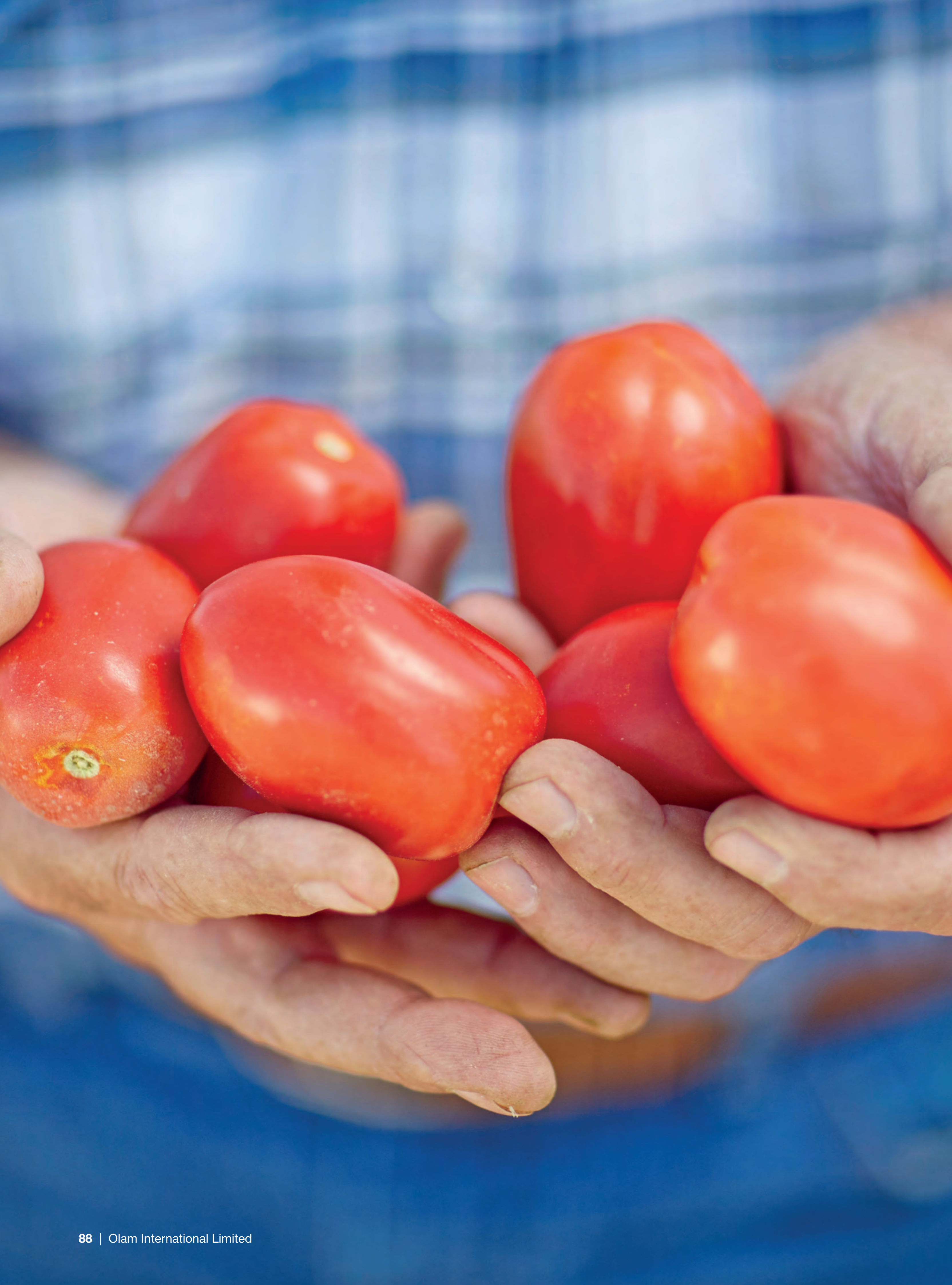

Olam International Limited and Subsidiary Companies

IN THIS SECTION

Report of the Directors

The directors present their report to the shareholders together with the audited financial statements of Olam International Limited (the "Company") and its subsidiary companies (the "Group") for the financial year ended 30 June 2014.

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
Jean-Paul Pinard
Sanjiv Misra (Appointed on 1 November 2013)
Sunny George Verghese
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 objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

According to the register kept by the Company for the purposes of section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year in shares, warrants, debentures and share options of the Company and related corporations (other than subsidiary companies) are as follows:-

	Held in the name of the director or nominee			Deemed interest		
Name of directors	As at 1.7.2013 or date of appointment, if later	As at 30.6.2014	As at 21.7.2014	As at 1.7.2013 or date of appointment, if later	As at 30.6.2014	As at 21.7.2014
<u>The Company</u>						
Olam International Limited						
(a) Ordinary shares						
Narain Girdhar Chanrai	–	–	–	483,493,065(1)	355,461,088(1)	355,461,088(1)
Sunny George Verghese	111,646,477	111,646,477	111,646,477	–	–	–
Shekhar Anantharaman	16,038,498(2)	12,619,672(2)	12,619,672(2)	–	–	–
Robert Michael Tomlin	200,000	200,000	200,000	–	–	–
Michael Lim Choo San	200,000	200,000	200,000	–	–	–
(b) Notes issued						
R. Jayachandran (3)	–	–	–	$6,000,000	$6,000,000	$6,000,000
Narain Girdhar Chanrai (4)	$250,000	$250,000	$250,000	–	–	–
(c) US$250,000,000 7.5% Bonds due 2020 ("Bonds") issued in denominations of US$100,000						
R. Jayachandran (5)	–	–	–	US$1,500,000	US$1,500,000	US$1,500,000

Directors' interests in shares and debentures (cont'd)

