements of the Group and the balance sheet, profit and loss account 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 30 June 2009 and the results, changes in equity of the Group and the Company and cash flows of the Group for the financial year ended on that date; and
- (b) 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.

Ernst & Young LLP

**Public Accountants and Certified Public Accountants**

**Singapore**

**2 October 2009**

# Profit and Loss Accounts

for the year ended 30 June 2009

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Revenue - Sale of goods</b>	3	<b>8,587,932</b>	8,111,910	<b>6,332,124</b>	6,054,274
Other income	4	<b>138,452</b>	40,525	<b>130,095</b>	13,275
		<b>8,726,384</b>	8,152,435	<b>6,462,219</b>	6,067,549
<b>Costs and expenses</b>					
Cost of goods sold	5	<b>(6,980,032)</b>	(6,504,908)	<b>(5,523,237)</b>	(5,246,570)
Shipping and logistics		<b>(825,720)</b>	(879,506)	<b>(382,822)</b>	(413,530)
Commission and claims		<b>(74,812)</b>	(61,014)	<b>(71,663)</b>	(58,312)
Employee benefits expense	30	<b>(184,603)</b>	(169,163)	<b>(57,106)</b>	(50,896)
Depreciation	9	<b>(40,532)</b>	(33,771)	<b>(1,312)</b>	(600)
Net measurement of derivative instruments	6	<b>61,114</b>	11,023	<b>67,138</b>	(2,652)
(Loss) / gain on foreign exchange		<b>(39,423)</b>	7,145	<b>(7,044)</b>	11,250
Other operating expenses	6	<b>(186,287)</b>	(155,714)	<b>(74,406)</b>	(25,431)
Finance costs	7	<b>(239,179)</b>	(201,395)	<b>(179,138)</b>	(137,840)
		<b>(8,509,474)</b>	(7,987,303)	<b>(6,229,590)</b>	(5,924,581)
Share of results from jointly controlled entities	12	<b>40,411</b>	(163)	–	–
Share of results from associate	13	<b>703</b>	–	–	–
<b>Profit before taxation</b>		<b>258,024</b>	164,969	<b>232,629</b>	142,968
Taxation	8	<b>(5,995)</b>	2,708	<b>(11,600)</b>	(9,285)
<b>Profit for the financial year</b>		<b>252,029</b>	167,677	<b>221,029</b>	133,683
<b>Attributable to:</b>					
Equity holders of the Company		<b>252,029</b>	167,704	<b>221,029</b>	133,683
Minority interest		–	(27)	–	–
		<b>252,029</b>	167,677	<b>221,029</b>	133,683
<b>Earnings per share (cents)</b>					
Basic	38	<b>14.71</b>	10.28		
Diluted	38	<b>12.38</b>	10.08		



# Balance Sheets

as at 30 June 2009

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	9	533,963	403,391	2,974	1,928
Intangible assets	10	127,538	130,259	8,940	861
Subsidiary companies	11	–	–	314,556	249,977
Deferred tax assets	8	74,704	36,709	13,096	14,972
Interests in jointly controlled entities	12	294,407	2,422	254,586	2,930
Investment in associate	13	106,520	–	105,817	–
Long term investment	14	–	24,475	–	24,475
Other non-current assets	20	11,154	23,750	10,922	19,148
		<b>1,148,286</b>	<b>621,006</b>	<b>710,891</b>	<b>314,291</b>
<b>Current assets</b>					
Amounts due from subsidiary companies	15	–	–	747,613	502,608
Trade receivables	16	732,500	724,352	237,296	339,886
Margin accounts with brokers	17	64,839	254,273	55,521	189,435
Inventories	18	1,966,419	1,790,236	550,729	500,397
Advance payments to suppliers	19	277,683	380,047	1,020,863	1,235,798
Other current assets	20	342,075	292,648	85,651	84,007
Fixed deposits	33	239,688	163,580	228,009	33,988
Cash and bank balances	33	294,130	175,544	59,628	52,134
Fair value of derivative financial instruments	35	349,796	837,557	279,242	729,499
		<b>4,267,130</b>	<b>4,618,237</b>	<b>3,264,552</b>	<b>3,667,752</b>
<b>Current liabilities</b>					
Trade payables and accruals	21	(658,988)	(519,853)	(420,115)	(356,607)
Other current liabilities	22	(58,595)	(51,863)	(35,871)	(34,567)
Amounts due to bankers	23	(1,869,640)	(1,789,582)	(1,166,700)	(1,199,066)
Medium term notes	24	(128,005)	(70,000)	(128,005)	(70,000)
Provision for taxation		(11,410)	(24,578)	(14,732)	(10,565)
Fair value of derivative financial instruments	35	(403,528)	(1,015,796)	(347,333)	(888,376)
		<b>(3,130,166)</b>	<b>(3,471,672)</b>	<b>(2,112,756)</b>	<b>(2,559,181)</b>
<b>Net current assets</b>		<b>1,136,964</b>	<b>1,146,565</b>	<b>1,151,796</b>	<b>1,108,571</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	8	(62,812)	(4,175)	–	–
Amounts due to bankers	23	(1,008,312)	(935,125)	(764,602)	(648,482)
Medium term notes	24	–	(189,857)	–	(189,857)
Convertible bonds	25	(168,234)	–	(168,234)	–
		<b>(1,239,358)</b>	<b>(1,129,157)</b>	<b>(932,836)</b>	<b>(838,339)</b>
<b>Net assets</b>		<b>1,045,892</b>	<b>638,414</b>	<b>929,851</b>	<b>584,523</b>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	26	708,586	704,870	708,586	704,870
Reserves		337,260	(66,456)	221,265	(120,347)
		<b>1,045,846</b>	<b>638,414</b>	<b>929,851</b>	<b>584,523</b>
Minority interest		46	–	–	–
<b>Total equity</b>		<b>1,045,892</b>	<b>638,414</b>	<b>929,851</b>	<b>584,523</b>

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

# Statements of Changes in Equity

for the year ended 30 June 2009

2009 Group	Attributable to equity holders of the Company								
	Share capital (Note 26) \$'000	Capital reserves <sup>(4)</sup> \$'000	Foreign currency translation reserves <sup>(1)</sup> \$'000	Fair value adjustment reserves <sup>(2)</sup> \$'000	Share-based compensation reserves <sup>(3)</sup> \$'000	Revenue reserves \$'000	Total reserves \$'000	Minority interest \$'000	Total equity \$'000
<b>At 1 July 2008</b>	704,870	–	(84,434)	(325,878)	13,474	330,382	(66,456)	–	638,414
Net gain on fair value changes during the period	–	–	–	32,669	–	–	32,669	–	32,669
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	113,266	–	–	113,266	–	113,266
Gain on buy back of convertible bonds	–	(20,445)	–	–	–	20,445	–	–	–
Foreign currency translation adjustment	–	–	(601)	–	–	–	(601)	–	(601)
<b>Net (expense)/income recognised directly in equity</b>	–	(20,445)	(601)	145,935	–	20,445	145,334	–	145,334
Profit for the financial year	–	–	–	–	–	252,029	252,029	–	252,029
<b>Total recognised expenses and income for the year</b>	–	(20,445)	(601)	145,935	–	272,474	397,363	–	397,363
Issue of shares on exercise of share options	3,716	–	–	–	–	–	–	–	3,716
Share-based expense	–	–	–	–	4,291	–	4,291	–	4,291
Dividends on ordinary shares (Note 27)	–	–	–	–	–	(42,833)	(42,833)	–	(42,833)
Equity portion of convertible bonds	–	44,895	–	–	–	–	44,895	–	44,895
Acquisition of subsidiary company	–	–	–	–	–	–	–	46	46
<b>At 30 June 2009</b>	<b>708,586</b>	<b>24,450</b>	<b>(85,035)</b>	<b>(179,943)</b>	<b>17,765</b>	<b>560,023</b>	<b>337,260</b>	<b>46</b>	<b>1,045,892</b>

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

2008 Group	Attributable to equity holders of the Company								
	Share capital (Note 26) \$'000	Capital reserves <sup>(4)</sup> \$'000	Foreign currency translation reserves <sup>(1)</sup> \$'000	Fair value adjustment reserves <sup>(2)</sup> \$'000	Share-based compensation reserves <sup>(3)</sup> \$'000	Revenue reserves \$'000	Total reserves \$'000	Minority interest \$'000	Total equity \$'000
<b>At 1 July 2007</b>	397,730	–	(39,929)	(150,827)	8,616	217,132	34,992	27	432,749
Net loss on fair value changes during the period	–	–	–	(301,023)	–	–	(301,023)	–	(301,023)
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	125,972	–	–	125,972	–	125,972
Foreign currency translation adjustment	–	–	(44,505)	–	–	–	(44,505)	–	(44,505)
<b>Net expense recognised directly in equity</b>	–	–	(44,505)	(175,051)	–	–	(219,556)	–	(219,556)
Profit for the financial year	–	–	–	–	–	167,704	167,704	(27)	167,677
<b>Total recognised expenses and income for the year</b>	–	–	(44,505)	(175,051)	–	167,704	(51,852)	(27)	(51,879)
Issue of shares on exercise of share options	3,801	–	–	–	–	–	–	–	3,801
Issue of shares on preferential offering	303,339	–	–	–	–	–	–	–	303,339
Dividends on ordinary shares (Note 27)	–	–	–	–	–	(54,454)	(54,454)	–	(54,454)
Share-based expense	–	–	–	–	4,858	–	4,858	–	4,858
<b>At 30 June 2008</b>	<b>704,870</b>	<b>–</b>	<b>(84,434)</b>	<b>(325,878)</b>	<b>13,474</b>	<b>330,382</b>	<b>(66,456)</b>	<b>–</b>	<b>638,414</b>

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

2009 Company	Attributable to equity holders of the Company							
	Share capital (Note 26) \$'000	Capital reserves <sup>(4)</sup> \$'000	Foreign currency translation reserves <sup>(1)</sup> \$'000	Fair value adjustment reserves <sup>(2)</sup> \$'000	Share-based compensation reserves <sup>(3)</sup> \$'000	Revenue reserves \$'000	Total reserves \$'000	Total equity \$'000
<b>At 1 July 2008</b>	<b>704,870</b>	<b>–</b>	<b>(84,230)</b>	<b>(291,729)</b>	<b>13,474</b>	<b>242,138</b>	<b>(120,347)</b>	<b>584,523</b>
Net loss on fair value changes during the period	–	–	–	(99,094)	–	–	(99,094)	(99,094)
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	170,656	–	–	170,656	170,656
Gain on buy back of convertible bonds	–	(20,445)	–	–	–	20,445	–	–
Foreign currency translation adjustment	–	–	42,668	–	–	–	42,668	42,668
<b>Net (expense)/income recognised directly in equity</b>	<b>–</b>	<b>(20,445)</b>	<b>42,668</b>	<b>71,562</b>	<b>–</b>	<b>20,445</b>	<b>114,230</b>	<b>114,230</b>
Profit for the financial year	–	–	–	–	–	221,029	221,029	221,029
<b>Total recognised expenses and income for the year</b>	<b>–</b>	<b>(20,445)</b>	<b>42,668</b>	<b>71,562</b>	<b>–</b>	<b>241,474</b>	<b>335,259</b>	<b>335,259</b>
Issue of shares on exercise of share options	3,716	–	–	–	–	–	–	3,716
Share-based expense	–	–	–	–	4,291	–	4,291	4,291
Dividends on ordinary shares (Note 27)	–	–	–	–	–	(42,833)	(42,833)	(42,833)
Equity portion of convertible bonds	–	44,895	–	–	–	–	44,895	44,895
<b>At 30 June 2009</b>	<b>708,586</b>	<b>24,450</b>	<b>(41,562)</b>	<b>(220,167)</b>	<b>17,765</b>	<b>440,779</b>	<b>221,265</b>	<b>929,851</b>

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



2008 Company	Attributable to equity holders of the Company						
	Share capital (Note 25) \$'000	Foreign currency translation reserves <sup>(1)</sup> \$'000	Fair value adjustment reserves <sup>(2)</sup> \$'000	Share-based compensation reserves <sup>(3)</sup> \$'000	Revenue reserves \$'000	Total reserves \$'000	Total equity \$'000
<b>At 1 July 2007</b>	397,730	(35,583)	(148,563)	8,616	162,909	(12,621)	385,109
Net loss on fair value changes during the period	–	–	(277,027)	–	–	(277,027)	(277,027)
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	133,861	–	–	133,861	133,861
Foreign currency translation adjustment	–	(48,647)	–	–	–	(48,647)	(48,647)
<b>Net expense recognised directly in equity</b>	–	(48,647)	(143,166)	–	–	(191,813)	(191,813)
Profit for the financial year	–	–	–	–	133,683	133,683	133,683
<b>Total recognised expenses and income for the year</b>	–	(48,647)	(143,166)	–	133,683	(58,130)	(58,130)
Issue of shares on exercise of share options	3,801	–	–	–	–	–	3,801
Issue of shares on preferential offering	303,339	–	–	–	–	–	303,339
Dividends on ordinary shares (Note 27)	–	–	–	–	(54,454)	(54,454)	(54,454)
Share-based expense	–	–	–	4,858	–	4,858	4,858
<b>At 30 June 2008</b>	<b>704,870</b>	<b>(84,230)</b>	<b>(291,729)</b>	<b>13,474</b>	<b>242,138</b>	<b>(120,347)</b>	<b>584,523</b>

**(1) Foreign currency translation reserves**

The foreign currency translation reserves are used to record exchange differences arising from the translation of the financial statements of the Company and its subsidiaries whose functional currencies are different from that of the Group's presentation currency.

**(2) Fair value adjustment reserves**

Fair value adjustment reserves record the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that are determined to be effective hedges.

**(3) Share-based compensation reserves**

Share-based compensation reserves represent the equity-settled shares and share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled shares and share options and is reduced by the expiry of the share options.

**(4) Capital reserves**

Capital reserves represent the residual amount of convertible bonds net of proportionate share of transaction costs, after deducting the fair value of the debt and derivative component on date of issuance.

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

# Consolidated Cash Flow Statement

for the year ended 30 June 2009

	2009 \$'000	2008 \$'000
<b>Cash flow from operating activities</b>		
Profit before taxation	258,024	164,969
Adjustments for:		
Share of results from jointly controlled entities	(40,411)	163
Share of results from associate	(703)	–
Inventories written-down/(written back)	11,248	(1,971)
Allowance for doubtful debt/(written back)	19,425	(550)
Depreciation of property, plant and equipment	40,532	33,771
Loss/(gain) on disposal of property, plant and equipment	909	(648)
Gain on convertible bonds buy back	(100,674)	–
Net measurement of derivative instruments	(61,114)	(11,023)
Negative goodwill arising from acquisition of subsidiary (Note 10)	(3,748)	(5,254)
Impairment of assets	14,176	–
Cost of share-based payment	4,291	5,583
Interest income	(18,872)	(19,632)
Interest expense	239,179	201,395
Amortisation of intangible assets	2,738	2,191
<b>Operating cash flows before reinvestment in working capital</b>	<b>365,000</b>	<b>368,994</b>
Increase in inventories	(187,431)	(454,077)
Decrease/(increase) in receivables	217,569	(427,760)
Decrease/(increase) in advance payments to suppliers	94,556	(117,085)
Increase in payables	141,951	124,577
<b>Cash used in operations</b>	<b>631,645</b>	<b>(505,351)</b>
Interest income received	22,020	19,632
Interest expense paid	(217,360)	(218,805)
Tax paid	(5,357)	(6,996)
<b>Net cash flows from/(used in) operating activities</b>	<b>430,948</b>	<b>(711,520)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	7,222	7,047
Purchase of property, plant and equipment	(207,003)	(74,205)
Purchase of software	(1,080)	–
Investment in government security bills	–	13,461
Acquisition of subsidiaries, net of cash acquired (Note 10)	(15,911)	(161,997)
(Loan to)/repayment from jointly controlled entities	(251,774)	315
Investment in associate	(75,737)	–
Investment in jointly controlled entities	165	(124)
<b>Net cash flows used in investing activities</b>	<b>(544,118)</b>	<b>(215,503)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans from banks	62,966	1,110,356
Proceeds from issuance of shares on exercise of share options	3,716	3,801
Proceeds from issuance of convertible bonds	417,374	–
Payment on convertible bonds buy back	(110,570)	–
Proceeds from issuance of shares on preferential share offer	–	303,339
Dividends paid on ordinary shares by the Company	(42,833)	(54,454)
Repayment of medium term notes	(131,852)	(410,811)
<b>Net cash flows from financing activities</b>	<b>198,801</b>	<b>952,231</b>
<b>Net effect of exchange rate changes on cash and cash equivalents</b>	<b>18,784</b>	<b>(48,583)</b>
Net increase/(decrease) in cash and cash equivalents	104,415	(23,375)
Cash and cash equivalents at beginning of year	164,262	187,637
<b>Cash and cash equivalents at end of year (Note 32)</b>	<b>268,677</b>	<b>164,262</b>

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

30 June 2009

## 1. Corporate information

Olam International Limited (“the Company”) is a limited liability company, which is domiciled and incorporated in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The principal activities of the Company are those of sourcing, processing, packaging and merchandising of agricultural products. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

The registered office of the Company is located at 3 Church Street #08-01 Samsung Hub, Singapore 049483. The place of business of the Company is at 9 Temasek Boulevard, #11-02 Suntec Tower Two, Singapore 038989.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3.

The financial statements are presented in Singapore Dollars (\$) or SGD) and all values in the tables are rounded to the nearest thousand (\$'000) as indicated.