Name of directors	Held in the name of the director or nominee: As at 1.7.2013 or date of appointment, if later	As at 30.6.2014	As at 21.7.2014	Deemed interest: As at 1.7.2013 or date of appointment, if later	As at 30.6.2014	As at 21.7.2014
The Company						
Olam International Limited						
(d) $275,000,000 7.0% Perpetual Capital Securities ("Capital Securities") issued in denominations of $250,000 and in higher integral multiples of $1,000 in excess thereof						
R. Jayachandran [5]	–	–	–	$1,000,000	$1,000,000	$1,000,000
Jean-Paul Pinard	–	$250,000	$250,000	–	–	–
(e) US$500,000,000 6.0% Convertible Bonds due 2016 ("Convertible Bonds") issued in denominations of US$100,000						
Robert Michael Tomlin [6]	US$500,000	US$500,000	US$500,000	–	–	–
(f) Euro Medium Term Note Programme						
Narain Girdhar Chanrai [7]	US$500,000	US$500,000	US$500,000	–	–	–
(g) US$750,000,000 6.75% Bonds due 2018 ("Bonds") issued in denominations of US$1.00 each						
Sunny George Verghese	US$34,945,346	US$34,945,346	US$34,945,346	–	–	–
Shekhar Anantharaman	US$4,600,000	–	–	–	–	–
Robert Michael Tomlin [6]	US$183,000	US$183,000	US$183,000	–	–	–
Narain Girdhar Chanrai	–	–	–	US$151,334,000[1]	US$98,750,000[1]	US$98,750,000[1]
Michael Lim Choo San	US$563,000	US$563,000	US$563,000	–	–	–
(h) 397,826,160 Warrants issued at an exercise price of US$1.25 for each new share [8]						
Sunny George Verghese	18,086,727	18,575,086	18,575,086	–	–	–
Shekhar Anantharaman	2,500,000	2,567,500	2,567,500	–	–	–
Robert Michael Tomlin [6]	500,000	1,027,000	1,027,000	–	–	–
Narain Girdhar Chanrai	–	–	–	78,326,000[1]	80,440,802[1]	80,440,802[1]
Michael Lim Choo San	292,000	299,884	299,884	–	–	–
Jean-Paul Pinard	500,000	718,900	718,900	–	–	–
(i) Options to subscribe for ordinary shares						
Sunny George Verghese	15,000,000	15,000,000	15,000,000	–	–	–
Shekhar Anantharaman	5,000,000	5,000,000	5,000,000	–	–	–
Subsidiaries of the Company's holding company						
Temasek Group of companies						
(a) Cityspring Infrastructure Management Pte. Ltd. [9] (Unit holdings in Cityspring Infrastructure Trust)						
Sunny George Verghese	–	400,000	400,000	–	–	–
(b) Mapletree Commercial Trust Management Ltd. [9] (Unit holdings in Mapletree Commercial Trust)						
Michael Lim Choo San	–	150,000	150,000	–	–	–

Directors' interests in shares and debentures (cont'd)

Name of directors	Held in the name of the director or nominee: As at 1.7.2013 or date of appointment, if later	As at 30.6.2014	As at 21.7.2014	Deemed interest: As at 1.7.2013 or date of appointment, if later	As at 30.6.2014	As at 21.7.2014
Subsidiaries of the Company's holding company						
Temasek Group of companies						
(c) Mapletree Logistics Trust Management Ltd. [9] **(Perpetual Securities in Mapletree Logistics Trust)**						
Michael Lim Choo San	–	250,000	250,000	–	–	–
(d) Singapore Telecommunications Limited [9] **(Ordinary Shares)**						
Wong Heng Tew	–	1,667	1,667	–	1,537[10]	1,537[10]
Sanjiv Misra	–	23,560	23,560	–	–	–
(e) Mapletree Greater China Commercial Trust Management Ltd. [9] **(Unit holdings in Mapletree Greater China Commercial Trust)**						
Sanjiv Misra	–	382,215	382,215	–	–	–
(f) Starhub Ltd [9] **(Ordinary Shares)**						
Sanjiv Misra	–	60,000	60,000	–	–	–
(g) Singapore Airlines Limited [9] **(Ordinary Shares)**						
Sanjiv Misra	–	38,090	38,090	–	–	–
(h) Temasek Financial Ltd [9] **(2.375% Bonds due 230123)**						
Sanjiv Misra [11]	–	US$500,000	US$500,000	–	–	–

(1) The interests in shares, debentures and warrants are held by Kewalram Singapore Limited ("Kewalram"). Mr Narain Girdhar Chanrai ("NGC") is the Managing Director of Kewalram and has been mandated by the Board of Directors of Kewalram to take all decisions pertaining to the shares, debentures and warrants in the Company held by Kewalram. By virtue of section 7(6)(d) of the Act and section 4(1) of the Securities and Futures Act 2001, NGC is therefore deemed to be interested in the shares, debentures and warrants held by Kewalram.

(2) A total of 1,418,826 shares ("the Trust Shares") were jointly registered in the name of Sridhar Krishnan, Shekhar Anantharaman and Joydeep Bose ("the Trustees") and were held in trust for the management (including the directors) and the employees of the Group pursuant to the Olam International Limited Employee Share Subscription Scheme 2004. The Trustees had tendered the Trust Shares in acceptance of the voluntary conditional cash offer made by Breedens Investments Pte. Ltd. for, inter alia, all the shares in issue in the capital of the Company.

(3) This refers to Notes issued under Series 52 of the S$800,000,000 Multicurrency Medium Term Note Programme established by the Company, comprising $250,000,000 in principal amount of 6.0% notes due 2018. The Notes are issued in denominations of $250,000. R. Jayachandran is deemed to be interested in the $6,000,000 Notes registered in the name of Eljay Holdings Ltd. by virtue of section 7 of the Act in shares over which he and his spouse have an interest.

Directors' interests in shares and debentures (cont'd)

(4) This refers to Notes issued under Series 52 of the S$800,000,000 Multicurrency Medium Term Note Programme established by the Company, comprising $250,000,000 in principal amount of 6.0% notes due 2018. The Notes are issued in denominations of $250,000.

(5) R. Jayachandran is deemed to be interested in the Bonds and Capital Securities registered in the name of Eljay Holdings Ltd, by virtue of section 7 of the Act in shares over which he and his spouse have an interest.

(6) The interests in the Convertible Bonds, Bonds and Warrants are registered in the name of Robert Michael Tomlin and his spouse.