### 2.2 Future changes in accounting policies

The Group and the Company have not applied the following FRS and INT FRS that have been issued but are not yet effective:

	<i>Effective date (Annual periods beginning on or after)</i>
FRS 1 : Revised FRS 1 – Presentation of Financial Statements	1 January 2009
FRS 23 : Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 32 : Financial Statements Presentation – Amendments to FRS 32 and FRS 1 regarding Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 102 : Amendments of FRS 102 Share-based Payment – Vesting Conditions and Cancellation	1 January 2009
FRS 108 : Operating Segments	1 January 2009
INT FRS 117 : Distributions of Non-cash assets to owners	1 July 2009
INT FRS 118 : Transfer of assets to customers	1 July 2009

The adoption of the above pronouncements is not expected to have any material impact on the financial statements in the period of initial application, subject to comments below.

#### ***Revised FRS 1 - Presentation of Financial Statements***

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

## **2. Summary of significant accounting policies (cont'd)**

### **2.2 Future changes in accounting policies (cont'd)**

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

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

#### ***FRS 102 Share-based Payment – Vesting Conditions and Cancellation***

FRS 102 has been amended to restrict the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions which have to be taken into account when estimating the fair value of the equity instrument granted. In the case that an award does not vest as a result of failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The change in accounting policy is to be applied retrospectively.

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

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined.

### **2.3 Significant accounting judgments and estimates**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

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

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

##### **(b) Employee share options**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the employee share options at the date on which they are granted. Judgement is required in determining the most appropriate valuation model for the share options granted, depending on the terms and conditions of the grant. Management is also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and model used are disclosed in Note 30.



## 2. Summary of significant accounting policies (cont'd)

### 2.3 Significant accounting judgments and estimates (cont'd)

#### (c) *Fair value of derivative financial instruments and debt components of convertible bonds*

The Company assesses the fair value of derivative financial instruments and debt components of the convertible bonds that require judgment in determining the most appropriate valuation models and inputs including share volatility and interest yield rates.

#### (d) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. A degree of judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes would be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables at the balance sheet date was \$11,410,000 (2008: \$24,578,000). Deferred tax assets and liabilities at the balance sheet date were \$74,704,000 (2008: \$36,709,000) and \$62,812,000 (2008: \$4,175,000) respectively.

#### **Key sources of estimation uncertainty**

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

#### (a) *Impairment of investments in subsidiary companies*

The Company assesses at each reporting date whether there is an indication that the investments in subsidiaries may be impaired. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investments in subsidiary companies as at 30 June 2009 is \$314,556,000 (2008: \$249,977,000)

#### (b) *Impairment of goodwill*

On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 30 June 2009 is \$100,184,000 (2008: \$97,075,000). More details are given in Note 10.

#### (c) *Useful lives of plant and machinery*

The cost of plant and machinery is depreciated on a straight-line basis over the plant and machinery's estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 10 years with the exception of ginning assets where the estimated useful lives of ginning assets are up to 100 years. These are common life expectancies applied in the agri-commodities industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the balance sheet date is disclosed in Note 9 to the financial statements.

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Significant accounting judgments and estimates (cont'd)

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

##### *(d) Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date.

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or the cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

##### *(e) Impairment of loans and receivables*

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

### 2.4 Functional and foreign currency

The Company's functional currency is the United States Dollar ("USD"), which reflects the economic substance of the underlying events and circumstances of the Company. Although the Company is domiciled in Singapore, most of the Company's transactions are denominated in USD and the selling prices for the Company's products are sensitive to movements in the foreign exchange rate with the USD.

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

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

The financial statements are presented in Singapore Dollar ("SGD") as the Company's principal place of business is in Singapore and it is felt that presenting the financial statements in SGD would be more appropriate.

The financial statements are translated from USD to SGD as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date;
- Income and expenses for each profit and loss account are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All exchange differences arising on the translation are included in the foreign currency translation reserves.

## 2. Summary of significant accounting policies (cont'd)

### 2.5 Subsidiary companies and principles of consolidation

#### *Subsidiary companies*

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

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

A list of the Group's subsidiary companies is shown in Note 11.

#### *Principles of consolidation*

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

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.9(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the profit and loss account on the date of acquisition.

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

### 2.6 Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The consolidated financial statements included the Group's share of the total recognised gains and losses of its jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported as nil and recognition of losses is discontinued except to the extent of the Group's commitment.

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment loss. The carrying amounts of the jointly controlled entities are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated and any impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. The impairment loss is charged to profit and loss account.

## 2. Summary of significant accounting policies (cont'd)

### 2.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

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

The financial statements of the associate are prepared as of the same reporting date as the Company.

### 2.8 Property, plant and equipment

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

Subsequent to recognition, all property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land has an unlimited useful life and is therefore is not depreciated. Leasehold land and buildings is depreciable over the shorter of the estimated useful life of the asset or the lease period.

Depreciation of an asset begins when it is available for use and is computed on a straight line basis over the estimated useful life except for ginning assets of Queensland Cotton Holdings which are depreciated using the units of use method. The estimated useful life of the assets is as follows:

Leasehold land and buildings	–	20 to 50 years
Plant and machinery	–	5 to 10 years; 100 years for ginning assets
Motor vehicles	–	3 to 5 years
Furniture and fittings	–	5 years
Office equipment	–	5 years
Computers	–	3 years

Capital work-in-progress are not depreciated as these assets are not yet available for use.

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

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

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



## 2. Summary of significant accounting policies (cont'd)

### 2.9 Intangible assets

#### (a) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.4.

#### (b) Other intangible assets

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

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

## **2. Summary of significant accounting policies (cont'd)**

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

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account.

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

### **2.11 Financial assets**

Financial assets within the scope of FRS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On such derecognition, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised initially in equity is recognised in the profit and loss account.

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

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

Financial assets held for trading are classified as fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling it in the near term.

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

Financial assets designated under the fair value option includes those that contain an embedded derivative that would otherwise need to be separated.

## 2. Summary of significant accounting policies (cont'd)

### 2.11 Financial assets (cont'd)

#### *(b) Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or inability to collect. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### *(c) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are designated as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

#### *(d) Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are not classified in any other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary items and interest calculated using the effective interest method are recognised in the profit and loss account. The cumulative gain or loss previously recognised in equity is recognised in the profit and loss account when the financial asset is derecognised.

The fair value of investments in equity instruments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of the business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

The Group's long and short term investments are designated as available-for-sale investments.

## 2. Summary of significant accounting policies (cont'd)

### 2.12 Financial liabilities

Financial liabilities include trade payables, which are normally settled within the credit terms, other amounts payable and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the profit and loss account when the liabilities are derecognised or through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the profit and loss account. Net gains or losses on derivatives include exchange differences.

### 2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short-term fixed bank deposits which are subject to an insignificant risk of changes in value. These include bank overdrafts that form an integral part of the Group's cash management.

Cash and cash equivalents carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

### 2.14 Receivables

Trade receivables, which are on trade terms, margin accounts with brokers as well as receivables from subsidiary companies, advance payments to suppliers and other current assets (excluding prepayments and deferred M&A expenses) and other non-current assets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

An allowance is made for doubtful debts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.15 below.

### 2.15 Impairment of financial assets

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

#### **(a) Assets carried at amortised cost**

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

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

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



## 2. Summary of significant accounting policies (cont'd)

### 2.15 Impairment of financial assets (cont'd)

#### (a) *Assets carried at amortised cost (con'd)*

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

#### (b) *Assets carried at cost*

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

#### (c) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals of impairment losses in respect of equity instruments are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are recognised in the profit and loss account if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

### 2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are valued on first-in-first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

### 2.17 Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

### 2.18 Financial guarantees

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

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the profit and loss account over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the profit and loss account.

## 2. Summary of significant accounting policies (cont'd)

### 2.19 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

### 2.20 Employee benefits

#### (a) *Defined contribution plan*

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

#### (b) *Employee leave entitlement*

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

#### (c) *Employee share subscription/options scheme*

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment for services rendered ("equity-settled transactions").

The cost of these equity-settled transactions with employees is measured with reference to the fair value at the date on which the share subscriptions / options are granted. In valuing the share options, no account is taken of any performance conditions.

This cost is recognised in the profit and loss account, with a corresponding increase in the share-based compensation reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest. Where the terms of an equity-settled award are modified, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for a modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

### 2.21 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

## 2. Summary of significant accounting policies (cont'd)

### 2.22 Revenue recognition

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

#### *Physical commodities*

Revenue from the sale of physical goods is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

#### *Interest income*

Interest income is recognised using the effective interest method.

### 2.23 Government grants, export incentives and subsidies

Government grants, export incentives and subsidies are recognised at their fair values where there is reasonable assurance that the grant will be received and all conditions attached to the grant will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

### 2.24 Income taxes

#### *(a) Current tax*

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

Current taxes are recognised in the profit and loss account except that tax relating to items recognised directly in equity is recognised directly in equity.

#### *(b) Deferred tax*

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

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

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

## **2. Summary of significant accounting policies (cont'd)**

### **2.24 Income taxes (cont'd)**

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the profit and loss account except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

#### **(c) Sales tax**

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

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

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

### **2.25 Segment reporting**

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

### **2.26 Share capital and share issue expenses**

Proceeds from issuance of ordinary shares net of directly attributable expenses are recognised as share capital in equity.

### **2.27 Contingencies**

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

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

## 2. Summary of significant accounting policies (cont'd)

### 2.28 Derivative financial instruments and hedging activities

Derivative financial instruments such as forward currency contracts, commodity futures and options, and interest rate contracts are used to hedge risks associated with foreign currency, commodity price and interest rate fluctuations. Certain derivatives are also used for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts and interest rate derivatives are calculated by reference to current forward exchange rates and interest rates respectively for contracts with similar maturity profiles. The fair values of commodity futures are determined by reference to market values for similar instruments.

Any gains or losses arising from changes in fair value on derivative financial instruments that are ineffective hedges or are held for trading are taken to the profit and loss account for the year.

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

When the hedge accounting is applied, all hedges are classified as cash flow hedges because they are held for hedging the exposure to variability in cash flows that is attributable to highly probable risk exposure and could affect profit or loss.

For cash flow hedges which meet the criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in the fair value adjustment reserves, while the ineffective portion is recognised in the profit and loss account.

Amounts taken to fair value adjustment reserves are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when a forecasted sale occurs, or when financial income or financial expense is recognised.

If the forecast transaction is no longer expected to occur, amounts previously recognised in fair value adjustment reserves are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in fair value adjustment reserves remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit and loss account.

### 2.29 Convertible bonds

When convertible bonds are issued, the total proceeds net of transaction costs are allocated to the debt component, the fair value of derivative financial instruments component and the equity component, which are separately presented on the balance sheet.

The debt component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the debt is extinguished on conversion or redemption of the bonds.

The derivative financial instruments component is determined by the fair value of the embedded derivatives on the date of issue. The fair value is reassessed at every balance sheet date and the difference is recognised in the profit and loss account.

The balance after reducing the debt component and the fair value of the embedded derivatives component from the net proceeds is presented as capital reserve under equity. The carrying amount of the equity component is not adjusted in subsequent periods. When the conversion option is exercised, the carrying amount of the equity component will be transferred to share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.



### 3. Sale of goods

Sale of goods represents sale of physical commodities, net of discounts and returns. It excludes interest income, realised gain or loss on derivatives and in respect of the Group, intra-group transactions.

### 4. Other income

Other income included the following:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest income from loans and receivables	18,872	19,632	8,319	11,625
Gain on convertible bonds buy back <sup>(1)</sup>	100,674	–	100,674	–
Miscellaneous income <sup>(2)</sup>	15,158	15,639	21,102	1,650
Negative goodwill arising from acquisition of subsidiary (Note 10)	3,748	5,254	–	–
	<b>138,452</b>	<b>40,525</b>	<b>130,095</b>	<b>13,275</b>

<sup>(1)</sup> Net gain on convertible bonds buy back after adjusting for finance cost (Note 7) of \$20,043,000, is \$80,631,000. Refer to Note 25 for details of convertible bonds buy back.

<sup>(2)</sup> Miscellaneous income for the Group comprised mainly of sales of export licences, scrap and by-products from processing operations.

### 5. Cost of goods sold

The following items have been included in arriving at cost of goods sold:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
This is stated after (charging)/crediting:				
Realised loss on derivatives <sup>(1)</sup>	(113,266)	(125,972)	(170,656)	(133,861)
Foreign exchange gain on cost of goods sold <sup>(2)</sup>	25,461	20,536	–	–
Export incentives and subsidies received <sup>(3)</sup>	104,541	72,085	–	–
Inventories (written down)/ written back	(11,248)	1,971	(5,094)	3,120

<sup>(1)</sup> Realised loss on derivatives recognised on occurrence of sales and purchases of physical commodities.

<sup>(2)</sup> Foreign exchange gain arising between the time of receiving payments for purchase of goods and the time of sale of such goods.

<sup>(3)</sup> Export incentives and subsidies relate to income from government agencies of various countries for export of agricultural products.

## 6. Other operating expenses/ net measurement of derivative instruments

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Operating expenses are stated after (charging)/crediting:				
Non-audit fees paid to auditors	(125)	(232)	(98)	(146)
Gain on disposal of property, plant and equipment	909	648	–	–
Amortisation of intangible assets (Note 10)	(2,738)	(2,191)	–	–
Bank charges	(20,586)	(19,915)	(12,957)	(11,539)
Impairment:				
– Plant and machinery	(10,849)	–	–	–
– Intangible assets	(3,327)	–	–	–
– Investments in subsidiary companies	–	–	(8,898)	–
Bad debts written off:				
– Trade receivables (Note 16)	(368)	–	–	–
– Advance payments to suppliers (Note 19)	(12)	(2,157)	–	–
(Allowance for doubtful debts)/write back:				
– Amounts due from subsidiary companies (Note 15)	–	–	711	–
– Trade receivables (Note 16)	(11,618)	720	(6,366)	(136)
– Advance payments to suppliers (Note 19)	(7,807)	(170)	–	–
Rental expenses	(41,120)	(41,955)	(6,467)	(4,125)
Travelling expenses	(26,090)	(27,442)	(7,020)	(7,064)
Net measurement of derivative instruments are stated after crediting/(charging):				
– Convertible bonds (Note 25 )	34,683	–	34,683	–
– Commodity derivatives held for trading	26,431	11,023	32,455	(2,652)
	<b>61,114</b>	<b>11,023</b>	<b>67,138</b>	<b>(2,652)</b>

## 7. Finance costs

Finance costs included the following:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest expense:				
– On bank overdrafts	18,025	2,775	6	32
– On bank loans	176,128	174,096	141,973	117,852
– On medium term notes	4,647	19,824	4,647	19,824
– On convertible bonds <sup>(1)</sup>	32,306	–	32,306	–
Others	8,073	4,700	206	132
	<b>239,179</b>	<b>201,395</b>	<b>179,138</b>	<b>137,840</b>

<sup>(1)</sup> Includes interest of \$20,043,000 relating to convertible bonds that were bought back during the year.

## 8. Income tax

### a) Various components of income tax expense

Various components of income tax expense are:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Profit and loss account</b>				
<i>Current income tax:</i>				
Singapore	11,600	9,285	11,600	9,285
Foreign	(1,036)	16,879	–	–
Under provision in respect of prior years	–	182	–	–
	10,564	26,346	11,600	9,285
<i>Deferred income tax:</i>				
Foreign	(4,569)	(29,054)	–	–
Income tax expense/(credit)	5,995	(2,708)	11,600	9,285

The Company is an approved company under the Global Trader Programme (“GTP”) of International Enterprise Singapore and Development and Expansion Incentive (“DEI”) under the International Headquarters (“IHQ”) award of Singapore Economic Development Board. By virtue of this, the Company is entitled to a concessionary income tax rate of 5% for a period of 5 years from 1 July 2008 to 30 June 2013 on qualifying activities, products and income.

### Revision in Singapore corporate tax rate

On 22 January 2009, Singapore corporate tax rate was revised from 18% to 17% with effect from Year of Assessment 2010.

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Statements of changes in equity</b>				
<i>Deferred income tax related to items (charged)/credited directly to equity:</i>				
Net change in fair value adjustment reserves for derivative financial instruments designated as hedging instruments in cash flow hedges	(22,544)	11,101	(2,864)	8,290
Deferred tax income recorded in equity	(22,544)	11,101	(2,864)	8,290

## 8. Income tax (cont'd)

### b) Relationship between tax expense and accounting profit

A reconciliation of the statutory tax rate to the Group's and Company's effective tax rate is as follows:

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Statutory tax rate	17.0	18.0	17.0	18.0
Tax effect of non-deductible expenses	2.7	3.3	2.2	1.3
Higher statutory tax rates of other countries	1.0	1.6	–	0.8
Tax effect of income taxed at concessionary rate	(10.5)	(8.7)	(6.7)	(12.2)
Tax effect on non-taxable income	(5.2)	(1.2)	(6.7)	–
Tax effect of consolidation of tax groups of a subsidiary <sup>(1)</sup>	–	(12.9)	–	–
Tax effect of temporary differences not recognised	–	(1.6)	–	–
Tax effect of jointly controlled entities	(2.7)	–	–	–
Tax effect of others, net	–	(0.1)	(0.8)	(0.6)
	2.3	(1.6)	5.0	6.5

<sup>(1)</sup> Post the acquisition of Queensland Cotton Holdings, the Group opted to consolidate the tax groups of Queensland Cotton Group and Olam Group in Australia. This required a reset of carrying value of assets held by Queensland Cotton Group for tax purposes as per the Australian tax laws, resulting in a one-off tax credit.

### c) Deferred income tax

	Group		Company			
	Consolidated balance sheet		Consolidated profit and loss account		Balance sheet	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Deferred tax liabilities:</b>						
Differences in depreciation	36,492	30,878	3,481	(10,352)	8	7
Fair value adjustment on acquisition of subsidiary	2,018	–	–	–	–	–
Revaluation of financial instruments to fair value	4,232	–	–	–	–	–
Others	1,853	751	1,051	189	–	–
Gross deferred tax liabilities	44,595	31,629			8	7
<b>Deferred tax assets:</b>						
Allowance for doubtful debts	1,045	632	(370)	285	471	442
Inventories written-down	–	143	–	833	153	143
Revaluation of financial instruments to fair value	–	17,177	–	–	12,480	14,394
Unabsorbed losses	55,442	43,380	(9,068)	(29,884)	–	–
Others	–	2,831	337	9,875	–	–
Gross deferred tax assets	56,487	64,163			13,104	14,979
Net deferred tax assets	11,892	32,534			13,096	14,972
Deferred income tax credit			(4,569)	(29,054)		

The Group has tax losses of \$24,957,000 (2008: \$14,506,000) and capital allowances of \$12,758,000 (2008: \$10,494,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset has been recognised. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

## 9. Property, plant and equipment

Group	Freehold land \$'000	Leasehold land and buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Office equipment \$'000	Computers \$'000	Capital work-in-progress \$'000	Total \$'000
<b>Cost</b>									
As at 1 July 2007	9,056	38,105	71,413	27,135	7,401	7,966	4,961	11,962	177,999
Additions	1,561	13,181	37,920	6,674	3,125	2,917	1,884	6,943	74,205
Acquired through business combination	20,915	104,948	105,122	7,014	289	262	22	6,268	244,840
Disposals	(886)	(1,510)	(7,643)	(3,308)	(170)	(374)	(383)	(219)	(14,493)
Reclassification	(2,221)	7,612	5,360	125	(936)	1,458	(7)	(11,391)	-
Foreign currency translation adjustment	(122)	(790)	(3,385)	(1,363)	(561)	(411)	(336)	(756)	(7,724)
As at 30 June 2008 and 1 July 2008	<b>28,303</b>	<b>161,546</b>	<b>208,787</b>	<b>36,277</b>	<b>9,148</b>	<b>11,818</b>	<b>6,141</b>	<b>12,807</b>	<b>474,827</b>
Additions	<b>14,094</b>	<b>18,539</b>	<b>30,322</b>	<b>5,735</b>	<b>596</b>	<b>24,990</b>	<b>2,767</b>	<b>109,959</b>	<b>207,002</b>
Acquired through business combination	-	-	15,911	-	-	-	-	-	15,911
Disposals	-	(5,860)	(1,956)	(3,568)	(378)	(587)	(309)	(2)	(12,660)
Reclassification	-	3,196	4,962	(542)	(44)	41	31	(7,644)	-
Foreign currency translation adjustment	(2,676)	(13,900)	(17,702)	(3,300)	(467)	135	(253)	185	(37,978)
As at 30 June 2009	<b>39,721</b>	<b>163,521</b>	<b>240,324</b>	<b>34,602</b>	<b>8,855</b>	<b>36,397</b>	<b>8,377</b>	<b>115,305</b>	<b>647,102</b>
<b>Accumulated depreciation and impairment</b>									
As at 1 July 2007	-	3,089	20,463	14,019	3,794	4,482	2,804	-	48,651
Charge for the year	-	7,474	16,138	6,653	1,200	1,271	1,035	-	33,771
Disposals	-	(326)	(4,990)	(2,391)	(105)	(38)	(243)	-	(8,093)
Reclassification	-	178	(287)	220	(106)	(47)	42	-	-
Foreign currency translation adjustment	-	(370)	(963)	(792)	(325)	(236)	(207)	-	(2,893)
As at 30 June 2008 and 1 July 2008	-	<b>10,045</b>	<b>30,361</b>	<b>17,709</b>	<b>4,458</b>	<b>5,432</b>	<b>3,431</b>	-	<b>71,436</b>
Charge for the year	-	<b>6,950</b>	<b>23,344</b>	<b>5,697</b>	<b>1,062</b>	<b>1,787</b>	<b>1,692</b>	-	<b>40,532</b>
Impairment of assets	-	-	10,849	-	-	-	-	-	10,849
Disposals	-	(1,497)	(363)	(2,339)	(157)	(37)	(136)	-	(4,529)
Reclassification	-	3	101	(87)	(18)	(10)	11	-	-
Foreign currency translation adjustment	-	(425)	(2,403)	(1,676)	(181)	(344)	(120)	-	(5,149)
As at 30 June 2009	-	<b>15,076</b>	<b>61,889</b>	<b>19,304</b>	<b>5,164</b>	<b>6,828</b>	<b>4,878</b>	-	<b>113,139</b>
<b>Net carrying value</b>									
As at 30 June 2009	<b>39,721</b>	<b>148,445</b>	<b>178,435</b>	<b>15,298</b>	<b>3,691</b>	<b>29,569</b>	<b>3,499</b>	<b>115,305</b>	<b>533,963</b>
As at 30 June 2008	28,303	151,501	178,426	18,568	4,690	6,386	2,710	12,807	403,391



## 9. Property, plant and equipment (cont'd)

Company	Buildings \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Office equipment \$'000	Computers \$'000	Total \$'000
<b>Cost</b>						
As at 1 July 2007	172	713	1,589	827	1,226	4,527
Additions	–	253	602	139	421	1,415
Foreign currency translation adjustment	(19)	(92)	(208)	(100)	(158)	(577)
As at 30 June 2008 and 1 July 2008	<b>153</b>	<b>874</b>	<b>1,983</b>	<b>866</b>	<b>1,489</b>	<b>5,365</b>
Additions	–	362	14	71	1,784	2,231
Foreign currency translation adjustment	10	57	131	57	98	353
As at 30 June 2009	<b>163</b>	<b>1,293</b>	<b>2,128</b>	<b>994</b>	<b>3,371</b>	<b>7,949</b>
<b>Accumulated depreciation</b>						
As at 1 July 2007	71	300	1,281	755	821	3,228
Charge for the year	8	138	152	40	262	600
Foreign currency translation adjustment	(8)	(40)	(151)	(87)	(105)	(391)
As at 30 June 2008 and 1 July 2008	<b>71</b>	<b>398</b>	<b>1,282</b>	<b>708</b>	<b>978</b>	<b>3,437</b>
Charge for the year	8	191	213	75	825	1,312
Foreign currency translation adjustment	4	26	84	47	65	226
As at 30 June 2009	<b>83</b>	<b>615</b>	<b>1,579</b>	<b>830</b>	<b>1,868</b>	<b>4,975</b>
<b>Net carrying value</b>						
As at 30 June 2009	<b>80</b>	<b>678</b>	<b>549</b>	<b>164</b>	<b>1,503</b>	<b>2,974</b>
As at 30 June 2008	<b>82</b>	<b>476</b>	<b>701</b>	<b>158</b>	<b>511</b>	<b>1,928</b>

## 10. Intangible assets

Group	Goodwill \$'000	Customer relationships* \$'000	Trademark \$'000	Trade name \$'000	Software \$'000	Marketing agreement \$'000	Total \$'000
<b>Cost</b>							
As at 1 July 2007	76,137	20,066	–	–	–	–	96,203
Acquired through business combinations	27,455	–	861	7,586	4,568	3,556	44,026
Disposal	–	–	–	–	(995)	–	(995)
Foreign currency translation adjustment	(6,517)	(2,256)	–	932	561	436	(6,844)
As at 30 June 2008 and 1 July 2008	<b>97,075</b>	<b>17,810</b>	<b>861</b>	<b>8,518</b>	<b>4,134</b>	<b>3,992</b>	<b>132,390</b>
Additions	–	–	–	–	1,080	–	1,080
Foreign currency translation adjustment	<b>3,109</b>	<b>1,175</b>	<b>56</b>	<b>(897)</b>	<b>(425)</b>	<b>(419)</b>	<b>2,599</b>
As at 30 June 2009	<b>100,184</b>	<b>18,985</b>	<b>917</b>	<b>7,621</b>	<b>4,789</b>	<b>3,573</b>	<b>136,069</b>
<b>Accumulated amortisation and impairment</b>							
As at 1 July 2007	–	–	–	–	–	–	–
Amortisation	–	1,246	–	213	732	–	2,191
Foreign currency translation adjustment	–	(60)	–	–	–	–	(60)
As at 30 June 2008 and 1 July 2008	–	<b>1,186</b>	–	<b>213</b>	<b>732</b>	–	<b>2,131</b>
Amortisation	–	1,266	–	177	1,295	–	2,738
Impairment	–	–	–	–	–	3,327	3,327
Foreign currency translation adjustment	–	78	–	(8)	19	246	335
As at 30 June 2009	–	<b>2,530</b>	–	<b>382</b>	<b>2,046</b>	<b>3,573</b>	<b>8,531</b>
<b>Net carrying value</b>							
As at 30 June 2009	<b>100,184</b>	<b>16,455</b>	<b>917</b>	<b>7,239</b>	<b>2,743</b>	–	<b>127,538</b>
As at 30 June 2008	97,075	16,624	861	8,305	3,402	3,992	130,259
Average remaining amortisation period (years) – 2009	***	13 **	***	38 **	1.5 **	–	
Average remaining amortisation period (years) – 2008	***	14 **	***	39**	3 **	3	

\* Customer relationships acquired as part of the Universal Blancher's business combination were initially recognised at their fair value at the date of acquisition and are subsequently carried at cost less accumulated amortisation.

\*\* The intangible assets are amortised on a straight-line basis over the estimated useful life except for the marketing agreement which is amortised on the basis of expected units of production.

\*\*\* These intangible assets are not subject to amortisation.

## 10. Intangible assets (cont'd)

Company	Goodwill \$'000	Trademark \$'000	Trade name \$'000	Total \$'000
<b>Cost</b>				
As at 1 July 2007, 30 June 2008 and 1 July 2008	–	861	–	861
Transfer – Brazilian Cotton from Queensland Cotton Holdings	7,174	–	1,790	8,964
Foreign currency translation adjustment	(754)	56	(187)	(885)
As at 30 June 2009	6,420	917	1,603	8,940
<b>Net carrying amount</b>				
As at 30 June 2009	6,420	917	1,603	8,940
As at 30 June 2008	–	861	–	861

### (a) Acquisition of subsidiary company

On 2 February 2009, the Group acquired 100% of the issued share capital of Olam Alimentos S.A. (formerly known as Industrias Martin Cubero) through Olam Argentina S.A., a wholly owned subsidiary for a cash consideration of \$10,145,000. The fair values of the identifiable assets and liabilities as at date of acquisition were as follows:

	Fair value recognised on acquisition \$'000	Carrying amount before combination \$'000
Property, plant and equipment	15,911	4,737
Deferred tax liability	(2,018)	–
<b>Net identifiable assets</b>	13,893	4,737
Negative goodwill arising on acquisition of subsidiary	(3,748)	
<b>Total purchase consideration satisfied by cash in current year</b>	10,145	

## 10. Intangible assets (cont'd)

### (b) Acquisition of assets

On 31 October 2008, the Group acquired sugar mill assets of Girdharilal Sugar and Allied Industries Limited through Olam Exports (India) Limited, a wholly owned subsidiary for a cash consideration of \$14,938,000. At the date of this report, goodwill has been provisionally determined as \$NIL. Goodwill will be adjusted accordingly following the completion of the valuation of these assets.

### (c) Impairment testing of goodwill and other intangible assets

Goodwill and trademark arising from business combinations have been allocated to the following cash-generating units ("CGU") for impairment testing:

- Universal Blanchers
- Queensland Cotton Holdings
- Olam International – Brazilian Cotton
- Naarden Agro Products B.V.
- Qingdao Key Foods

The carrying amounts of goodwill and trademark allocated to each CGU are as follows:

	Goodwill		Trademark		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Universal Blanchers	71,802	67,358	–	–	71,802	67,358
Queensland Cotton Holdings <sup>(1)</sup>	9,631	10,762	–	–	9,631	10,762
Olam International – Brazilian Cotton <sup>(2)</sup>	6,420	7,174	–	–	6,420	7,174
Naarden Agro Products B.V.	2,340	2,471	–	–	2,340	2,471
Qingdao Key Foods	9,991	9,310	917	861	10,908	10,171
	<b>100,184</b>	97,075	<b>917</b>	861	<b>101,101</b>	97,936

<sup>(1)</sup> The CGUs relating to Queensland Cotton Holdings are as follows:

	2009 \$'000	2008 \$'000
CGU 1 – Australian Cotton	5,618	6,278
CGU 2 – USA Cotton	2,407	2,690
CGU 3 – Australian Pulses	1,606	1,794
	<b>9,631</b>	10,762

<sup>(2)</sup> The goodwill relating to Brazilian Cotton business was re-allocated from Queensland Cotton Holdings to the Company during the year.

## 10. Intangible assets (cont'd)

### (c) Impairment testing of goodwill and other intangible assets (cont'd)

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a 5-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolated cash flows beyond the 5-year period are as follows:

	Growth rates		Pre-tax discount rates	
	2009 %	2008 %	2009 %	2008 %
Universal Blanchers	<b>2.00</b>	3.30	<b>10.40</b>	10.40
Queensland Cotton Holdings <sup>(1)</sup>	<b>4.00</b>	2.50	<b>13.00</b>	9.87
Olam International – Brazilian Cotton	<b>4.00</b>	2.50	<b>13.00</b>	9.87
Naarden Agro Products B.V.	<b>2.00</b>	2.00	<b>7.73</b>	7.73
Qingdao Key Foods	<b>2.00</b>	2.00	<b>12.00</b>	12.51

<sup>(1)</sup> The growth rates and pre-tax discount rates used is the same for all CGUs relating to Queensland Cotton Holdings.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

*Budgeted gross margins* – Gross margins are based on average values achieved at prevailing market conditions at the start of the budget period.

*Growth rates* – The growth rates indicated are as estimated by the management based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

*Pre-tax discount rates* – Discount rates reflect management's estimate of risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.



## 11. Subsidiary companies

	Company	
	2009 \$'000	2008 \$'000
Unquoted shares at cost	214,625	147,889
Loans to subsidiary companies	109,495	102,718
Provision for impairment loss	(9,564)	(630)
	<b>314,556</b>	<b>249,977</b>

Included in loans to subsidiary companies is a loan amounting to \$NIL (2008: \$952,000) which is unsecured, bears interest at 2% per annum and is repayable not later than January 2010. The remaining loans to subsidiary companies are unsecured, interest free and have no fixed terms of repayment. They are not expected to be repayable in the next 12 months.

Assessment of impairment in investment in subsidiary companies is carried out every year and the necessary provisions are accordingly made. The Company has provided impairment loss of \$8,898,000 on the investment in subsidiaries as the carrying amounts exceed the fair values based on the net asset values of the subsidiaries.

Subsidiary companies of Olam International Limited are:

Name of Company	Country of incorporation	Principal activities	Cost of investment		Percentage of equity held by the Company	
			2009 \$'000	2008 \$'000	2009 %	2008 %
Caraway Pte Ltd <sup>1</sup>	Singapore	(a)	177	166	100	100
Olam Burkina Sarl <sup>2</sup>	Burkina Faso	(a)	277	260	100	100
Olam Cam Sarl <sup>2</sup>	Cameroon	(a)	475	446	100	100
Olam Europe B.V. <sup>2</sup>	Netherlands	(a)	28	27	100	100
Olam Ghana Limited <sup>2</sup>	Ghana	(a)	4,262	3,997	100	100
Olam Ivoire Sarl. <sup>2</sup>	Ivory Coast	(a)	452	424	100	100
Olam Nigeria Ltd <sup>2</sup>	Nigeria	(a)	4,380	4,108	100	100
Outspan Nigeria Ltd <sup>2</sup>	Nigeria	(a)	402	377	100	100
Olam Tanzania Ltd <sup>2</sup>	Tanzania	(a)	3,497	3,279	100	100
Outspan Ivoire SA <sup>3</sup>	Ivory Coast	(a)	8,483	7,957	100	100
Olam Gabon Sarl. <sup>2</sup>	Gabon	(a)	9,812	254	100	100
Olam Mozambique, Limitada <sup>4</sup>	Mozambique	(a)	1,526	1,431	100	100
Olam Madagascar Sarl. <sup>4</sup>	Madagascar	(a)	14	14	100	100
Olam Polska Sp Z.o.o. <sup>2</sup>	Poland	(a)	2,314	2,170	100	100

## 11. Subsidiary companies (cont'd)

Name of Company	Country of incorporation	Principal activities	Cost of investment		Percentage of equity held by the Company	
			2009 \$'000	2008 \$'000	2009 %	2008 %
Outspan Ghana Limited <sup>2</sup>	Ghana	(a)	146	137	100	100
Olam Vietnam Limited <sup>2</sup>	Vietnam	(a)	1,449	1,360	100	100
Olam South Africa (Proprietary) Limited <sup>2</sup>	South Africa	(a)	2,884	1,346	100	100
Olam Congo (R.D.C) <sup>2</sup>	Democratic Republic of Congo	(a)	36	34	100	100
Outspan PNG Limited <sup>4</sup>	Papua New Guinea	(a)	145	136	100	100
Olam France Sarl. <sup>3</sup>	France	(a)	10	9	100	100
Olam Guinee Sarl. <sup>2</sup>	Guinee Conakry	(a)	4	3	100	100
Olam Brasil Ltda <sup>3</sup>	Brazil	(a)	2,620	2,458	100	100
Olam Kazakhstan Ltd <sup>4</sup>	Kazakhstan	(a)	739	14	100	100
Olam Middle East L.L.C <sup>2</sup>	United Arab Emirates	(a)	118	111	100	100
Olam Europe Limited <sup>2</sup>	United Kingdom	(a)	572	536	100	100
Olam (Uganda) Ltd <sup>2</sup>	Uganda	(a)	140	132	100	100
PT Olam Indonesia <sup>2</sup>	Indonesia	(a)	1,594	1,495	100	100
Olam Zimbabwe (Private) Limited <sup>4</sup>	Zimbabwe	(a)	2,332	2,188	100	100
Outspan Brasil Importação e Exportação Ltda	Brazil	(a)	4,174	3,915	100	100
Olam Dairy B.V. <sup>4</sup>	Netherlands	(a)	188	176	100	100
Olam Ukraine LLC <sup>4</sup>	Ukraine	(a)	2,319	136	100	100
Olam Shanghai Limited <sup>2</sup>	China	(a)	1,449	1,360	100	100
Olam Shandong Limited <sup>2</sup>	China	(a)	2,029	1,903	100	100
Outspan Peru S.A.C. <sup>2</sup>	Peru	(a)	725	680	100	100
LLC Caraway Foods <sup>2</sup>	Russian Federation	(a)	9,643	549	100	100