(7) This refers to Notes issued under Series 3 of the US$5,000,000,000 Euro Medium Term Note Programme ("EMTN") established by the Company on 6 July 2012 and subsequently updated on 14 July 2014, comprising US$500,000,000 in principal amount of 5.75% fixed rate notes due 2017. The Notes are issued in denominations of US$200,000.

(8) On 29 January 2013, the Company undertook a renounceable underwritten rights issue (the "Rights Issue") of US$750,000,000 6.75% Bonds due 2018 (the "Bonds"), with 387,365,079 free detachable warrants (the "Warrants"). The Warrants were listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited. Each Warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company (the "New Share") at an original exercise price of US$1.291 for each New Share. These Warrants are exercisable from 29 January 2016 to 28 January 2018. In the current financial year, as a result of the payment of the first and final dividend on 14 November 2013, the original exercise price of US$1.291 was adjusted to US$1.250 and an additional 10,461,081 Warrants was issued resulting in a total of 397,826,160 Warrants outstanding as at 30 June 2014.

(9) With effect from 23 May 2014 being the close of the Offer (as defined in this report), the Company's ultimate holding company is Temasek Holdings (Private) Limited. Accordingly no disclosure of directors' shareholdings in the other subsidiaries of Temasek Holdings (Private) Limited has been made as at 1 July 2013.

(10) The interest in the Ordinary Shares is registered in the name of Wong Heng Tew's spouse.

(11) Held in trust by Windsor Castle Holding Ltd for Sanjiv Misra and spouse.

Except as disclosed in this report, no director who held office at the end of the financial year had interest in shares, share options, warrants, notes, bonds or capital securities of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Directors' contractual benefits

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, except as disclosed in the accompanying financial statements and in this report.

Temasek Staff Co-Investment Plan

Wong Heng Tew has received an award of units granted under the Temasek Staff Co-Investment Plan (the "Plan") implemented by Temasek Holdings (Private) Limited ("Temasek"), the ultimate holding company of the Company, subject to certain performance conditions being met by Temasek and other terms and conditions. The units confer the right, when exercised, to receive cash payments, the value of which is based on the compounded total shareholders' return of Temasek over the period commencing from the financial year of Temasek during which the commencement date occurs and ending on the financial year of Temasek immediately preceding the exercise date, as calculated in accordance with the provisions of the Plan.

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. A total of 1,418,826 shares ("the Trust Shares") were jointly registered in the name of Sridhar Krishnan, Shekhar Anantharaman and Joydeep Bose ("the Trustees" or "Trust") and were held in trust for the management (including the directors) and the employees of the Group pursuant to the ESSS and the Trust Deed dated 26 October 2004 (the "Trust Deed"). On 15 May 2014, the Trustees had tendered the Trust Shares in acceptance of the voluntary conditional cash offer made by Breedens Investments Pte. Ltd. for, inter alia, all the shares in issue in the capital of the Company. The ESSS is subject to a maximum period of 10 years and the Trust will be terminated on the 10th anniversary of the date of the Trust Deed.

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 the Group's employees and Executive Directors shall have a life of ten years instead of five. For Options granted to the Company's Non-Executive Directors and Independent Directors, the Option Period shall be no longer than five years. Controlling Shareholders and associates of Controlling Shareholders are not eligible to participate in the ESOS.

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 a 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.

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 five consecutive Market days immediately preceding the offering date of that option, rounded up to the nearest whole cent.

Olam employee share option scheme (cont'd)

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.

It is 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.

As at the date of this report, the ESOS is administered by the Human Resource & Compensation Committee ("HRCC"), which comprises the following directors:-

Mark Haynes Daniell – Chairman
R. Jayachandran
Wong Heng Tew
Jean-Paul Pinard
Sanjiv Misra (Appointed on 1 November 2013)

On 14 March 2014, Credit Suisse (Singapore) Limited, DBS Bank Ltd. and United Overseas Bank Limited announced, for and on behalf of Breedens Investments Pte. Ltd. (the "Offeror"), that the Offeror intends to make a voluntary conditional cash offer ("Offer") for (i) all the ordinary shares ("Shares") in issue in the capital of the Company, (ii) new Shares unconditionally issued or to be issued pursuant to the valid conversion of outstanding US$500,000,000 six per cent. convertible bonds due 2016 and (iii) new Shares unconditionally issued or to be issued pursuant to the valid exercise of the Options granted under the ESOS. Under the rules of the ESOS provides, an Option holder (including Option holders holding Options which are then not exercisable) shall be entitled to exercise in full or in part any Option held by him in the period commencing on the date on which the Offer becomes or is declared unconditional and ending on the earlier of: (a) the expiry of six months thereafter; or (b) the date of expiry of the period for the exercise of an Option under the ESOS rules, whereupon the Option then remaining unexercised shall lapse and become null and void ("Accelerated Exercise Period"). The Offer was declared unconditional on 24 April 2014. On 8 April 2014, approval was granted such that the Options shall not automatically lapse and become null and void at the expiry of the Accelerated Exercise Period but will expire in accordance with their terms and that following the expiry of the Accelerated Exercise Period, all Options not exercised shall cease to remain exercisable, except in accordance with their terms. Accordingly, the Accelerated Exercise Period by which Option holders could exercise their Options (including Option holders holding Options which are then not exercisable) ended at the close of the Offer on 23 May 2014.

During the financial year ended 30 June 2014 and following the close of the Offer, there were 48,448,000 ordinary shares issued pursuant to the exercise of Options granted under the ESOS.

Olam employee share option scheme (cont'd)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS outstanding as at 30 June 2014 are as follows:-

Expiry date	Exercise price ($)	Number of options
21 July 2019	2.28	37,025,000
17 February 2020	2.35	15,000,000
23 July 2020	2.64	3,830,000
17 December 2020	3.10	1,950,000
14 March 2021	2.70	1,415,000
30 December 2021	2.16	3,090,000
15 June 2022	1.76	16,942,000
Total		**79,252,000**

The details of options granted to the directors 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
Sunny George Verghese	–	–	30,000,000	15,000,000	15,000,000
Shekhar Anantharaman	–	–	5,800,000	800,000	5,000,000

The 15,000,000 options granted to Sunny George Verghese in financial year 2010 are exercisable in three equal tranches of 5,000,000 each on or after the first, second and third anniversaries of the grant date (17 February 2010) at the exercise price of $2.35. The options will expire ten years after the date of grant.