## 11. Subsidiary companies (cont'd)

Name of Company	Country of incorporation	Principal activities	Cost of investment		Percentage of equity held by the Company	
			2009 \$'000	2008 \$'000	2009 %	2008 %
Olam Argentina S.A. <sup>4</sup>	Argentina	(a)	13,522	4,055	100	100
Panasia International FZCO <sup>2</sup>	United Arab Emirates	(a)	217	204	100	100
PT Agronesia Bumi Persada <sup>4</sup>	Indonesia	(a)	74	69	51	51
Caraway Foods International (Nigeria) Limited <sup>4</sup>	Nigeria	(a)	27	26	100	100
Caraway Foods International South Africa (Pty) Ltd <sup>3</sup>	South Africa	(a)	1,710	1,604	100	100
Olam Liberia Limited <sup>4</sup>	Liberia	(a)	7	7	100	100
Mantra Ivoire S.A. <sup>3</sup>	Ivory Coast	(a)	577	542	100	100
Outspan Colombia S.A. <sup>2</sup>	Colombia	(a)	1,949	1,829	100	100
Olam Amarzen Gerais Ltda <sup>3</sup>	Brazil	(a)	70	65	100	100
Olam R.O.C. S.A.R.L. <sup>4</sup>	Democratic Republic of Congo	(a)	^	^	100	100
Olam Honduras S.A. <sup>4</sup>	Honduras	(a)	145	136	100	100
Olam Egypt L.L.C. <sup>2</sup>	Egypt	(a)	5,147	120	100	100
Olam Zambia Limited <sup>4</sup>	Republic of Zambia	(a)	^	^	100	100
Olam Dalian Limited <sup>4</sup>	China	(a)	@	680	@	100
Rudra International Ltd <sup>4</sup>	United Arab Emirates	(a)	3,406	3,194	100	100
Multipro Gambia Limited <sup>2</sup>	Gambia	(a)	70	*	100	100
Café Outspan Vietnam Limited <sup>3</sup>	Vietnam	(a)	5,797	5,769	100	100
Naarden Agro Products B.V. <sup>4</sup>	Netherlands	(a)	7,654	7,260	100	100
LLC Outspan International <sup>2</sup>	Russian Federation	(a)	12,827	70	100	100
EURL Agri Commodities <sup>2</sup>	Algeria	(a)	389	365	100	100
Olam Investments Limited <sup>2</sup>	Mauritius	(b)	14	14	100	100

## 11. Subsidiary companies (cont'd)

Name of Company	Country of incorporation	Principal activities	Cost of investment		Percentage of equity held by the Company	
			2009 \$'000	2008 \$'000	2009 %	2008 %
Olam Investments Australia Pty Ltd <sup>2</sup>	Australia	(b)	<b>69,098</b>	64,821	<b>100</b>	100
Key Foods Hong Kong Limited <sup>3</sup>	Hong Kong	(b)	<b>12,685</b>	11,900	<b>100</b>	100
Far East Agri Pte Ltd <sup>1</sup>	Singapore	(b)	*	*	<b>100</b>	100
Olam Information Services Pvt. Ltd <sup>2</sup>	India	(c)	<b>4</b>	4	<b>100</b>	100
Olam Insurance Limited <sup>2</sup>	Isle of Man	(d)	<b>725</b>	680	<b>100</b>	100
Olam Benin Sarl. <sup>2</sup>	Benin	(e)	<b>486</b>	456	<b>100</b>	100
Olam Togo Sarl. <sup>2</sup>	Togo	(e)	<b>454</b>	426	<b>100</b>	100
Olam Bissau Limitada <sup>2</sup>	Guinea Bissau	(e)	<b>5</b>	5	<b>100</b>	100
Olam Online Ltd <sup>1</sup>	Singapore	(e)	*	*	<b>100</b>	100
Olam (Thailand) Ltd <sup>5</sup>	Thailand	(a)	<b>211</b>	–	<b>100</b>	–
Outspan Bolovens Limited <sup>4</sup>	Laos	(a)	<b>164</b>	–	<b>100</b>	–
Outspan Angola Ltda <sup>2</sup>	Republic of Angola	(a)	<b>143</b>	–	<b>100</b>	–
Olam Tarım Ürünleri Yem Maddeleri Sanayi Ve Ticaret Limited Sirketi <sup>5</sup>	Turkey	(a)	<b>12</b>	–	<b>100</b>	–
Lamco SRL <sup>3#</sup>	Italy	(f)	<b>375</b>	–	<b>100</b>	40
Olam Exports (India) Limited <sup>2</sup>	India	(a)	<b>7,246</b>	–	<b>34.42</b>	–
			<b>214,625</b>	147,889		

- (a) Sourcing, processing, packaging and merchandising of agricultural products.  
 (b) Investment holding.  
 (c) Provision of information technology services.  
 (d) Provision of insurance related services.  
 (e) Dormant.  
 (f) Trading of agricultural commodities

## 11. Subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held	
		2009 %	2008 %
<i>Subsidiary companies of Olam Investments Limited are as follow:</i>			
Olam Export (India) Limited <sup>2</sup> (India)	Sourcing, processing, packaging and merchandising of agricultural products	65.57	100
Outspan (India) Private Limited <sup>3</sup> (India)	Sourcing, processing, packaging and merchandising of agricultural products	100	100
<i>Subsidiary company of Olam (Uganda) Limited is as follows:</i>			
Victoria Commodities Ltd <sup>2</sup> (Uganda)	Sourcing, processing, packaging and merchandising of agricultural products	100	100
<i>Subsidiary company of Olam Nigeria Limited is as follows:</i>			
Novus Nigeria <sup>4</sup> Limited	Dormant	100	100
<i>Subsidiary company of Olam Egypt L.L.C is as follows:</i>			
Agri Commodities L.L.C <sup>3</sup> (Egypt)	Sourcing, processing, packaging and merchandising of agricultural products	100	100
<i>Subsidiary company of Olam Investments Australia Pty Ltd is as follows:</i>			
Olam Australia Pty Ltd <sup>4</sup> (Australia)	Sourcing, processing, packaging and merchandising of agricultural products	100	100
<i>Subsidiary company of Olam Australia Pty Ltd is as follows:</i>			
Queensland Cotton Holdings Pty Ltd <sup>4</sup> (Australia)	Investment holding	100	100
<i>Subsidiary companies of Queensland Cotton Holdings Pty Ltd are as follows:</i>			
QC International Pty Ltd <sup>4</sup> (Australia)	Investment holding	100	100
Australian Cotton Corporation Pty Ltd <sup>4</sup> (Australia)	Investment holding	100	100
Queensland Cotton Corporation Pty Ltd <sup>4</sup> (Australia)	Commodity trading, cotton ginning	100	100
<i>Subsidiary companies of Queensland Cotton Corporation Pty Ltd are as follows:</i>			
QC Management Pty Ltd <sup>4</sup> (Australia)	Leasing services	100	100
QC Brazil Pty Ltd <sup>4</sup> (Australia)	Procurement, processing, warehousing, sale and distribution of cotton	99.9	100



## 11. Subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Company	
		2009 %	2008 %
<i>Subsidiary company of QC Brazil Pty Ltd is as follow:</i>			
Queensland Cotton Exportacao de Algodao Brasil Ltda <sup>4</sup> (Brazil)	Marketing and exporting of cotton	99.9	99.9
<i>Subsidiary company of Queensland Cotton Exportacao de Algodao Brasil Ltd is as follow:</i>			
QC Import e Export Logistica Brasil Ltda <sup>4</sup> (Brazil)	Warehousing of cotton	70	70
<i>Subsidiary companies of QC Holdings Partnership are as follows:</i>			
Olam US Holdings Inc. <sup>2</sup> (USA)	Investment holding	100	100
QC (US) International Inc. <sup>2</sup> (USA)	Investment holding	100	100
<i>Subsidiary company of QC (US) International Inc. is as follows:</i>			
QC (US) Inc. <sup>2</sup> (USA)	Investment holding	100	100
<i>Subsidiary companies of QC (US) Inc. are as follows:</i>			
Anderson Clayton Corp. <sup>2</sup> (USA)	Procurement, processing, warehousing, sale and distribution of cotton	100	100
QC (US) Marketing Inc. <sup>2</sup> (USA)	Procurement, processing, warehousing, sale and distribution of cotton	100	100
<i>Subsidiary companies of Anderson Clayton Corp. are as follows:</i>			
ACCO Finance Co. <sup>2</sup> (USA)	Financing services	100	100
Sacramento Valley Ginning Company LLC <sup>2</sup> (USA)	Processing of commodities	52	52
<i>Jointly controlled companies of Anderson Clayton Corp. are as follows:</i>			
ACCO/Winburne LLC <sup>2</sup> (USA)	Brokerage services	50	50
CRIT/ACCO Joint Venture <sup>2</sup> (USA)	Processing of commodities	50	50

## 11. Subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Company	
		2009 %	2008 %
El Dorado Ginning Partners <sup>2</sup> (USA)	Procurement, processing, warehousing, sale and distribution of cotton	33.3	33.3
<i>Subsidiary companies of Olam US Holdings Inc. are as follows:</i>			
Universal Blanchers, L.L.C. <sup>2</sup> (USA)	Peanut blancher and ingredient processor	100	100
Olam Americas, Inc. <sup>2</sup> (USA)	Sourcing, processing, packaging and merchandising of agricultural products	100	100
<i>Subsidiary companies of Olam Americas, Inc. are as follows:</i>			
Olam West Coast, Inc. <sup>2</sup> (USA)	Dehydration of vegetables	100	–
<i>Subsidiary companies of Olam Americas, Inc. are as follows: (cont'd)</i>			
Olam Canada Holdings, Inc. <sup>2</sup> (USA)	Sourcing, processing, packaging and merchandising of agricultural products	100	–
Olam Tomato Processors Inc. <sup>2</sup> (USA)	Sourcing, processing, packaging and merchandising of agricultural products	100	–
<i>Subsidiary company of Universal Blanchers, L.L.C is as follows:</i>			
Seabrook Enterprises, Inc. <sup>2</sup> (USA)	Peanut blancher and ingredient processor	100	100
<i>Subsidiary company of Rudra International Limited is as follows:</i>			
Graton Investments Pvt Ltd <sup>3</sup> (Zimbabwe)	Sourcing, processing, packaging and merchandising of agricultural products	100	100
<i>Subsidiary company of Key Foods Hong Kong Limited is as follows:</i>			
Qingdao Key Foods Co Ltd <sup>2</sup> (China)	Sourcing, processing, packaging and merchandising of agricultural products	100	100
<i>Subsidiary company of Far East Agri Pte Ltd is as follows:</i>			
PT Dharmapala Usaha Sukses <sup>3</sup> (Indonesia)	Sourcing, processing, packaging and merchandising of agricultural products	100	100
<i>Subsidiary company of Olam Argentina S.A. is as follows:</i>			
Olam Alimentos S.A. <sup>3</sup> (Argentina)	(Formerly known as Industrias Martin Cubero) Peanut shelling and blanching company	100	–

## 11. Subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Company	
		2009 %	2008 %
<i>Subsidiary companies of Panasia International FZCO are as follows:</i>			
SOSEMA Sarl <sup>4</sup> (Senegal)	Sourcing, processing, packaging and merchandising of agricultural products	100	–
SOGUIMA Sarl <sup>4</sup> (Conakry, Guinea)	Sourcing, processing, packaging and merchandising of agricultural products	100	–
Crest SA <sup>3</sup> (Douala)	Provision of stevedore services	90	–
<i>Subsidiary company of Outspan Ivoire S.A. is as follows:</i>			
Société d'exploitation cotonnière de Ouangolo (SECO) <sup>2</sup> (Ivory Coast)	Sourcing, processing, packaging and merchandising of agricultural products	100	–

\* These costs of investment were less than a thousand dollars each.

^ No payments were made for these subsidiaries.

@ This investment was de-registered during the year.

# This joint venture investment became a wholly-owned subsidiary during the year.

<sup>1</sup> Audited by Ernst & Young LLP, Singapore.

<sup>2</sup> Audited by associated firm of Ernst & Young LLP, Singapore.

<sup>3</sup> Audited by other CPA firm.

<sup>4</sup> Not required to be audited by the law of the country of incorporation.

<sup>5</sup> First year of incorporation.

## 12. Interests in jointly controlled entities

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Unquoted shares at cost	2,186	2,351	2,186	2,351
Loans to jointly controlled entities	252,512	829	252,512	829
Share of post-acquisition reserves	39,915	(454)	–	–
Currency realignment	(206)	(304)	(112)	(250)
	<b>294,407</b>	<b>2,422</b>	<b>254,586</b>	<b>2,930</b>

Loans to jointly controlled entities include the loans to Nauvu Investment Pte Ltd and Olam Wilmar Investment Holdings Pte Ltd amounting to \$173,979,000 (2008: \$NIL) and \$77,422,000 (2008: \$NIL) respectively. These loans are unsecured, non-interest bearing and are not expected to be repayable within the next year.

The remaining loans to jointly controlled entities are unsecured and bear interest of 4% (2008: 4%) per annum and at 3 months Euribor + 4% (2008: 4%) per annum. They are repayable in quarterly instalments until October 2011.

Details of the jointly controlled entities at end of financial years are as follows:

Name of Company	Country of incorporation	Principal activities	Percentage of equity held	
			2009 %	2008 %
<b>Held by the Company:</b>				
Nauvu Investments Pte Ltd <sup>1</sup>	Singapore	(a)	50	–
Olam Wilmar Investment Holdings Pte Ltd <sup>1</sup>	Singapore	(a)	50	–
LAMCO SRL <sup>2</sup>	Italy	(b)	–	40
Solimar Foods Ingredients S.L. <sup>3</sup>	Spain	(c)	49	49
Usicam S.A. <sup>4</sup>	Cameroon	(c)	50	50

During the year, LAMCO SRL became a subsidiary upon acquisition of the remaining 60% equity interest.

Details of the investments made during the year by jointly controlled entities are as follows:

Name of Company	Country of incorporation	Principal activities	Percentage of equity held
			%
Nauvu Investments Pte Ltd:			
SIFCA SA	Ivory Coast	(c)	27.1
Sania Cie SA	Ivory Coast	(c)	50.5
Palm-Ci SA	Ivory Coast	(c)	26.6
Olam Wilmar Investment Holdings Pte Ltd:			
PureCircle Limited	Bermuda	(c)	20.0

- (a) Investment holding
- (b) Trading of agricultural commodities
- (c) Processing and trading of agricultural commodities

<sup>1</sup> Audited by Ernst & Young LLP, Singapore.

<sup>2</sup> Audited by associated firm of Ernst & Young LLP, Singapore.

<sup>3</sup> Not required to be audited by the law of the country of incorporation.

<sup>4</sup> Audited by other CPA firm.

<sup>5</sup> First year of incorporation.

## 12. Interests in jointly controlled entities (cont'd)

The Group's share of the jointly controlled entities' underlying assets and liabilities, and results are as follows:

	Group	
	2009 \$'000	2008 \$'000
<b>Assets and liabilities:</b>		
Current assets	1,158	4,596
Long term assets	292,005	2,583
Total assets	293,163	7,179
Current liabilities	(1,617)	(5,568)
Long term liabilities	(249,949)	(706)
Total liabilities	(251,566)	(6,274)
<b>Results:</b>		
Income	43,629	31,677
Expenses	(3,218)	(31,840)
Profit / (loss) after tax for the financial year	40,411	(163)

## 13. Investment in associate

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Unquoted shares at cost	105,817	–	105,817	–
Share of post-acquisition reserves	703	–	–	–
	106,520	–	105,817	–

Details of the associate at end of financial year are as follows:

Name of company	Country of incorporation	Principal activities	Percentage of equity held	
			2009 %	2008 %
Held by the Company				
Open Country Dairy Limited <sup>1</sup>	New Zealand	Processing and trading of agricultural commodities	24.75	–

<sup>1</sup> Audited by other CPA firm.



### 13. Investment in associate (cont'd)

The Group's share of the associate's underlying assets and liabilities, and results are as follows:

	2009 \$'000	Group	2008 \$'000
<b>Assets and liabilities:</b>			
Current assets	10,218		–
Long term assets	62,997		–
Total assets	73,215		–
Current liabilities	(11,636)		–
Long term liabilities	(16,437)		–
Total liabilities	(28,073)		–
<b>Results:</b>			
Income	64,708		–
Expenses	(64,005)		–
Profit after tax for the financial year	703		–

### 14. Long term investment

Long term investment in 2008 relates to a 19.9% shareholding in Open Country Cheese Co. Limited ("OCC"). During the year, the Company swapped the entire stake in OCC as part of the acquisition of a 24.75% equity interest in Open Country Dairy Limited.

## 15. Amounts due from subsidiary companies

	Company	
	2009 \$'000	2008 \$'000
Trade receivables	480,534	402,931
Loan to subsidiaries <sup>(1)</sup>	159,054	61,630
Non-trade receivables <sup>(2)</sup>	108,025	38,047
	<b>747,613</b>	502,608
Amounts due from subsidiary companies are stated after deducting allowance for doubtful debts of		
– Trade	2,174	1,825
– Non-trade	3,623	4,279
	<b>5,797</b>	6,104
The movement of the allowance accounts is as follows:		
Movement in allowance accounts:		
At 1 July	6,104	6,879
Charge for the year	3,851	–
Reversal for the year	(4,562)	–
Foreign exchange translation adjustment	404	(775)
At 30 June	<b>5,797</b>	6,104

<sup>(1)</sup> Loan to subsidiaries includes an amount \$93,468,000 (2008: \$44,526,000) which is unsecured and bears interest at 7% (2008: 7%) per annum and is repayable on demand. The remaining amounts are non-interest bearing, unsecured and repayable on demand.

<sup>(2)</sup> The non-trade receivables are interest-free, unsecured and are repayable within the next 12 months.

## 16. Trade receivables

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	630,873	635,108	237,023	339,516
GST, VAT and other indirect tax receivables	101,627	89,244	273	370
	<b>732,500</b>	724,352	<b>237,296</b>	339,886

Trade receivables are non-interest bearing and are generally on 30 to 60 day terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables in 2008 is an amount of \$1,825,000 due from a jointly controlled entity which during the current financial year became a subsidiary.

## 16. Trade receivables (cont'd)

### Receivables that are impaired

The Group's and Company's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables – nominal amounts	648,353	641,832	247,840	343,695
Allowance for doubtful debts	(17,480)	(6,724)	(10,817)	(4,179)
	<b>630,873</b>	<b>635,108</b>	<b>237,023</b>	<b>339,516</b>
Movement in allowance accounts:				
At at 1 July	6,724	9,604	4,179	4,561
Charge/(write back) for the year	11,618	(720)	6,366	136
Written off	(237)	(1,196)	–	–
Foreign currency translation adjustment	(625)	(964)	272	(518)
At 30 June	<b>17,480</b>	<b>6,724</b>	<b>10,817</b>	<b>4,179</b>

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

### Receivables not impaired

The analysis of ageing at the balance sheet date is as follows::

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables:				
Less than 30 days	404,208	403,988	149,953	210,582
30 to 60 days	176,271	163,312	61,768	90,966
61 to 90 days	31,204	37,834	21,008	28,162
91 to 120 days	7,367	14,055	358	5,513
121 to 180 days	8,493	8,675	3,492	1,571
More than 180 days	3,330	7,244	444	2,722
	<b>630,873</b>	<b>635,108</b>	<b>237,023</b>	<b>339,516</b>

## 17. Margin accounts with brokers

Margin accounts are maintained with recognised futures dealers and brokers for trades done on the futures exchanges. These margin accounts move in relation to trades done on futures, variation margins required and prices of the commodities traded.

The amounts reflect the payments made to futures dealers as initial and variation margins and depends on the volume of trades done and price movements.

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Margin accounts with brokers	70,238	264,038	57,205	199,200
Amounts due to brokers	(5,399)	(9,765)	(1,684)	(9,765)
	<b>64,839</b>	<b>254,273</b>	<b>55,521</b>	<b>189,435</b>

## 18. Inventories

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Balance sheet:</b>				
Total inventories at lower of cost and net realisable value	<b>1,966,419</b>	1,790,236	<b>550,729</b>	500,397
<b>Profit and loss account:</b>				
Inventories recognised as an expense in cost of goods sold	<b>(6,907,329)</b>	(6,384,326)	<b>(5,355,701)</b>	(5,118,099)
Inclusive of the following (charge)/credit				
– Inventories written-down	<b>(13,037)</b>	(2,911)	<b>(6,883)</b>	(1,762)
– Reversal of write-down of inventories	<b>1,789</b>	4,882	<b>1,789</b>	4,882

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts.

## 19. Advance payments to suppliers

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Third parties	<b>277,683</b>	380,047	<b>85,527</b>	126,670
Subsidiary companies	–	–	<b>935,336</b>	1,109,128
	<b>277,683</b>	<b>380,047</b>	<b>1,020,863</b>	<b>1,235,798</b>

These represent advance payments to suppliers and subsidiary companies for procurement of physical commodities.

Advance payments to suppliers relating to third parties for the Group are stated after deducting allowance for doubtful debts of \$6,573,000 (2008: \$1,523,000).

## 19. Advance payments to suppliers (cont'd)

The movement in the allowance accounts is as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Movement in allowance accounts:				
As at 1 July	1,523	4,028	–	6,235
Charge for the year	7,807	170	–	–
Written off	(2,765)	(2,271)	–	(5,534)
Foreign currency translation adjustment	8	(404)	–	(701)
At 30 June	6,573	1,523	–	–

## 20. Other current/non-current assets

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current:</b>				
Staff advances <sup>(1)</sup>	4,810	4,809	418	791
Deposits	14,056	10,213	3,238	4,277
Option premium receivable	19,112	25,282	19,112	25,282
Insurance receivables <sup>(2)</sup>	28,165	5,930	27,719	4,675
Interest receivables	52	3,201	52	3,201
Export incentives and subsidies receivable <sup>(3)</sup>	96,365	119,718	–	–
Sundry receivables	61,348	44,231	389	14,537
	223,908	213,384	50,928	52,763
Deferred M&A expenses <sup>(4)</sup>	1,236	1,746	1,236	1,746
Prepayments	116,931	77,518	33,487	29,498
	342,075	292,648	85,651	84,007
<b>Non-current:</b>				
Other non-current assets	232	4,602	–	–
Fair value purchase contracts <sup>(5)</sup>	10,922	19,148	10,922	19,148
	11,154	23,750	10,922	19,148

<sup>(1)</sup> Staff advances are interest-free, unsecured and are repayable within the next 12 months.

<sup>(2)</sup> Insurance receivables pertain to pending marine, political and inventories insurance claims. The outstanding claims are currently being processed by the insurance companies for final settlement.

<sup>(3)</sup> These relate to incentives and subsidies receivable from the Government agencies from various countries.

<sup>(4)</sup> Deferred merger and acquisition expenses incurred are in connection with the incomplete acquisition. The expenses will be recognised to profit and loss account when the respective transactions are completed.

<sup>(5)</sup> This relates to the fair value of purchase contracts arising from the acquisition of Queensland Cotton Holdings – Brazilian operations.



## 21. Trade payables and accruals

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	439,175	398,189	377,324	320,625
Accruals	151,997	102,893	42,791	35,982
Advances received from customers	59,199	10,499	–	–
GST payable and equivalent	8,617	8,272	–	–
	<b>658,988</b>	519,853	<b>420,115</b>	356,607

Trade payables are non-interest bearing. Trade payables are normally settled on demand while other payables have an average term of two months.

Trade payables include an amount of \$2,090,000 (2008: \$NIL) due to an associate.

## 22. Other current liabilities

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest payable on bank loans	14,328	10,362	12,384	7,842
Sundry payables	17,105	13,836	–	–
Option premium payable	23,479	26,725	23,479	26,725
	<b>54,912</b>	50,923	<b>35,863</b>	34,567
Provision for withholding tax	3,683	940	8	–
	<b>58,595</b>	51,863	<b>35,871</b>	34,567

## 23. Amounts due to bankers

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current:</b>				
Bank overdrafts (Note 32)	265,141	174,862	–	–
Bank loans	1,604,499	1,614,720	1,166,700	1,199,066
	<b>1,869,640</b>	1,789,582	<b>1,166,700</b>	1,199,066
<b>Non-current:</b>				
Term loans	1,008,312	935,125	764,602	648,482
	<b>2,877,952</b>	2,724,707	<b>1,931,302</b>	1,847,548

The bank loans for the Company are repayable within 12 months and bear interest in the range of 1.07% to 7.25% (2008: 2.72% to 8.40%) per annum.

The bank loans and bank overdrafts for the subsidiary companies are repayable within 12 months and bear interest in the range of 2% to 29% (2008: 4% to 18%) per annum.

Bank loans include:

- (a) amounts of \$10,521,000 (2008: \$NIL) secured by a floating charge over inventories and \$4,348,000 (2008: \$NIL) secured by the assets of a subsidiary.
- (b) an amount of \$30,678,000 (2008: \$NIL) which bears interest rate of 12.65% per annum repayable over a tenure of 5 years. These debts are secured by the guarantee given by the Company.

### Term loans from banks

Term loans from banks bear interest at floating interest rates ranging from 4.62% to 5.11% (2008: 3.61% to 9.06%) per annum. Term loans for the Company are unsecured and are repayable between 2 to 3 years.

Term loans from banks include:

- (a) Industrial Development Bonds of \$11,956,000 (2008: \$11,488,000) which were issued by one of the subsidiary companies that bear interest at IRB ("Industrial Revenue Bond") rate + 1.125% and matures in annual instalments ranging from \$200,000 to \$4,200,000 through 1 August 2023. These debts are secured by the assets of the subsidiary and are backed by a letter of credit from a bank.
- (b) Syndicated loan amounting to \$233,205,000 (2008: \$260,453,000) which is unsecured, bears interest at Australian BBR ("Bank Borrowing Rate") + 0.90% per annum and repayable in equal half-yearly instalments commencing after its second anniversary.

## 24. Medium term notes

The Company has a multicurrency medium term notes programme with a maximum aggregate principal amount of \$800,000,000 (2008: \$800,000,000). These medium term notes are unsecured, bear interest at floating rates ranging from 2.16% to 3.64% (2008: 2.42% to 4.26%) per annum. The repayment schedule is as follows:

	Group and Company	
	2009	2008
	\$'000	\$'000
Less than one year	128,005	70,000
Between one and three years	–	189,857
	128,005	259,857

## 25. Convertible bonds

On 3 July 2008, the Company issued 1% interest bearing convertible bonds of USD300,000,000. The bonds will mature 5 years from the issue date at their redemption value of USD358,140,000 or can be converted any time between 13 August 2008 and 23 May 2013 into fully paid ordinary shares of the Company at an initial conversion price of \$3.8464 per share with a fixed exchange rate of \$1.3644 to USD1.00. During the year bonds aggregating to principal amount of USD280,800,000 were bought back. Refer to Note 4 for the gain on buy back.

The carrying amount of the liability component of the above convertible bonds at the balance sheet date is derived as follows:

	Group and Company	
	2009	2008
	\$'000	\$'000
Principal amount of convertible bonds issued on 3 July 2008	434,760	–
Principal amount of convertible bonds bought back in December 2008	(179,121)	–
Principal amount of convertible bonds bought back in March 2009	(227,814)	–
Principal amount of balance convertible bonds	27,825	–
Less: Proportionate share of expenses on issue of convertible bonds	(697)	–
Less: Fair value of embedded derivatives at issuance	(1,205)	–
Less: Equity component	(5,490)	–
Add: Accretion of interest	3,250	–
	23,683	–

On 4 March 2009, the Company issued 1.281% interest bearing convertible bonds of USD122,616,000 in exchange for the existing bonds issued on 3 July 2008 with a nominal value of USD157,200,000. The new bonds will mature on 3 July 2013 at their redemption value of USD185,763,240 or can be converted any time between 12 April 2009 and 23 May 2013 into fully paid ordinary shares of the Company at an initial conversion price of \$1.656 per share with a fixed exchange rate of \$1.5067 to USD1.00.

The carrying amount of the liability component of the new convertible bonds at the balance sheet date is derived as follows:

	Group and Company	
	2009	2008
	\$'000	\$'000
Principal amount of convertible bonds net of transaction costs issued in March 2009	177,695	–
Less: Fair value of embedded derivatives at issuance	(20,985)	–
Less: Equity component	(18,960)	–
Add: Accretion of interest	6,801	–
	144,551	–
Total convertible bonds	168,234	–

## 26. Share capital

	Group and Company	
	2009	2008
	\$'000	\$'000
<b>Ordinary shares issued and fully paid <sup>(1)</sup></b>		
Balance at the beginning		
1,713,212,824 (2008: 1,555,095,400) ordinary shares	<b>704,870</b>	397,730
Issue of shares on preferential offering <sup>(2)</sup>	–	303,339
Issues of shares on exercise of share options <sup>(3)</sup>	<b>3,716</b>	3,801
Balance at end		
1,715,894,324 (2008: 1,713,212,824) ordinary shares	<b>708,586</b>	704,870

<sup>(1)</sup> The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

<sup>(2)</sup> A total of 155,628,689 ordinary shares were issued upon the exercise of preferential offer during the financial year ended 30 June 2008.

<sup>(3)</sup> A total of 2,681,500 (2008: 2,488,735) ordinary shares were issued upon the exercise of share options.

## 27. Dividends

A one-tier tax exempted first and final dividend of \$0.0125 per ordinary share amounting to \$21,416,500 and a special dividend of \$0.0125 per ordinary share amounting to \$21,416,500, totalling \$42,833,000 in respect of financial year ended 30 June 2008 were paid out during the financial year.

A one-tier tax exempted first and final dividend of \$0.0175 per ordinary share amounting to \$27,227,000 and a special dividend of \$0.0175 per ordinary share amounting to \$27,227,000, totalling \$54,454,000 in respect of financial year ended 30 June 2007 were paid out during the financial year ended 30 June 2008.

## 28. Operating lease commitments

Rental expenses of the Group and Company (principally for offices, warehouses and employees' residences) were \$41,120,000 (2008: \$41,955,000) and \$6,467,000 (2008: \$4,125,000), respectively. Most leases contain options for renewing the leases. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum rentals under non-cancellable leases were as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Within one year	11,503	12,279	5,131	4,787
After one year but not more than five years	11,497	16,957	2,327	5,559
More than five years	3,412	4,163	–	–
	<b>26,412</b>	<b>33,399</b>	<b>7,458</b>	<b>10,346</b>

## 29. Contingent liabilities

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Contingent liabilities not provided for in the accounts:				
Financial guarantee contracts given to subsidiary companies <sup>(1)</sup>	–	–	1,196,863	1,406,988

<sup>(1)</sup> Amounts utilised by subsidiary companies on the bank facilities secured by corporate guarantees amounted to \$602,983,400 (2008: \$564,763,000).

The Company has agreed to provide continuing financial support to certain subsidiary companies.



### 30. Employee benefits expenses

Employee benefits expense (including executive directors):

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Salaries and employee benefits	168,301	153,172	54,763	48,271
Central Provident Fund contributions and equivalents	11,610	8,408	1,399	1,173
Retrenchment benefits	459	2,000	–	–
Share-based expense	4,233	5,583	944	1,452
	<b>184,603</b>	169,163	<b>57,106</b>	50,896

#### (a) Employee share subscription scheme

The Olam International Limited Employee Share Subscription Scheme 2004 was implemented on 26 October 2004. The ESSS comprised 73,913,044 ordinary shares of \$0.23 per share, which were fully allotted and issued by the Company.

The share-based expense to be recognised by the Group and Company over the three years amounted to \$2,457,000 and \$1,027,000 respectively. The share-based expense was based on the fair value price of \$0.2965 per share which represented a discount from the estimated value of the Company's pre-IPO share price.

#### (b) Employee share option scheme

The Olam Employee Share Option Scheme (the "ESOS") was approved by shareholders at an Extraordinary General Meeting held on 4 January 2005. Under the amended rules, the directors (including Non-Executive Directors and Independent Directors) of the Company and employees of the Group are eligible to participate in the ESOS and all subsequent options issued to Group's employees and Executive Directors shall have a life of 10 years instead of 5. For options granted to the Company's Non-Executive Directors and Independent Directors, the option period shall be no longer than 5 years.

The shares issued upon the options being exercised carry full dividend and voting rights.

Under the amended rules of the ESOS, the directors (including Non-Executive Directors and Independent Directors) and employees of the Group are eligible to participate in the ESOS. Controlling Shareholders and associates of Controlling Shareholders are not eligible to participate in the ESOS.

On 4 January 2005, 15,000,000 share options were issued to the group managing director and CEO, Mr Sunny George Verghese. These share options are exercisable and hence vested in 3 equal tranches over the three years from the Company's listing date (11 February 2005). The total share-based expense to be recognised over the vesting period with respect to these options amounted to \$736,512. The contractual life of the options is 10 years. There are no cash settlement alternatives.

### 30. Employee benefits expenses (cont'd)

#### (b) Employee share option scheme (cont'd)

Further, the following options were issued as of 30 June 2008. All these options have a contractual life of 5 years with no cash settlement alternatives.

Date of issue	No. of share options issued	Total share-based expense \$'000	Vesting period	In annual tranches of %
1 June 2006	42,995,160	10,068	4 years	22, 32, 37, 9
2 January 2007	900,000	285	4 years	10, 20, 30, 40
2 July 2007	2,300,000	1,531	3 years	25, 35, 40
5 September 2007	2,000,000	1,231	3 years	25, 35, 40
8 October 2007	1,855,000	1,197	3 years	25, 35, 40
29 October 2007	400,000	259	3 years	25, 35, 40
9 January 2008	2,250,000	1,345	3 years	25, 35, 40
12 June 2008	1,780,000	1,161	3 years	25, 35, 40
	<b>54,480,160</b>	<b>17,077</b>		

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the financial year:

	2009		2008	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Outstanding at the beginning of the year	61,259,425	1.54	58,234,160	1.29
Granted during the year <sup>(1)</sup>	–	–	10,585,000	2.98
Forfeited during the year	(2,277,100)	2.20	(5,071,000)	1.76
Exercised during the year <sup>(2)</sup>	(2,681,500)	1.53	(2,488,735)	1.53
Outstanding at the end of the year <sup>(3)</sup>	<b>56,300,825</b>	<b>1.52</b>	61,259,425	1.54
Exercisable at end of year	<b>48,028,211</b>	<b>1.37</b>	36,469,527	1.25

<sup>(1)</sup> The weighted average fair value of options granted during 2008 was \$0.64.