The 1,750,000 options granted to Shekhar Anantharaman in financial year 2010 are exercisable in tranches of 25% and 75% at the end of the third anniversary and fourth anniversary from the date of grant (21 July 2009) at the exercise price of $2.28 if the vesting conditions are met. The 3,250,000 options granted to Shekhar Anantharaman in financial year 2012 are exercisable in tranches of 25% and 75% at the end of the third and fourth anniversary respectively from the date of grant (15 June 2012) at the exercise price of $1.76 if the vesting conditions are met. The options will expire ten years after the date of grant.

Apart from that which is disclosed above, no directors or employees of the Group received 5% or more of the total number of options available under the ESOS.

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.

Invenio Equity Participation Scheme

Invenio Holdings Pte. Ltd. ("Invenio"), a subsidiary of the Company, had implemented the Invenio Equity Participation Scheme (the "Invenio Equity Scheme") which was approved and adopted by the shareholders of Invenio on 13 January 2011.

The Invenio Equity Scheme was set up to incentivise and reward selected eligible employees and give participants an opportunity to have a personal equity interest in Invenio and, amongst other objectives, motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to Invenio and its subsidiaries (the "Invenio Group").

Participation in the Scheme is restricted to directors and employees of the Invenio Group (including associated companies over which Invenio has significant influence), and employees of the Company or its subsidiaries who have been seconded or deputed to Invenio and who hold an executive position in Invenio. Controlling shareholders of the Company and their associates are not eligible to participate in the Invenio Equity Scheme.

Employees selected to participate receive an initial allotment of Invenio shares for which they will pay a fixed multiple of then prevailing book value at the relevant time, as specified in the Invenio Equity Scheme. Subsequently, a portion of up to 50% of any cash or other incentive due to them as employees under any performance-based bonus or incentive scheme initiated by the Invenio Group for its employees will be paid to them in the form of Invenio shares allotted to them, valued at a fixed multiple of the then-prevailing book value at the relevant time, in accordance with the Invenio Equity Scheme.

The shares will be ordinary shares in Invenio, ranking pari passu with other ordinary shares in Invenio's issued share capital in respect of all entitlements, including dividends or other distributions, save that the Invenio Equity Scheme provides for certain obligations and restrictions on transfer of the shares by Participants.

The details of the awards granted under the Scheme are as follows:-

Year of Award	No. of Holders	No. of Shares
2011	18	2,670,000

During the current financial year, Invenio purchased 45,000 shares from one (1) employee under the Scheme and held them as treasury shares. There were no new shares granted during the financial year under review.

Audit and Compliance Committee

The Audit and Compliance Committee (the "ACC") comprises four Independent Directors and a Non-Executive Director. The members of the ACC are Michael Lim Choo San (Chairman), Robert Michael Tomlin, Mark Haynes Daniell, Wong Heng Tew and Narain Girdhar Chanrai. The ACC performed the functions specified in section 201B of the Act, the Singapore Code of Corporate Governance and the Listing Manual of the Singapore Exchange.

The ACC held six meetings during the year under review. 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 cooperation 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 and 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, the ACC

- held meetings with the external auditors and the management in separate executive sessions to discuss any matters that these groups believed should be discussed privately with the ACC;
- made their recommendations to the Board of Directors in relation to the external auditors re-appointment and 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 recommended to the Board that Ernst & Young LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting. In appointing the auditors of the Company and its subsidiaries, the Company has complied with Rule 712 and Rule 715 of the Listing Manual of the Singapore Exchange.

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

Auditor

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

On behalf of the board of directors,

R. Jayachandran
Director

Sunny George Verghese
Director

Singapore
29 September 2014

Statement by the Directors

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

(i) the accompanying balance sheets, consolidated profit and loss accounts, consolidated statement of comprehensive income, 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 2014 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 of directors:

R. Jayachandran
Director

Sunny George Verghese
Director

Singapore
29 September 2014

Independent Auditor's Report

For the financial year ended 30 June 2014
To the Members of Olam International Limited

Report on the financial statements

We have audited the accompanying financial statements of Olam International Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 102 to 197, which comprise the balance sheets of the Group and the Company as at 30 June 2014, the statements of changes in equity of the Group and the Company and the consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet 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 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
29 September 2014

Consolidated Profit and Loss Accounts

for the year ended 30 June 2014

		Group	
	Note	2014 $'000	2013 $'000
Sale of goods and services	4	**19,421,802**	20,801,798
Other income	5	**452,391**	90,284
Cost of goods sold	6	**(17,481,766)**	(18,913,064)
Net gain from changes in fair value of biological assets	12	**14,168**	96,286
Depreciation and amortisation	10, 11	**(215,577)**	(199,312)
Other expenses	7	**(940,583)**	(898,146)
Finance income		**14,399**	16,674
Finance costs	8	**(519,240)**	(518,353)
Share of results from jointly controlled entities and associates	14	**2,187**	20,484
Profit before taxation		**747,781**	496,651
Income tax expense	9	**(106,509)**	(105,134)
Profit for the financial year		**641,272**	391,517
Attributable to:			
Owners of the Company		**608,488**	362,618
Non-controlling interests		**32,784**	28,899
		641,272	391,517
Earnings per share attributable to owners of the Company (cents)			
Basic	25	**24.65**	14.36
Diluted	25	**24.21**	14.27

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

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2014

	Group 2014 $'000	Group 2013 $'000
Profit for the financial year	**641,272**	391,517
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net gain on fair value changes during the financial year	**(8,248)**	131,458
Recognised in the profit and loss accounts on occurrence of hedged transactions	**21,218**	(79,442)
Foreign currency translation adjustments	**(75,393)**	(37,298)
Share of other comprehensive income of jointly controlled entities and associates	**10,255**	4,174
Other comprehensive income for the financial year, net of tax	**(52,168)**	18,892
Total comprehensive income for the financial year	**589,104**	410,409
Attributable to:		
Owners of the Company	**553,501**	378,983
Non-controlling interests	**35,603**	31,426
	589,104	410,409