<sup>(2)</sup> The weighted average share price when the options were exercised was \$1.63 (2008: \$2.81).

<sup>(3)</sup> The range of exercise prices for options outstanding at the end of the year was \$0.62 to \$3.14 (2008: \$0.62 to \$3.14). The weighted average remaining contractual life for these options is 3.26 years (2008: 4.19 years).

### 30. Employee benefits expenses (cont'd)

#### (b) Employee share option scheme (cont'd)

The fair value of share options as at the date of grant, is estimated by the Company using the Black Scholes Model, taking into account the terms and conditions upon which the options are granted. The expected life of the option is based on the assumption that the options would be exercised within six months of the vesting date. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The inputs to the model used for each scheme are shown below:

Grant Date	2 July 2007		
Vested in	1 Year	2 Year	3 Year
Dividend yield (%)	1.11	1.39	1.74
Expected volatility (%)	44	45	30
Risk free interest rate (%)	2.28	2.37	2.42
Expected life of the option (years)	1.5	2.5	3.5
Share price of underlying equity (\$)	3.14	3.14	3.14

Grant Date	5 September 2007		
Vested in	1 Year	2 Year	3 Year
Dividend yield (%)	1.16	1.44	1.80
Expected volatility (%)	44	45	30
Risk free interest rate (%)	1.55	1.21	1.38
Expected life of the option (years)	1.5	2.5	3.5
Share price of underlying equity (\$)	3.03	3.03	3.03

Grant Date	8 October 2007		
Vested in	1 Year	2 Year	3 Year
Dividend yield (%)	1.11	1.39	1.74
Expected volatility (%)	45	45	30
Risk free interest rate (%)	1.55	1.21	1.38
Expected life of the option (years)	1.5	2.5	3.5
Share price of underlying equity (\$)	3.14	3.14	3.14

Grant Date	29 October 2007		
Vested in	1 Year	2 Year	3 Year
Dividend yield (%)	1.11	1.39	1.74
Expected volatility (%)	45	45	30
Risk free interest rate (%)	1.55	1.21	1.38
Expected life of the option (years)	1.5	2.5	3.5
Share price of underlying equity (\$)	3.14	3.14	3.14

Grant Date	9 January 2008		
Vested in	1 Year	2 Year	3 Year
Dividend yield (%)	1.21	1.51	1.89
Expected volatility (%)	45	46	31
Risk free interest rate (%)	1.55	1.21	1.38
Expected life of the option (years)	1.5	2.5	3.5
Share price of underlying equity (\$)	2.89	2.89	2.89

### 30. Employee benefits expenses (cont'd)

#### (b) Employee share option scheme (cont'd)

Grant Date	12 June 2008		
	1 Year	2 Year	3 Year
Vested in	1.65	2.06	2.58
Dividend yield (%)	49	49	48
Expected volatility (%)	0.70	1.04	1.54
Risk free interest rate (%)	1.5	2.5	3.5
Expected life of the option (years)	2.65	2.65	2.65
Share price of underlying equity (\$)			

### 31. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; ii) it is subject to common control or common significant influence.

The following are the significant related party transactions entered into by the Company and Group in the ordinary course of business on terms agreed between the parties:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Subsidiary companies:				
– Sales	–	–	1,179,756	1,030,752
– Purchases	–	–	2,692,216	2,492,297
– Insurance premiums paid	–	–	200	218
– Commissions paid	–	–	18,285	12,206
– Interest received on loan	–	–	4,558	4,558
– Consultancy fee paid	–	–	4,657	3,214
Transfer of goodwill	–	–	7,174	–
Transfer of trade name	–	–	1,790	–
Sales to a jointly controlled entity	–	8,457	–	8,457
Purchases from associate	7,391	–	7,391	–
Shareholder related companies:				
– Purchase of motor vehicles and other assets	541	950	–	–

### 32. Compensation of directors and key management personnel

The remuneration of directors and key management personnel during the years are as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Directors fees	808	775	808	775
Salaries and employee benefits	10,361	6,552	8,163	5,016
Central Provident Fund contributions and equivalents	178	125	62	66
Share-based expense	405	1,369	174	512
	<b>11,752</b>	<b>8,821</b>	<b>9,207</b>	<b>6,369</b>
Comprising amounts paid to:				
– Directors of the Company	6,043	4,199	6,043	4,199
– Key management personnel	5,709	4,622	3,164	2,170
	<b>11,752</b>	<b>8,821</b>	<b>9,207</b>	<b>6,369</b>

#### *Directors' interest in employee share benefit plans*

The number of share options which were issued/allocated to the directors and key management personnel under existing employee benefit schemes is given below:

	2009 Share options	2008 Share options
Employee Share Option Scheme:		
– Directors	–	400,000
– Key executives	–	2,000,000

### 33. Cash and short term fixed deposits

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash and bank balances	294,130	175,544	59,628	52,134
Fixed deposits	239,688	163,580	228,009	33,988
	<b>533,818</b>	<b>339,124</b>	<b>287,637</b>	<b>86,122</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 4.00% (2008: 0.25% to 1.75%) per annum. Short term deposits are made for varying periods between 1 and 365 days (2008: 1 to 365 days) depending on the immediate cash requirements of the Group, and earn interests at floating rate ranging from 1.00% to 10.00% (2008: 2.22% to 4.75%) per annum.



### 33. Cash and short term fixed deposits (cont'd)

#### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	2009 \$'000	Group 2008 \$'000
Cash and bank balances	294,130	175,544
Fixed deposits	239,688	163,580
Bank overdrafts (Note 23)	(265,141)	(174,862)
	<b>268,677</b>	<b>164,262</b>

Bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management.

### 34. Financial risk management policies and objectives

The Group's principal financial instruments, other than derivative financial instruments and investment in security, comprise bank loans, medium term notes, term loans from banks and cash and bank balances, fixed deposits and bank overdrafts. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including interest rate swaps, commodity options, swaps, futures contracts and foreign currency forward contracts. The purpose is to manage the commodity price risk, foreign currency risk and interest rate risk arising from the Group's operations and its sources of financing.

The main risks arising from the Group's financial instruments are commodity price risk, credit risk, foreign currency risk, liquidity risk and interest rate risk. The Board of Directors reviews and agrees on the policies for managing each of these risks and they are summarised below:

#### (a) Commodity price risk

Commodities traded by the Group are subject to fluctuations due to a number of factors that result in price risk. The Group purchases and sells various derivative products, primarily exchange traded futures and options with the purpose of managing market exposure to adverse price movements in these commodities. The Group has established policies and exposure limits that restrict the amount of unhedged fixed price physical positions in each commodity.

The Group also enters into commodity derivatives for trading purposes. The Group's trading market risk appetite is determined by the Board of Directors, with detailed exposure limits recommended by the Executive Risk Committee and approved by the Board Risk Committee.

At balance sheet date, if commodities price index moved by 1.0% with all other variables held constant, the Group's profit net of tax would have changed by \$4,030,000 (2008: \$3,888,000) and equity would have changed inversely by \$8,359,000 (2008: \$13,933,000) arising as a result of fair value on Group's commodity futures and options contracts. This effect would have been mitigated by the Group's physical sales and purchases commitments as well as the inventory held at balance sheet date.

## 34. Financial risk management policies and objectives (cont'd)

### (b) Credit risk

Credit risk is limited to the risk arising from the inability of a customer to make payment when due. It is the Group's policy to provide credit terms only to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

The carrying amounts of trade and other receivables, advances to suppliers, margin accounts with brokers, fixed deposits and cash and bank balances, including derivatives with positive fair value represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. Deposits and cash balances are placed with reputable banks.

The Group has no significant concentration of credit risk with any single customer.

#### Exposure to credit risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values.

The Group's maximum exposure to credit risk for trade debtors at the balance sheet date is as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>By business segments:</b>				
Edible nuts, spices and beans	162,024	156,849	77,203	110,603
Confectionery and beverage Ingredients	189,121	234,726	95,961	117,434
Industrial Raw Materials	134,168	108,073	51,125	53,125
Food staples and package foods	145,560	135,460	12,734	58,354
	<b>630,873</b>	635,108	<b>237,023</b>	339,516

#### Financial assets that are neither past due nor impaired

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

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade receivables).

### (c) Foreign currency risk

The Group trades its products in several countries and, as a result, is exposed to movements in foreign currency exchange rates. The primary purpose of the Group's foreign currency hedging activities is to protect against the volatility associated with foreign currency purchases and sales of raw materials and other assets and liabilities created in the normal course of business. The Group primarily utilises foreign currency forward exchange contracts to hedge firm commitments. The Group does not use foreign currency forward exchange contracts for trading purposes.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD), Great Britain Pound (GBP), Euro (EUR) and Singapore Dollar (SGD).

### 34. Financial risk management policies and objectives (cont'd)

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

The following table demonstrates the sensitivity to a reasonably possible change in the USD, GBP, EUR and SGD exchange rates, with all other variables held constant, the Group's profit net of tax and equity.

	2009		Group		2008	
	Profit net of tax \$'000 Increase/(decrease)	Equity \$'000 Increase/(decrease)	Profit net of tax \$'000 Increase/(decrease)	Equity \$'000 Increase/(decrease)	Profit net of tax \$'000 Increase/(decrease)	Equity \$'000 Increase/(decrease)
USD – strengthened 0.5%	(2,166)	(882)	(2,024)	887		
GBP – strengthened 0.5%	(371)	(655)	(478)	922		
EUR – strengthened 0.5%	(116)	(20)	(397)	(54)		
SGD – strengthened 0.5%	(51)	3,384	7	4,668		

#### (d) Liquidity risk

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

To ensure continuity of funding, the Group primarily uses short-term bank facilities which are transaction-linked and self-liquidating in nature. The Group also has a multicurrency medium term notes programme, as well as term loans from banks, to fund its ongoing working capital requirement and growth needs.

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

	2009			2008		
	1 year or less \$'000	1 to 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
<b>Group</b>						
Trade and other payables (Note 21)	658,988	–	658,988	519,853	–	519,853
Other current liabilities (Note 22)	40,584	–	40,584	50,923	–	50,923
Amounts due to bankers (Note 23)	1,878,546	1,013,115	2,891,661	1,789,582	935,125	2,724,707
Medium term notes (Note 24)	131,205	–	131,205	70,000	189,857	259,857
Fair value of derivative financial instruments (Note 35)	403,528	–	403,528	1,015,796	–	1,015,796
	<b>3,112,851</b>	<b>1,013,115</b>	<b>4,125,966</b>	<b>3,446,154</b>	<b>1,124,982</b>	<b>4,571,136</b>
<b>Company</b>						
Trade and other payables (Note 21)	420,115	–	420,115	356,607	–	356,607
Other current liabilities (Note 22)	23,479	–	23,479	34,567	–	34,567
Amounts due to bankers (Note 23)	1,173,807	769,260	1,943,067	1,199,066	648,482	1,847,548
Medium term notes (Note 24)	131,205	–	131,205	70,000	189,857	259,857
Fair value of derivative financial instruments (Note 35)	347,333	–	347,333	888,376	–	888,376
	<b>2,095,939</b>	<b>769,260</b>	<b>2,865,199</b>	<b>2,548,616</b>	<b>838,339</b>	<b>3,386,955</b>

## **34. Financial risk management policies and objectives (cond't)**

### **(e) Interest rate risk**

The Company's and the Group's exposure to market risk for changes in interest rates relate primarily to its term loan from banks as well as the medium term notes. Interest rate risk is managed by management on an on-going basis such as managing the risk through interest rate derivatives with the primary objective of limiting the extent to which net interest exposure could be affected by adverse movements in interest rates. The details of the interest rates relating to the interest-earning financial assets and interest-bearing financial liabilities are disclosed in various notes of the financial statements.

At the balance sheet date, if interest rates had moved by 25 basis points with all other variables held constant, the Group's profit net of tax would have changed inversely by \$8,363,000 (2008: \$6,194,000).

## **35. Fair values of financial instruments**

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

### **(a) Cash and bank balances, fixed deposits, trade receivables, other current assets, margin accounts with brokers, trade payables and accruals and other current liabilities**

The fair values of these financial instruments approximate their carrying amounts at the balance sheet date because of their short-term maturity.

### **(b) Amount due to bankers, medium term notes**

The carrying amount of these loans approximate their fair value at the balance sheet date as they are subjected to frequent repricing (floating rates).

### **(c) Available-for-sale investment**

The fair value of available-for-sale investment is determined based on the accounting policy described in Note 2.11(d).

### **(d) Derivative financial instruments**

The fair value of derivative financial instruments is determined based on the accounting policy described in Note 2.28. The contract notional amounts of these derivative instruments and the corresponding fair value are as follows:

### 35. Fair values of financial instruments (cont'd)

#### (d) Derivative financial instruments (cont'd)

2009	Contract notional amount \$'000	Group		Contract notional amount \$'000	Company	
		Fair value Gain \$'000	Loss \$'000		Fair value Gain \$'000	Loss \$'000
<b><u>Derivatives held for hedging</u></b>						
<b>Foreign exchange derivatives</b>						
Foreign exchange forwards	3,461,106	107,472	68,477	2,908,706	71,071	46,945
Foreign exchange options	91,763	2,178	951	76,152	832	943
<b>Commodity derivatives</b>						
Commodity futures	15,121,834	121,723	167,963	14,282,805	92,334	136,947
Commodity options	146,425	29,607	21,235	138,385	26,189	17,596
<b>Interest rate derivatives</b>						
Swaps	1,304,280		68,892	1,304,280		68,892
<b>Total derivatives held for hedging</b>		<b>260,980</b>	<b>327,518</b>		<b>190,426</b>	<b>271,323</b>
<b><u>Derivatives held for trading</u></b>						
<b>Commodity derivatives</b>						
Commodity futures	2,795,629	4,702	24,676	2,795,629	4,702	24,676
Commodity options	270,976	70,396	50,089	270,976	70,396	50,089
Convertible bonds		13,718	1,245		13,718	1,245
<b>Total derivatives held for trading</b>		<b>88,816</b>	<b>76,010</b>		<b>88,816</b>	<b>76,010</b>
<b>Total derivatives</b>		<b>349,796</b>	<b>403,528</b>		<b>279,242</b>	<b>347,333</b>



## 35. Fair values of financial instruments (cont'd)

### (d) Derivative financial instruments (cont'd)

2008	Contract notional amount \$'000	Group		Contract notional amount \$'000	Company	
		Fair value Gain \$'000	Loss \$'000		Fair value Gain \$'000	Loss \$'000
<b>Derivatives held for hedging</b>						
<b>Foreign exchange derivatives</b>						
Foreign exchange forwards	2,494,572	34,345	11,777	2,257,273	27,716	10,264
Foreign exchange options	113,261	793	42	83,358	247	–
<b>Commodity derivatives</b>						
Commodity futures	17,859,697	703,415	881,941	17,080,003	615,740	768,745
Commodity options	96,648	59,736	68,276	74,994	46,527	55,607
<b>Total derivatives held for hedging</b>		<u>798,289</u>	<u>962,036</u>		<u>690,230</u>	<u>834,616</u>
<b>Derivatives held for trading</b>						
<b>Commodity derivatives</b>						
Commodity futures	903,295	14,630	21,795	903,295	14,631	21,795
Commodity options	38,640	24,638	31,965	38,640	24,638	31,965
<b>Total derivatives held for trading</b>		<u>39,628</u>	<u>53,760</u>		<u>39,269</u>	<u>53,760</u>
<b>Total derivatives</b>		<u>837,557</u>	<u>1,015,796</u>		<u>729,499</u>	<u>888,376</u>

As at 30 June 2009, the settlement dates on open foreign exchange derivatives and commodity derivatives ranged between 1 and 35 months (2008: 1 and 23 months).

The foreign exchange derivatives held for hedging are being used to hedge the foreign currency risk of future purchases or sales whilst the commodity derivatives held for hedging are being used to hedge the commodity price risk related to these forecasted transactions. The interest rate derivatives held for hedging are used to hedge the interest rate risk related to the floating rate loans. In addition, a portion of the commodity derivatives are used for trading purposes.

For all the foreign exchange and commodity derivatives used for hedging purposes, the forecasted transactions are expected to occur within 35 months (2008: 23 months). In all cases, the fair value of the derivative recorded in the fair value adjustment reserve will be recycled through the profit and loss accounts upon completion of the forecasted transactions.

Cash flow hedges of expected transactions that were assessed to be highly effective have resulted in a net fair value loss of \$179,943,000 and \$220,167,000 for the Group and Company respectively (2008: \$325,878,000 and \$291,729,000).

Cash flow hedges of expected transactions that were assessed to be ineffective under FRS 39 and derivatives that are held for trading purposes amounting to a net fair value gain of \$26,431,000 (2008: gain of \$11,023,000) for the Group and a net fair value gain of \$32,455,000 (2008: loss of \$2,652,000) for the Company, were recognised in the profit and loss accounts for the year.

### 36. Capital management

The primary objective of the Group's capital management is to achieve sustainable growth and maximise return to the shareholders.

The Group manages the capital structure by a balanced mix of debt and equity. Necessary adjustments are made in the capital structure considering the factors viz., the changes in the general economic conditions, available options of financing and the impact of the same on the liquidity position. Higher leverage is used for funding more liquid working capital needs and conservative leverage is used for long term capital investments.

The Group calculates the level of debt capital required to finance the working capital requirements using traditional and modified financial metrics including leverage/gearing ratios and asset turnover ratios.

As of balance sheet date, leverage ratios are as follows:

	Group	
	2009	2008
<b>Gross debt to equity:</b>		
– Before fair value adjustment reserve	<b>2.59x</b>	3.10x
– Before fair value adjustment reserve and after deducting intangibles	<b>2.89x</b>	3.58x
<b>Net debt to equity:</b>		
– Before fair value adjustment reserve	<b>2.16x</b>	2.74x
– Before fair value adjustment reserve and after deducting intangibles	<b>2.41x</b>	3.17x

The Group assesses the level of debt capital used to finance capital investment in respect of the projected risk and returns of these investments using a number of traditional and modified investment and analytical models including discounted cash flows. It also assesses the use of debt capital to fund such investments relative to the impact on the Group's overall debt capital position and capital structure.

In order to manage its capital structure, the Group may issue debt of either a fixed or floating nature, arrange credit facilities, issue MTNs, issue new shares or convertible bonds and adjust dividend payments.

### 37. Classification of financial assets and liabilities

Group	2009					Fair value through profit or loss/ held for trading \$'000
	Loans and receivables \$'000	Carried at amortised cost \$'000	Held for hedging \$'000	Available-for-sale assets \$'000		
<b>Financial assets:</b>						
Loans to subsidiaries (Note 11)	109,495	-	-	-	-	-
Loans to jointly controlled entities (Note 12)	252,512	-	-	-	-	-
Other non-current assets (Note 20)	232	-	-	-	-	10,922
Trade receivables (Note 16)	732,500	-	-	-	-	-
Margin accounts with brokers (Note 17)	64,839	-	-	-	-	-
Advance payments to suppliers (Note 19)	277,683	-	-	-	-	-
Other current assets (Note 20)	223,908	-	-	-	-	-
Fixed deposits, cash and bank balances (Note 33)	533,818	-	-	-	-	-
Fair value of derivative financial instruments (Note 35)	-	-	260,980	-	-	88,816
	<b>2,194,987</b>	<b>-</b>	<b>260,980</b>	<b>-</b>	<b>-</b>	<b>99,738</b>
<b>Financial liabilities:</b>						
Trade payables and accruals (Note 21)	-	658,988	-	-	-	-
Other payables (Note 22)	-	54,912	-	-	-	-
Amounts due to bankers (Note 23)	-	2,877,952	-	-	-	-
Medium term notes (Note 24)	-	128,005	-	-	-	-
Convertible bonds (Note 35)	-	168,234	-	-	-	-
Fair value of derivative financial instruments (Note 35)	-	-	327,518	-	-	76,010
	<b>-</b>	<b>3,888,091</b>	<b>327,518</b>	<b>-</b>	<b>-</b>	<b>76,010</b>
<b>2008</b>						
Group	Loans and receivables \$'000	Carried at amortised cost \$'000	Held for hedging \$'000	Available-for-sale assets \$'000		Fair value through profit or loss/ held for trading \$'000
<b>Financial assets:</b>						
Loans to subsidiaries (Note 11)	102,718	-	-	-	-	-
Loans to jointly controlled entities (Note 12)	829	-	-	-	-	-
Other non-current assets (Note 20)	4,602	-	-	-	-	19,148
Long term investment (Note 14)	-	-	-	24,475	-	-
Trade receivables (Note 16)	724,352	-	-	-	-	-
Margin accounts with brokers (Note 17)	254,273	-	-	-	-	-
Advance payments to suppliers (Note 19)	380,047	-	-	-	-	-
Other current assets (Note 20)	213,384	-	-	-	-	-
Fixed deposits, cash and bank balances (Note 32)	339,124	-	-	-	-	-
Fair value of derivative financial instruments (Note 35)	-	-	798,289	-	-	39,628
	<b>2,019,329</b>	<b>-</b>	<b>798,289</b>	<b>24,475</b>	<b>-</b>	<b>58,776</b>
<b>Financial liabilities:</b>						
Trade payables and accruals (Note 21)	-	519,853	-	-	-	-
Other payables (Note 22)	-	50,923	-	-	-	-
Amounts due to bankers (Note 23)	-	2,724,707	-	-	-	-
Medium term notes (Note 24)	-	259,857	-	-	-	-
Fair value of derivative financial instruments (Note 35)	-	-	962,036	-	-	53,760
	<b>-</b>	<b>3,555,340</b>	<b>962,036</b>	<b>-</b>	<b>-</b>	<b>53,760</b>

### 37. Classification of financial assets and liabilities (cont'd)

Company	2009				
	Loans and receivables \$'000	Carried at amortised cost \$'000	Held for hedging \$'000	Available-for-sale assets \$'000	Fair value through profit or loss/ held for trading \$'000
<b>Financial assets:</b>					
Loans to subsidiaries (Note 11)	109,495	—	—	—	—
Loans to jointly controlled entities (Note 12)	252,512	—	—	—	—
Other non-current assets (Note 20)	—	—	—	—	10,922
Amounts due from subsidiary (Note 15)	747,613	—	—	—	—
Trade receivables (Note 16)	237,296	—	—	—	—
Margin accounts with brokers (Note 17)	55,521	—	—	—	—
Advances payments to suppliers (Note 19)	1,020,863	—	—	—	—
Other current assets (Note 20)	50,928	—	—	—	—
Fixed deposits, cash and bank balances (Note 33)	287,637	—	—	—	—
Fair value of derivative financial instruments (Note 35)	—	—	190,426	—	88,816
	<b>2,761,865</b>	<b>—</b>	<b>190,426</b>	<b>—</b>	<b>99,738</b>
<b>Financial liabilities:</b>					
Trade payables and accruals (Note 21)	—	420,115	—	—	—
Other payables (Note 22)	—	35,863	—	—	—
Amounts due to bankers (Note 23)	—	1,931,302	—	—	—
Medium term notes (Note 24)	—	128,005	—	—	—
Convertible bonds (Note 25)	—	168,234	—	—	—
Fair value of derivative financial instruments (Note 35)	—	—	271,323	—	76,010
	<b>—</b>	<b>2,683,519</b>	<b>271,323</b>	<b>—</b>	<b>76,010</b>
2008					
Company	Loans and receivables \$'000	Carried at amortised cost \$'000	Held for hedging \$'000	Available-for-sale assets \$'000	Fair value through profit or loss/ held for trading \$'000
<b>Financial assets:</b>					
Loans to subsidiaries (Note 11)	102,718	—	—	—	—
Loans to jointly controlled entities (Note 12)	829	—	—	—	—
Other non-current assets (Note 20)	—	—	—	—	19,148
Long term investment (Note 14)	—	—	—	24,475	—
Amounts due from subsidiary (Note 15)	502,608	—	—	—	—
Trade receivables (Note 16)	339,886	—	—	—	—
Margin accounts with brokers (Note 17)	189,435	—	—	—	—
Advances payments to suppliers (Note 19)	1,235,798	—	—	—	—
Other current assets (Note 20)	52,763	—	—	—	—
Fixed deposits, cash and bank balances (Note 33)	86,122	—	—	—	—
Fair value of derivative financial instruments (Note 35)	—	—	690,230	—	39,269
	<b>2,510,159</b>	<b>—</b>	<b>690,230</b>	<b>24,475</b>	<b>58,417</b>
<b>Financial liabilities:</b>					
Trade payables and accruals (Note 21)	—	356,607	—	—	—
Other payables (Note 22)	—	34,567	—	—	—
Amounts due to bankers (Note 23)	—	1,847,548	—	—	—
Medium term notes (Note 24)	—	259,857	—	—	—
Fair value of derivative financial instruments (Note 35)	—	—	834,616	—	53,760
	<b>—</b>	<b>2,498,579</b>	<b>834,616</b>	<b>—</b>	<b>53,760</b>

### 38. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive shares and options).

The following reflects the income and share data used in the basic and diluted earnings per share computations for the years ended 30 June:

	2009	2008
Net profit attributable to ordinary shareholders for basic earnings per share (\$'000)	252,029	167,704
<b>Add back:</b>		
Interest expense on convertible bonds	8,706	–
Net measurement gain on convertible bonds	(34,683)	–
Net profit attributable to ordinary shareholders for diluted earnings per share (\$'000)	226,052	167,704
Weighted average number of ordinary shares on issue applicable to basic earnings per share	1,713,478,345	1,631,228,890
Dilutive effect of convertible bonds	100,287,842	–
Dilutive effect of share options	12,159,727	32,526,637
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	1,825,925,914	1,663,755,527

Other than disclosed in Note 40, there have been no other transactions involving ordinary shares or share options since the reporting date and before the completion of these financial statements.

### 39. Segmental information

The Group's businesses are organised and managed as 4 broad segments grouped in relation to different types and nature of products traded. The Group's supply chain activities of sourcing, processing and merchandising span across a broad range of agricultural products.

The segmentation of products has been done in the following manner:

- Edible Nuts, Spices and Beans – cashews, peanuts, almonds, spices and dehydrates, sesame and beans including pulses, lentils and peas.
- Confectionery and Beverage Ingredients – cocoa, coffee and sheanuts.
- Industrial Raw Materials – cotton wool, wood products and rubber.
- Food Staples and Packaged Foods – rice, sugar, wheat, barley, palm, dairy products and packaged foods.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate cash and cash equivalents and certain fixed assets and receivables and corporate liabilities such as taxation, amount due to bankers and medium term notes. Assets which are unallocated are common and shared by segments and thus it is not practical to allocate them.

The turnover by geographical segments is based on the location of customers regardless of where the goods are produced. The assets and capital expenditure are attributed to the location of those assets.

Segment accounting policies are the same as the policies of the Group as described in Note 2. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.



### 39. Segmental information (cont'd)

#### (a) Business segments

	Edible nuts, spices and beans		Confectionery and beverage ingredients	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Segment revenue:				
Sales to external customers	<b>1,200,076</b>	1,168,940	<b>3,783,126</b>	3,188,875
Segment result	<b>88,339</b>	81,400	<b>125,881</b>	117,899
Finance costs				
Share of results from jointly controlled entities	-	-	<b>1,332</b>	(163)
Share of results from associate	-	-	-	-
Unallocated Income				
Profit before taxation				
Taxation (expense)/credit				
Profit for the financial year				
Segment assets	<b>629,617</b>	606,040	<b>1,392,096</b>	2,108,368
Unallocated assets				
Segment liabilities	<b>102,440</b>	44,919	<b>121,483</b>	1,060,718
Unallocated liabilities				
Other segmental information:				
Impairment of property, plant and equipment/ intangible assets	-	-	-	-
Depreciation and amortisation	<b>10,087</b>	10,016	<b>6,448</b>	7,358
Capital expenditure	<b>46,097</b>	1,766	<b>40,851</b>	1,044
Unallocated capital expenditure				

#### (b) Geographical segments

	Asia, Middle East and Australia		Africa	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Segment revenue:				
Sales to external customers	<b>3,505,193</b>	3,303,608	<b>1,659,678</b>	1,773,648
Intersegment sales	<b>1,096,997</b>	992,953	<b>1,733,043</b>	1,650,066
	<b>4,602,190</b>	4,296,561	<b>3,392,721</b>	3,423,714
Other geographical information:				
Segment assets	<b>2,734,760</b>	2,995,826	<b>1,493,609</b>	1,070,649
Capital expenditure	<b>128,946</b>	278,217	<b>51,159</b>	25,440

	Industrial Raw Materials		Food staples and packaged foods		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
	1,465,109	1,726,620	2,139,621	2,027,475	8,587,932	8,111,910
	83,271	82,894	68,774	67,374	366,265	349,567
	23,053	–	16,026	–	(239,179)	(201,395)
	–	–	703	–	40,411	(163)
					89,824	16,960
					258,024	164,969
					(5,995)	2,708
					252,029	167,677
	928,007	1,031,983	1,204,052	716,741	4,153,772	4,463,132
					1,261,644	776,111
					5,415,416	5,239,243
	253,430	209,572	585,162	220,440	1,062,515	1,535,649
					3,307,009	3,065,180
					4,369,524	4,600,829
	14,176	–	–	–	14,176	–
	15,373	12,128	11,362	6,460	43,270	35,962
	38,169	233,424	97,796	33,118	222,913	269,352
					–	49,693

	Europe		Americas		Eliminations		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
	2,341,073	1,946,735	1,081,988	1,087,919	–	–	8,587,932	8,111,910
	224,036	308,153	817,894	508,874	(3,871,970)	(3,460,046)	–	–
	2,565,109	2,254,888	1,899,882	1,596,793	(3,871,970)	(3,460,046)	8,587,932	8,111,910
	515,900	618,456	671,147	554,312	–	–	5,415,416	5,239,243
	356	3,828	42,452	11,560	–	–	222,913	319,045

## 40. Subsequent events

- (a) Subsequent to financial year end, the directors have proposed a first and final ordinary dividend of \$0.035 per ordinary share in respect of the financial year ended 30 June 2009, subject to approval of shareholders at the Annual General Meeting to be held on 29 October 2009. The Company is proposing a scrip dividend scheme in which shareholders may elect to receive new shares credited as fully paid in respect of their entitlement to the dividend instead of cash subject to the approval of the shareholders at the Extraordinary General Meeting of the Company to be held on 29 October 2009. The in-principle approval of the Singapore Exchange in respect of the Circular to Shareholders was obtained on 16 September 2009.
- (b) On 6 July 2009, the Group completed the purchase of selected assets of U.S. tomato processor, SK Foods L.P. and its wholly owned subsidiary RHM Industrial/Specialty Foods Inc. in California for a purchase value of USD39.0 million (\$56.5 million).
- (c) On 15 July 2009, the Company raised gross proceeds of \$437.5 million by allotting and issuing 273,459,000 new shares, equivalent to approximately 13.74% of the enlarged issued and paid-up share capital of the Company after completion of the placement to Breedens Investments Pte. Ltd. and Aranda Investments Pte. Ltd., both being indirect wholly-owned subsidiaries of Temasek Holdings (Private) Limited, at an issue price of \$1.60.
- (d) On 21 July 2009, the Company granted 48,625,000 options pursuant to the Olam Employee Share Option Scheme (ESOS). The exercise price of options is \$2.28 with validity period of 10 years from the date of grant.
- (e) On 27 August 2009, the Company announced that it had received commitments from its group of banks for a fully underwritten USD540 Million Syndicated Transferable Term Loan Facility. The facility comprises two tranches of USD324million and USD216 million of term loans of 3-year and 5-year respectively.
- (f) On 27 August 2009, the Company announced that it had successfully closed a 12-month USD100 million Islamic Revolving Trade Finance Facility arranged by the Islamic Bank of Asia Limited.
- (g) On 1 September 2009, the Company announced the acquisition of a 14.35% stake in New Zealand Dairy Farming Systems Uruguay, an operator of large scale Kiwi-style dairy farming operations in Uruguay for a cash consideration of NZ\$14.37million (\$14.31million).
- (h) On 2 September 2009 the Company announced the issue of convertible bonds to raise USD400 million with an upside option of USD100 million. The bonds have a 7-year maturity with no put option, bear a coupon of 6.0% per annum and have an initial conversion price of \$3.0853 representing a 25% premium to the reference share price on the launch of offering.
- (i) On 18 September 2009, the Company announced the signing of a definitive agreement to acquire 8,096 hectares of planted almond orchards, 40,825 mega litres of permanent water rights and 1,700 hectares of unplanted land from Timbercorp Limited and its associate entities for a cash consideration of A\$128 million.

## 41. Comparatives

The following profit and loss account and balance sheet comparative figures have been reclassified to conform with current year's presentation:

	As previously stated \$'000	Adjustments \$'000	As reclassified \$'000
<b>Group:</b>			
<b>Profit and loss</b>			
Cost of goods sold	(6,519,233)	14,325	(6,504,908)
(Loss)/gain on foreign exchange	21,470	(14,325)	7,145
<b>Balance sheet</b>			
<b>Non-current assets</b>			
Deferred tax assets	32,534	4,175	36,709
Interest in jointly controlled entities	1,593	829	2,422
Other non-current assets	24,408	(658)	23,750
<b>Current assets</b>			
Other current assets	292,819	(171)	292,648
Fair value of derivative financial instruments	1,832,755	(995,198)	837,557
<b>Current liabilities</b>			
Fair value of derivative financial instruments	(2,010,994)	995,198	(1,015,796)
<b>Non-current liabilities</b>			
Deferred tax liabilities	–	(4,175)	(4,175)
<b>Company:</b>			
<b>Profit and loss</b>			
Cost of goods sold	(5,240,360)	(6,210)	(5,246,570)
(Loss)/gain on foreign exchange	5,040	6,210	11,250
<b>Balance sheet</b>			
<b>Non-current assets</b>			
Interest in jointly controlled entities	2,101	829	2,930
Other non-current assets	19,806	(658)	19,148
<b>Current assets</b>			
Other current assets	84,178	(171)	84,007
Fair value of derivative financial instruments	1,724,697	(995,198)	729,499
<b>Current liabilities</b>			
Fair value of derivative financial instruments	(1,883,574)	995,198	(888,376)

The Directors are of the view that the above changes will better reflect the Group's activities and result in a more appropriate presentation of the profit and loss account.

## 42. Authorisation of financial statements

The financial statements for the financial year ended 30 June 2009 were authorised for issue in accordance with a resolution of the directors on 2 October 2009.