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

Balance Sheets
at 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current assets					
Property, plant and equipment	10	**3,143,886**	3,427,775	**1,788**	2,557
Intangible assets	11	**648,758**	686,516	**34,680**	33,393
Biological assets	12	**1,108,162**	781,742	**–**	–
Subsidiary companies	13	**–**	–	**2,555,084**	2,007,203
Deferred tax assets	9	**22,983**	34,832	**893**	–
Investments in jointly controlled entities and associates	14	**835,393**	557,693	**684,254**	413,026
Long term investments	15	**407,685**	–	**393,976**	–
Other non-current assets	21	**23,148**	20,256	**–**	–
		6,190,015	5,508,814	**3,670,675**	2,456,179
Current assets					
Amounts due from subsidiary companies	16	**–**	–	**1,783,155**	2,258,023
Trade receivables	17	**1,613,223**	2,372,900	**650,185**	984,391
Margin accounts with brokers	18	**225,499**	–	**140,600**	–
Inventories	19	**4,685,698**	4,154,271	**805,045**	459,060
Advance payments to suppliers	20	**706,652**	598,470	**207,495**	215,033
Advance payments to subsidiary companies	20	**–**	–	**2,055,652**	2,079,753
Cash and short-term deposits	33	**1,590,075**	1,591,009	**1,183,019**	1,126,575
Derivative financial instruments	35	**554,617**	606,062	**290,986**	353,326
Other current assets	21	**740,814**	552,658	**129,546**	87,971
		10,116,578	9,875,370	**7,245,683**	7,564,132
Current liabilities					
Trade payables and accruals	22	**(1,587,626)**	(1,747,963)	**(665,288)**	(927,715)
Borrowings	24	**(4,503,756)**	(2,965,559)	**(2,976,945)**	(748,503)
Provision for taxation	9	**(80,213)**	(49,728)	**(31,104)**	(21,976)
Derivative financial instruments	35	**(382,163)**	(395,295)	**(193,811)**	(180,764)
Other current liabilities	23	**(428,322)**	(269,241)	**(99,702)**	(98,794)
Margin accounts with brokers	18	**–**	(9,114)	**–**	(35,683)
		(6,982,080)	(5,436,900)	**(3,966,850)**	(2,013,435)
Net current assets		**3,134,498**	4,438,470	**3,278,833**	5,550,697
Non-current liabilities					
Deferred tax liabilities	9	**(266,035)**	(240,877)	**–**	(4,843)
Borrowings	24	**(4,836,150)**	(5,882,679)	**(3,692,824)**	(5,153,194)
		(5,102,185)	(6,123,556)	**(3,692,824)**	(5,158,037)
Net assets		**4,222,328**	3,823,728	**3,256,684**	2,848,839
Equity attributable to owners of the Company					
Share capital	26	**2,162,642**	2,077,038	**2,162,642**	2,077,038
Treasury shares	26	**(96,081)**	(96,081)	**(96,081)**	(96,081)
Perpetual capital securities	26	**237,379**	276,939	**237,379**	276,939
Reserves		**1,896,246**	1,433,964	**952,744**	590,943
		4,200,186	3,691,860	**3,256,684**	2,848,839
Non-controlling interests		**22,142**	131,868	**–**	–
Total equity		**4,222,328**	3,823,728	**3,256,684**	2,848,839

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 2014

2014 Group	Share capital (Note 26) $'000	Treasury shares (Note 26) $'000	Perpetual capital securities (Note 26) $'000	Attributable to owners of the Company: Capital reserves[1] $'000	Foreign currency translation reserves[2] $'000	Fair value adjustment reserves[3] $'000	Share-based compensation reserves[4] $'000	Revenue reserves $'000	Total reserves $'000	Total $'000	Total non-controlling interests $'000	Total equity $'000
At 1 July 2013	2,077,038	(96,081)	276,939	122,335	(378,532)	(73,174)	90,311	1,673,024	1,433,964	3,691,860	131,868	3,823,728
Profit for the financial year	–	–	–	–	–	–	–	608,488	608,488	608,488	32,784	641,272
Other comprehensive income												
Net gain on fair value changes during the financial year	–	–	–	–	–	(8,248)	–	–	(8,248)	(8,248)	–	(8,248)
Recognised in the profit and loss accounts on occurrence of hedged transactions	–	–	–	–	–	21,218	–	–	21,218	21,218	–	21,218
Foreign currency translation adjustments	–	–	–	–	(78,212)	–	–	–	(78,212)	(78,212)	2,819	(75,393)
Share of other comprehensive income of jointly controlled entities and associates	–	–	–	3,648	6,607	–	–	–	10,255	10,255	–	10,255
Other comprehensive income for the financial year, net of tax	–	–	–	3,648	(71,605)	12,970	–	–	(54,987)	(54,987)	2,819	(52,168)
Total comprehensive income for the year	–	–	–	3,648	(71,605)	12,970	–	608,488	553,501	553,501	35,603	589,104
Contributions by and distributions to owners												
Buy back of capital securities	–	–	(38,552)	2,341	–	–	–	–	2,341	(36,211)	–	(36,211)
Issue of shares on exercise of share options (Note 26)	85,604	–	–	–	–	–	–	–	–	85,604	–	85,604
Share-based expense	–	–	–	–	–	–	9,535	–	9,535	9,535	–	9,535
Dividends on ordinary shares (Note 27)	–	–	–	–	–	–	–	(99,302)	(99,302)	(99,302)	–	(99,302)
Accrued capital securities distribution	–	–	17,994	–	–	–	–	(17,994)	(17,994)	–	–	–
Payment of capital securities distribution	–	–	(19,002)	–	–	–	–	–	–	(19,002)	–	(19,002)
Total contributions by and distributions to owners	85,604	–	(39,560)	2,341	–	–	9,535	(117,296)	(105,420)	(59,376)	–	(59,376)
Changes in ownership interests in subsidiaries												
Sale of minority interest in subsidiary	–	–	–	14,201	–	–	–	–	14,201	14,201	10,879	25,080
Disposal of subsidiary company	–	–	–	–	–	–	–	–	–	–	(156,208)	(156,208)
Total changes in ownership interests in subsidiaries	–	–	–	14,201	–	–	–	–	14,201	14,201	(145,329)	(131,128)
Total transactions with owners in their capacity as owners	85,604	–	(39,560)	16,542	–	–	9,535	(117,296)	(91,219)	(45,175)	(145,329)	(190,504)
At 30 June 2014	2,162,642	(96,081)	237,379	142,525	(450,137)	(60,204)	99,846	2,164,216	1,896,246	4,200,186	22,142	4,222,328