# Report on the Use of Proceeds

**(1) NON-RENOUNCEABLE NON-TRANSFERABLE PREFERENTIAL OFFERING OF 155,628,689 NEW ORDINARY SHARES (THE “NEW SHARES”) IN THE CAPITAL OF OLAM INTERNATIONAL LIMITED (THE “COMPANY”) TO ENTITLED SHAREHOLDERS (AS DEFINED IN THE OFFER INFORMATION STATEMENT OF THE COMPANY DATED 8 APRIL 2008 (THE “OIS”)) AT THE PREFERENTIAL ISSUE PRICE (AS DEFINED IN THE OIS) OF S\$1.97 FOR EACH NEW SHARE, ON THE BASIS OF ONE (1) NEW SHARE FOR EVERY TEN (10) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD AS AT BOOKS CLOSURE DATE (AS DEFINED IN THE OIS), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (THE “PREFERENTIAL OFFERING”)**

**(2) US\$300 MILLION 1.0 PER CENT CONVERTIBLE BONDS DUE 2013 (THE “2008 CONVERTIBLE BONDS”)**

*(Where capitalised terms are used in this announcement and not otherwise defined, such capitalised terms shall bear the same meanings as ascribed to them in the OIS and the Company’s announcements made on 5 June 2008 and 9 June 2008 in connection with the 2008 Convertible Bonds.)*

In April 2008, the Company issued a non-renounceable, non-transferable preferential offering of 155,628,689 New Shares on the basis of one (1) New Share for every ten (10) existing ordinary shares in the capital of the Company at an Issue Price of S\$1.97 per New Share. The net proceeds of the Preferential Offering (less expenses) were S\$303.3 million.

In June 2008, the Company issued US\$300 million 1 per cent. convertible bonds due 2013. The 2008 Convertible Bonds were fully subscribed on 3 July 2008 and the total net proceeds amounted to US\$295 million (equivalent to S\$425 million).

On 23 July 2008, the Company announced the utilisation of a total amount of US\$251.9 million (equivalent to S\$352 million) from its total net proceeds from the Preferential Offering and 2008 Convertible Bonds (“Total Net Proceeds”) for its various acquisitions, which constituted 48% of the Total Net Proceeds. The remaining proceeds of S\$376 million are presently used for short term working capital requirements and/or deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the Directors may deem appropriate in the interests of the Group.

The use of the proceeds is in accordance with the stated use as set out in the OIS of the Preferential Offering and the Company’s announcement made on 5 June 2008 in connection with the 2008 Convertible Bonds.

**(3) PLACEMENT OF SHARES IN 2009**

On 15 July 2009, the Company issued an aggregate of 273,459,000 Shares to Breedens Investments Pte. Ltd. and Aranda Investments Pte. Ltd., indirect wholly-owned subsidiaries of Temasek Holdings (Private) Limited, pursuant to a share placement exercise (the “Placement”). The Company raised net proceeds of approximately S\$437.0 million from the Placement, which have not been used by the Company. The Company intends to use these proceeds for the following purposes:

- (a) to finance new capital expenditures and acquisition of assets for the Group; and
- (b) for general corporate purposes of the Group.

## Substantial Shareholders

(As recorded in the Register of Substantial Shareholders as at 15 September 2009)

Name of Shareholder	Direct	Deemed
1. Kewalram Singapore Limited <sup>1</sup>	459,602,064	–
2. Chanrai Investment Corporation Limited <sup>2</sup>	–	459,602,064
3. Kewalram Chanrai Holdings Limited <sup>2</sup>	–	459,602,064
4. Investec Trustees (Jersey) Ltd*, Murlu Kewalram Chanrai and Narain Girdhar Chanrai as trustees of Girdhar Kewalram Chanrai Settlement (“GKC Trustees”) <sup>2</sup>	–	459,602,064
5. Investec Trustees (Jersey) Ltd*, Narain Girdhar Chanrai and Koshu Murlu Chanrai as trustees of Hariom Trust (“Hariom Trustees”) <sup>2</sup>	–	459,602,064
6. Investec Trustees (Jersey) Ltd*, Narain Girdhar Chanrai and Murlu Kewalram Chanrai as trustees of Dayal Damodar Chanrai Settlement (“DKC Trustee”) <sup>2</sup>	–	459,602,064
7. Investec Trustees (Jersey) Ltd* as trustee of The PKC 2008 Settlement (formerly known as Pitamber Kewalram Chanrai Settlement) (“PKC Trustees”) <sup>2</sup>	–	459,602,064
8. Narain Girdhar Chanrai <sup>2</sup>	–	459,602,064
9. Sunny George Verghese	89,574,893	–
10. UBS AG <sup>3</sup>	1,064,500	144,684,139
11. Bank of America Corporation (through various subsidiaries) <sup>4</sup>	–	124,581,133
12. Breedens Investments Pte. Ltd. (“Breedens”)	198,685,532	–
13. Seletar Investments Pte Ltd (“Seletar”) <sup>5</sup>	–	273,459,000
14. Temasek Capital (Private) Limited (“Temasek Capital”) <sup>6</sup>	–	273,459,000
15. Temasek Holdings (Private) Limited (“Temasek Holdings”) <sup>7</sup>	–	280,154,643

\* Investec Trustees (Jersey) Ltd was formerly known as Nearco Trustee Company (Jersey) Limited

### Notes:

- <sup>1</sup> Kewalram Singapore Limited's 459,602,064 shares are held in the following manner:
  - i. 356,448,364 shares under its own name
  - ii. 23,153,700 shares under Citibank Nominees Singapore Pte Ltd
  - iii. 80,000,000 shares under Raffles Nominees (Pte) Limited
- <sup>2</sup> Kewalram Singapore Limited (“Kewalram”) is a wholly-owned subsidiary of Chanrai Investment Corporation Limited (“CICL”), which in turn is a wholly-owned subsidiary of Kewalram Chanrai Holdings Limited (“KCH”).  
CICL and KCH are therefore deemed to be interested in the 459,602,064 shares held by Kewalram.  
GKC Trustees, Hariom Trustees, DKC Trustees and PKC Trustee are shareholders of KCH, each holding approximately 28%, 28%, 28% and 16% respectively in the issued and paid-up capital of KCH. Pursuant to Section 7(4A) of the Companies Act, Cap. 50, as GKC Trustees, Hariom Trustees, DKC Trustees are associates of PKC Trustee and vice versa, PKC Trustee would be deemed to be interested in the shares held by Kewalram.  
GKC Trustees, Hariom Trustees, DKC Trustees and PKC Trustee are therefore deemed to be interested in the 459,602,064 shares held by Kewalram in the Company.  
Narain Girdhar Chanrai is a non-executive Director of the Company.
- <sup>3</sup> UBS AG's deemed interests comprised of 127,808,700 shares representing interests aggregating voting shares and 16,875,439 shares representing interests aggregating non-voting shares, by virtue of (a) UBS AG having an interest, or (b) Section 7(4) or 7(4a) of the Companies Act (Cap. 50) in shares over which subsidiaries/affiliates of UBS AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares. Non-voting shares are shares which UBS Group has authority to acquire and dispose of the shares but does not exercise any discretion over the voting rights.
- <sup>4</sup> Bank of America Corporation is deemed to be interested in a total of 124,581,133 shares in the Company held through various subsidiaries.
- <sup>5</sup> Seletar is the holding company of Breedens and Aranda Investments Pte. Ltd. (“Aranda”) and is deemed to be interested in the 198,685,532 and 74,773,468 shares held by Breedens and Aranda respectively pursuant to a subscription agreement dated 30 May 2009 entered into between the Company, Breedens and Aranda.
- <sup>6</sup> Temasek Capital is the holding company of Seletar and is deemed to be interested in the 273,459,000 shares held by Breedens and Aranda collectively.
- <sup>7</sup> Temasek Holdings is the holding company of Temasek Capital, which in turn is the holding company of Seletar, which in turn holds all issued shares in Breedens and Aranda. In addition, DBS Group Holdings Limited (“DBSH”), an associated company of Temasek Holdings has a deemed interest in 6,695,643 shares in the Company by virtue of Section 7 of the Companies Act (Cap. 50). Accordingly, Temasek Holdings has a deemed interest in an aggregate of 280,154,643 shares (being all shares held by Breedens, Aranda and DBSH have an interest).



# Statistics of Shareholdings and Bondholding

as at 15 September 2009

Issued and fully Paid-up Capital	: S\$1,152,444,071.27
Number of Ordinary Shares in Issue (excluding treasury shares)	: 1,991,111,583
Number of Treasury Shares held	: Nil
Class of Shares	: Ordinary shares
Voting Rights	: 1 vote per share

## Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	61	0.75	13,911	0.00
1,000 – 10,000	6,700	82.47	29,768,995	1.49
10,001 – 1,000,000	1,333	16.41	54,308,721	2.73
1,000,001 and above	30	0.37	1,907,019,956	95.78
<b>Total</b>	<b>8,124</b>	<b>100.00</b>	<b>1,991,111,583</b>	<b>100.00</b>

## Twenty Largest Shareholders

Name	No. of Shares	%
1. CITIBANK NOMINEES SINGAPORE PTE LTD	464,562,504	23.33
2. KEWALRAM SINGAPORE LIMITED	367,102,064	18.44
3. DBSN SERVICES PTE LTD	203,699,657	10.23
4. BREEDENS INVESTMENTS PTE LTD	198,685,532	9.98
5. RAFFLES NOMINEES (PTE) LTD	172,386,785	8.66
6. DBS NOMINEES PTE LTD	129,726,532	6.52
7. ARANDA INVESTMENTS PTE LTD	74,773,468	3.76
8. HSBC (SINGAPORE) NOMINEES PTE LTD	73,267,512	3.68
9. UNITED OVERSEAS BANK NOMINEES PTE LTD	66,181,657	3.32
10. MERRILL LYNCH (SINGAPORE) PTE LTD	54,051,522	2.71
11. SUNNY GEORGE VERGHESE	28,574,893	1.44
12. UOB KAY HIAN PTE LTD	17,311,441	0.87
13. DB NOMINEES (SINGAPORE) PTE LTD	13,202,455	0.66
14. MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	8,417,800	0.42
15. DEVASHISH CHAUBEY	3,570,486	0.18
16. JAGDISH ACHLESHWAR PRASAD PARIHAR	3,439,444	0.17
17. CITIBANK CONSUMER NOMINEES PTE LTD	3,419,978	0.17
18. BNP PARIBAS SECURITIES SERVICES SINGAPORE	2,916,983	0.15
19. TM ASIA LIFE SINGAPORE LTD-PAR FUND	2,800,000	0.14
20. OCB SECURITIES PRIVATE LTD	2,738,815	0.14
<b>TOTAL</b>	<b>1,890,829,528</b>	<b>94.97</b>

## BONDHOLDER OF 1% CONVERTIBLE BONDS DUE 2013

Maturity Date : 3 July 2013  
 Conversion Price : S\$3.775 per share\*  
 Conversion Premium : 30% above reference share price i.e S\$2.9588  
 Redemption Price : 119.38% of principal amount on maturity date  
 Conversion Period : At any time on or after 13 August 2008 to 23 May 2013.

The US\$300 million 1% convertible bond due 2013 issued by Olam International Limited on 3 July 2008 (the “2008 CBs”) are represented by a Global Certificate registered in name of The Bank of New York Depository (Nominees) Limited, which is a nominee of a Common Depository and holding the bonds on behalf for, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme.

As at the latest practicable date, The Bank of New York Depository (Nominees) Limited, is entered in the register of holders as the holder of the balance US\$19,200,000 2008 CBs. The identity of the holders of the beneficial interests in the 2008 CBs is not currently known.

\*The conversion price of the bonds was adjusted to S\$3.775 per share with effect from 15 July 2009 due to the placement of 273,459,000 new shares.

## BONDHOLDER OF 1.2821% CONVERTIBLE BONDS DUE 2013

Maturity date : 3 July 2013  
 Conversion Price : S\$1.625 per share\*  
 Conversion Premium : 20% above reference share price i.e S\$1.38  
 Redemption Price : 151.10% of principal amount on maturity date  
 Conversion Period : At any time on or after 12 April 2009 to 23 May 2013.

The US\$122,616,000 1.2821% Convertible Bonds due 2013 issued by Olam International Limited in March 2009 (the “2009 CBs”) arising from an exchange offer of the 2008 CBs are represented by a Global Certificate registered in name of The Bank of New York Depository (Nominees) Limited, which is a nominee of a Common Depository and holding the bonds on behalf for, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme.

As at the latest practicable date, The Bank of New York Depository (Nominees) Limited, is entered in the register of holders as the holder of the balance US\$122,616,000 2009 CBs. The identity of the holders of the beneficial interests in the 2009 CBs is not currently known.

\*The conversion price of the bonds was adjusted to S\$1.625 per share with effect from 15 July 2009 due to the placement of 273,459,000 new shares.

## PUBLIC FLOAT

43.31% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# Notice of Annual General Meeting

**Olam International Limited**  
(Company Registration No. 199504676H)  
(Incorporated in the Republic of Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Olam International Limited (“the Company”) will be held at STI Auditorium, 168 Robinson Road, Level 9, Capital Tower, Singapore 068912 on Thursday, 29 October 2009 at 10.00 a.m. for the following purposes:

## As Ordinary Business

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 30 June 2009 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 3.5 cents per share tax exempt (one-tier) for the year ended 30 June 2009. (FY2008: 2.5 cents) **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Articles of Association of the Company:

Mr. Shekhar Anantharaman	(Retiring under Article 107)	<b>(Resolution 3)</b>
Mr. Sridhar Krishnan	(Retiring under Article 107)	<b>(Resolution 4)</b>
Mr. Tse Po Shing	(Retiring under Article 107)	<b>(Resolution 5)</b>
Mr. Mark Haynes Daniell	(Retiring under Article 107)	<b>(Resolution 6)</b>

[See Explanatory Note (i)]
4. To approve the payment of Directors’ fees of S\$978,000.00 for the year ending 30 June 2010. (2009: S\$896,500.00) **(Resolution 7)**
5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## As Special Business

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

### 7. Authority to issue shares

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

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) 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 or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (iii)]

**(Resolution 9)**

#### **8. Authority to issue shares under the Olam Employee Share Option Scheme**

That the Directors of the Company be authorised and empowered to offer and grant options under the Olam Employee Share Option Scheme ("the Scheme") and to issue shares in the Company to all the holders of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued shares in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

**(Resolution 10)**

By Order of the Board

Wan Tiew Leng, Lynn  
Company Secretary  
Singapore

Date: 7 October 2009

#### **Explanatory Notes:**

- (i) Mr. Shekhar Anantharaman will, upon re-election as a Director of the Company, remain as a member of the Capital & Investment Committee and Corporate Responsibility & Sustainability Committee and will be considered non-independent.
- Mr. Sridhar Krishnan will, upon re-election as a Director of the Company, remain as a member of the Corporate Responsibility & Sustainability Committee and Risk Committee and will be considered non-independent.
- Mr. Tse Po Shing will, upon re-election as a Director of the Company, remain as the Chairman of the Risk Committee and a member of the Capital & Investment Committee and will be considered non-independent.
- Mr. Mark Haynes Daniell will, upon re-election as a Director of the Company, remain as the Chairman of the Human Resource & Compensation Committee and a member of the Audit & Compliance Committee, Governance & Nomination Committee and Corporate Responsibility & Sustainability Committee. He will be considered independent for the purpose of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.
- (ii) The Ordinary Resolution 7, if passed, will facilitate the payment of Directors' fees during the financial year ending 30 June 2010 in which the fees are incurred. The amount of the Directors' fees is computed based on the current fees structure reported in the Corporate Governance statement in this report. The Directors' fees proposed for payment also includes an additional 20 per centum (20%) to provide for unforeseen circumstances (such as the appointment of additional Director and/or the formation of additional Board Committees) and for the review of the fee structure of the Directors.
- (iii) The Ordinary Resolution 9 proposed in item 7 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 in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.
- For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.
- (iv) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued shares in the capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

#### **Notes:**

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not less than 48 hours before the time appointed for holding the Meeting.

**Olam International Limited**  
 (Company Registration No. 199504676H)  
 (Incorporated in the Republic of Singapore  
 with limited liability)

# Proxy Form

(Please see notes overleaf before completing this Form)

\*I/We, \_\_\_\_\_

of \_\_\_\_\_

being a \*member/members of Olam International Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing \*him/her, the Chairman of the Meeting as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the Fifteenth Annual General Meeting (the "Meeting") of the Company to be held on 29 October 2009 at STI Auditorium, 168 Robinson Road, Level 9, Capital Tower, Singapore 068912 at 10.00 a.m. and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the \*proxy/proxies will vote or abstain from voting at \*his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 30 June 2009		
2	Payment of proposed first and final dividend of 3.5 cents per share tax exempt (one-tier) for the year ended 30 June 2009		
3	Re-election of Mr. Shekhar Anantharaman as a Director		
4	Re-election of Mr. Sridhar Krishnan as a Director		
5	Re-election of Mr. Tse Po Shing as a Director		
6	Re-election of Mr. Mark Haynes Daniell as a Director		
7	Approval of Directors' fees amounting to S\$978,000.00 for the year ending 30 June 2010		
8	Re-appointment of Messrs Ernst & Young LLP as Auditors		
9	Authority to issue new shares		
10	Authority to issue shares under the Olam Employee Share Option Scheme		

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

\_\_\_\_\_  
 Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

\* Delete where inapplicable

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

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the second named proxy shall be an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not less than 48 hours before the time appointed for the Annual General Meeting.
5.
  - (i) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing.
  - (ii) Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
  - (iii) Where the instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified true copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Registered Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

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

#### **Our Identity**

Olam is a Hebrew word meaning 'transcending boundaries', which epitomises the spirit of our company. Our distinctive corporate symbol and logotype represents many of our core values such as growth, outward focus, vigour and imagination. Our corporate colours are green, representing our vibrancy and orange, representing the earth from which all our products are derived.



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