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

2013 Group	Share capital (Note 26) $'000	Treasury shares (Note 26) $'000	Perpetual capital securities (Note 26) $'000	Capital reserves[1] $'000	Foreign currency translation reserves[2] $'000	Fair value adjustment reserves[3] $'000	Share-based compensation reserves[4] $'000	Revenue reserves $'000	Total reserves $'000	Total $'000	Total non-controlling interests $'000	Total equity $'000
				Attributable to owners of the Company								
At 1 July 2012	2,077,038	(96,081)	276,886	120,093	(344,781)	(125,190)	72,327	1,425,318	1,147,767	3,405,610	122,152	3,527,762
Profit for the financial year	–	–	–	–	–	–	–	362,618	362,618	362,618	28,899	391,517
Other comprehensive income												
Net gain on fair value changes during the financial year	–	–	–	–	–	131,458	–	–	131,458	131,458	–	131,458
Recognised in the profit and loss accounts on occurrence of hedged transactions	–	–	–	–	–	(79,442)	–	–	(79,442)	(79,442)	–	(79,442)
Foreign currency translation adjustments	–	–	–	–	(39,825)	–	–	–	(39,825)	(39,825)	2,527	(37,298)
Share of other comprehensive income of jointly controlled entities and associates	–	–	–	(1,900)	6,074	–	–	–	4,174	4,174	–	4,174
Other comprehensive income for the financial year, net of tax	–	–	–	(1,900)	(33,751)	52,016	–	–	16,365	16,365	2,527	18,892
Total comprehensive income for the year	–	–	–	(1,900)	(33,751)	52,016	–	362,618	378,983	378,983	31,426	410,409
Contributions by and distributions to owners												
Issuance of warrants (Note 26)	–	–	–	8,268	–	–	–	–	8,268	8,268	–	8,268
Share-based expense	–	–	–	–	–	–	17,984	–	17,984	17,984	–	17,984
Dividends on ordinary shares (Note 27)	–	–	–	–	–	–	–	(95,609)	(95,609)	(95,609)	–	(95,609)
Accrued capital securities distribution	–	–	19,303	–	–	–	–	(19,303)	(19,303)	–	–	–
Payment of capital securities distribution	–	–	(19,250)	–	–	–	–	–	–	(19,250)	–	(19,250)
Total contributions by and distributions to owners	–	–	53	8,268	–	–	17,984	(114,912)	(88,660)	(88,607)	–	(88,607)
Changes in ownership interests in subsidiaries												
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	–	7,012	7,012
Acquisition of non-controlling interests	–	–	–	(4,126)	–	–	–	–	(4,126)	(4,126)	(28,722)	(32,848)
Total changes in ownership interests in subsidiaries	–	–	–	(4,126)	–	–	–	–	(4,126)	(4,126)	(21,710)	(25,836)
Total transactions with owners in their capacity as owners	–	–	53	4,142	–	–	17,984	(114,912)	(92,786)	(92,733)	(21,710)	(114,443)
At 30 June 2013	2,077,038	(96,081)	276,939	122,335	(378,532)	(73,174)	90,311	1,673,024	1,433,964	3,691,860	131,868	3,823,728

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

				Attributable to owners of the Company						
2014 Company	Share capital (Note 26) $'000	Treasury shares (Note 26) $'000	Perpetual capital securities (Note 26) $'000	Capital reserves[1] $'000	Foreign currency translation reserves[2] $'000	Fair value adjustment reserves[3] $'000	Share-based compensation reserves[4] $'000	Revenue reserves $'000	Total reserves $'000	Total equity $'000
At 1 July 2013	2,077,038	(96,081)	276,939	138,145	(214,795)	(74,818)	90,311	652,100	590,943	2,848,839
Profit for the financial year	–	–	–	–	–	–	–	511,335	511,335	511,335
Other comprehensive income										
Net loss on fair value changes during the financial year	–	–	–	–	–	(13,061)	–	–	(13,061)	(13,061)
Recognised in the profit and loss accounts on occurrence of hedged transactions	–	–	–	–	–	20,763	–	–	20,763	20,763
Foreign currency translation adjustments	–	–	–	–	(51,816)	–	–	–	(51,816)	(51,816)
Other comprehensive income for the financial year, net of tax	–	–	–	–	(51,816)	7,702	–	–	(44,114)	(44,114)
Total comprehensive income for the year	–	–	–	–	(51,816)	7,702	–	511,335	467,221	467,221
Contributions by and distributions to owners										
Buy back of capital securities	–	–	(38,552)	2,341	–	–	–	–	2,341	(36,211)
Issue of shares on exercise of share options (Note 26)	85,604	–	–	–	–	–	–	–	–	85,604
Share-based expense	–	–	–	–	–	–	9,535	–	9,535	9,535
Dividends on ordinary shares (Note 26)	–	–	–	–	–	–	–	(99,302)	(99,302)	(99,302)
Accrued capital securities distribution	–	–	17,994	–	–	–	–	(17,994)	(17,994)	–
Payment of capital securities distribution	–	–	(19,002)	–	–	–	–	–	–	(19,002)
Total contributions by and distributions to owners	85,604	–	(39,560)	2,341	–	–	9,535	(117,296)	(105,420)	(59,376)
Total transactions with owners in their capacity as owners	85,604	–	(39,560)	2,341	–	–	9,535	(117,296)	(105,420)	(59,376)
At 30 June 2014	2,162,642	(96,081)	237,379	140,486	(266,611)	(67,116)	99,846	1,046,139	952,744	3,256,684

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

2013 Company	Share capital (Note 26) $'000	Treasury shares (Note 26) $'000	Perpetual capital securities (Note 26) $'000	Attributable to owners of the Company Capital reserves[(1)] $'000	Foreign currency translation reserves[(2)] $'000	Fair value adjustment reserves[(3)] $'000	Share-based compensation reserves[(4)] $'000	Revenue reserves $'000	Total reserves $'000	Total equity $'000
At 1 July 2012	2,077,038	(96,081)	276,886	129,877	(210,221)	(128,785)	72,327	632,954	496,152	2,753,995
Profit for the financial year	–	–	–	–	–	–	–	134,058	134,058	134,058
Other comprehensive income										
Net loss on fair value changes during the financial year	–	–	–	–	–	164,010	–	–	164,010	164,010
Recognised in the profit and loss accounts on occurrence of hedged transactions	–	–	–	–	–	(110,043)	–	–	(110,043)	(110,043)
Foreign currency translation adjustments	–	–	–	–	(4,574)	–	–	–	(4,574)	(4,574)
Other comprehensive income for the financial year, net of tax	–	–	–	–	(4,574)	53,967	–	–	49,393	49,393
Total comprehensive income for the year	–	–	–	–	(4,574)	53,967	–	134,058	183,451	183,451
Contributions by and distributions to owners										
Issuance of warrants (Note 26)	–	–	–	8,268	–	–	–	–	8,268	8,268
Share-based expense	–	–	–	–	–	–	17,984	–	17,984	17,984
Dividends on ordinary shares (Note 27)	–	–	–	–	–	–	–	(95,609)	(95,609)	(95,609)
Accrued capital securities distribution	–	–	19,303	–	–	–	–	(19,303)	(19,303)	–
Payment of capital securities distribution	–	–	(19,250)	–	–	–	–	–	–	(19,250)
Total contributions by and distributions to owners	–	–	53	8,268	–	–	17,984	(114,912)	(88,660)	(88,607)
Total transactions with owners in their capacity as owners	–	–	53	8,268	–	–	17,984	(114,912)	(88,660)	(88,607)
At 30 June 2013	2,077,038	(96,081)	276,939	138,145	(214,795)	(74,818)	90,311	652,100	590,943	2,848,839

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

(1) **Capital reserves**
Capital reserves represent the premium paid and discounts on acquisition of non-controlling interests, gain on partial disposal of subsidiary which did not result in loss of control, residual amount of convertible bonds net of proportionate share of transaction costs, after deducting the fair value of the debt and derivative component on the date of issuance, the share of capital reserve of a jointly controlled entity and warrants arising from the Rights Issue (Note 26).

(2) **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 the Group's foreign operations whose functional currencies are different from that of the Group's presentation currency as well as the share of foreign currency translation reserves of jointly controlled entities and associates.

(3) **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 as well as fair value changes of available-for-sale financial assets.

(4) **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.

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 2014

	2014 $'000	2013 $'000
Cash flows from operating activities		
Profit before taxation	**747,781**	496,651
Adjustments for:-		
Allowance for doubtful debts	**16,749**	9,578
Amortisation of intangible assets and depreciation of property, plant and equipment	**215,577**	199,312
Share-based expense	**9,535**	17,984
Accelerated amortisation of facility fees	**21,103**	–
Fair value of biological assets (Note 12)	**(14,168)**	(96,286)
Gain on disposal of subsidiaries, net (Note 13)	**(18,785)**	–
Loss on partial disposal of associate	**595**	–
Gain on disposal of property, plant and equipment, net	**(105,632)**	(36,367)
Biological assets written off (Note 12)	**25,926**	–
Fixed assets written off	**355**	–
Impairment of fixed assets, goodwill and intangible assets	**26,571**	1,916
Interest income	**(14,399)**	(16,674)
Interest expense	**519,240**	518,353
Inventories written down, net	**23,688**	115
Net measurement of derivative instruments	**(4,488)**	5,699
Gain on remeasurement of investments to fair value upon ceasing equity accounting (Note 5)	**(271,022)**	–
Share of results from jointly controlled entities and associates	**(2,187)**	(20,484)
Gain on bond buy back (Note 5)	**(957)**	(6,020)
Operating cash flows before reinvestment in working capital	**1,175,482**	1,073,777
(Increase)/decrease in inventories	**(152,951)**	320,658
Decrease/(increase) in receivables and other current assets	**346,131**	(679,187)
Increase in advance payments to suppliers	**(156,533)**	(280,865)
Decrease in margin account with brokers	**(233,519)**	(132,233)
(Decrease)/increase in payables and other current liabilities	**(747,650)**	432,156
Cash flows from operations	**230,960**	734,306
Interest income received	**14,399**	16,674
Interest expense paid	**(490,314)**	(461,313)
Tax paid	**(53,724)**	(39,495)
Net cash flows (used in)/from operating activities	**(298,679)**	250,172
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**309,077**	109,355
Purchase of property, plant and equipment (Note 10)	**(567,546)**	(940,255)
Purchase of intangibles (Note 11)	**(13,217)**	(14,903)
Acquisition of subsidiaries, net of cash acquired	**–**	(129,185)
Disposal of subsidaries, net of cash disposed of	**(3,162)**	–
Net proceeds from partial disposal of associates/ (investments in associates and jointly controlled entities)	**43,812**	(44,266)
Acquisition of non-controlling interests	**–**	(31,298)
Proceeds from sale of minority interest in subsidiary	**25,080**	–
Net cash flows used in investing activities	**(205,956)**	(1,050,552)
Cash flows from financing activities		
Dividends paid on ordinary shares by the Company	**(99,302)**	(95,609)
Proceeds from borrowings, net	**570,269**	780,636
Proceeds from issuance of shares on exercise of share options	**85,604**	–
Proceeds from rights issue of bonds and warrants	**–**	860,752
Payment of capital securities distribution	**(19,002)**	(19,250)
Payment for capital securities, bond buy back	**(36,211)**	(34,030)
Net cash flows from financing activities	**501,358**	1,492,499

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

	2014 $'000	2013 $'000
Net effect of exchange rate changes on cash and cash equivalents	**(33,983)**	(8,349)
Net decrease/(increase) in cash and cash equivalents	**(37,260)**	683,770
Cash and cash equivalents at beginning of year	**1,285,532**	601,762
Cash and cash equivalents at end of year (Note 33)	**1,248,272**	1,285,532

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

Notes to the Financial Statements

30 June 2014

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 September 2014.

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 Company's ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

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 13 to the financial statements.

The registered office of the Company is located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The principal 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 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 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 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 July 2013. The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

Accordingly to the transition provisions of FRS 113 Fair Value Measurement, FRS 113 has been applied prospectively by the Group on 1 July 2013.

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

2.3 Standards issued but not yet effective

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

Description	Effective for financial year beginning on
Revised FRS 27 Separate Financial Statements	1 July 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 July 2014
FRS 110 Consolidated Financial Statements	1 July 2014
FRS 111 Joint Arrangements	1 July 2014
FRS 112 Disclosures of Interest in Other Entities	1 July 2014
Amendments to FRS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
Amendment to FRS 32 Offsetting of Financial Assets and Financial Liabilities	1 July 2014
Amendments to FRS 36 Recoverable Amount Disclosures for Non-Financial Assets	1 July 2014
Amendments to FRS 39 Novation of Derivatives and Continuation of Hedge Accounting	1 July 2014
Amendments to the transition guidance of FRS 110 Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities	1 July 2014
Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities	1 July 2014
Improvements to FRSs (January 2014):	
– Amendments to FRS 102 Share-based Payment	1 July 2014
– Amendments to FRS 103 Business Combinations	1 July 2014
– Amendments to FRS 108 Operating Segments	1 July 2014
– Amendments to FRS 16 Property, Plant and Equipment	1 July 2014
– Amendments to FRS 24 Related Party Disclosures	1 July 2014
– Amendments to FRS 38 Intangible Assets	1 July 2014
Improvements to FRSs (February 2014):	
– Amendments to FRS 103 Business Combinations	1 July 2014
– Amendments to FRS 113 Fair Value Measurement	1 July 2014
INT FRS 121 Levies	1 July 2014
FRS 114 Regulatory Deferral Accounts	1 July 2016

Except for Amendments to FRS 32, FRS 111, revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of Amendments to FRS 32, FRS 111, revised FRS 28 and FRS 112 are described below.

Amendments to FRS 32 Offsetting of Financial Assets and Financial Liabilities

The amendments to FRS 32 clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also not contingent on a future event and must be enforceable in the event of bankruptcy or insolvency of all the counterparties to the contract. The Group currently offset certain balances with the same counterparty as the Group has legal rights to set off the amounts and intends to settle on a net basis.

Upon adoption of the amendment FRS 32, the Group does not expect any impact to the Group's financial statements position.

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

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

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures are effective for the financial year beginning on 1 July 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

Currently, the Group's investments in jointly controlled entities are accounted for using the equity method. Upon adoption of FRS 111, the Group does not expect any impact to the Group's financial statements presentation.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for the financial year beginning on 1 July 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group upon adoption of this standard.

2.4 Functional and foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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.

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

2.4 Functional and foreign currency (cont'd)

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

(c) Translation to the presentation currency

The financial statements are presented in Singapore Dollar ("SGD") as the Company's principal place of business is in Singapore.

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, basis of consolidation and business combinations

(a) 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.

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 significant subsidiary companies is shown in Note 13.

(b) Basis of consolidation

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

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

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

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

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

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

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

2.5 Subsidiary companies, basis of consolidation and business combinations (cont'd)

(c) Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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

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

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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

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

2.7 Jointly controlled entities

The Group has interests in joint ventures that 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 include 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 or loss.

Upon loss of joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the former joint venture entity upon loss of joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.8 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An 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 the 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 and is neither amortised nor tested individually for impairment. 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 included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

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

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

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

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

2.8 Associates (cont'd)

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. 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 items of property, plant and equipment (except for freehold land) are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land and buildings are 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 20 years; 30 years for ginning assets
Motor vehicles	–	3 to 5 years
Furniture and fittings	–	5 years
Office equipment	–	5 years
Computers	–	3 years

Other assets in Note 10 comprise motor vehicles, furniture and fittings, office equipment and computers.

Capital work-in-progress is 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.

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)

2.10 Intangible assets

(a) Goodwill

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

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

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. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. 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 periods.

Where goodwill forms part of a cash-generating unit 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 fair values of the operations disposed of and the portion of the cash-generating unit retained.

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

(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.

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

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

Intangible assets with indefinite useful lives or that are not yet available for use are not subject to amortisation and they 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. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

2.11 Biological assets

Biological assets mainly include plantations, annual crops and livestock.

Plantations and annual crops

Immature plantations are stated at acquisition cost which includes costs incurred for field preparation, planting, fertilising and maintenance, capitalisation of borrowing costs incurred on loans used to finance the developments of immature plantations and an allocation of other indirect costs based on planted hectares. Mature plantations are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

The fair value of the mature plantations is estimated by reference to independent professional valuations using the present value of expected net cash flows of the underlying biological assets. The valuations is determined using the market price, discount rates used, annual rate of inflation and the estimated yield of the agricultural produce, net of maintenance and harvesting costs and any costs required to bring the plantations to maturity. The estimated yield of the various plantations is dependent on the age of the trees, the location of the plantations, soil type and infrastructure. The market price of the agricultural produce is largely dependent on the prevailing market prices of the products after harvest.

The annual crops have been valued using adjusted cost, which is the estimate of the yield and cost of the crop at harvest discounted for the remaining time to harvest, which approximate fair value.

Livestock

Livestock are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. The fair value of livestock is determined based on valuations by an independent professional value using the market prices of livestock of similar age, breed and generic merit.

2.12 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Available-for-sale financial assets

Available-for-sale financial assets relate to equity instruments. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

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

Regular way purchase or sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

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

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