## Financial Report

**Olam International Limited Annual Report 2017**

Olam

# Re-imagining Global Agriculture

# Our vision

To be the most differentiated and valuable global agri-business by 2040.

# Our governing objective

To maximise long-term intrinsic value for our continuing shareholders.

This report is the first on our journey to develop a new model of reporting that provides insight into how we create value over the long-term. We aim to communicate how we identify, develop, preserve and deploy strategic assets in line with our company's purpose. A separate Global Reporting Initiative (GRI) report is available on our website at olamgroup.com.

## Contents

### Financial statements



## About this report

This Annual Report has 3 chapters. These can be read independently; however, for the purpose of compliance they are intended to be viewed as a single document.

### Financial Report

Our figures and respective notes are enclosed within this chapter. It should be read in conjunction with the Strategy Report to give a balanced account of internal and external factors.

### Strategy Report

This chapter offers narrative about our performance, strategy and market factors. It can be read independently as an Executive Summary or as part of the full report.

### Governance Report

This section of the report gives detailed information about our rigorous governance framework and those responsible for ensuring it is followed. Shareholder information is also held within this chapter.

Front cover image:

In the West Black Sea Region of Turkey, hazelnut farmer Zafer Bekta is being registered to the Olam Farmer Information System (OFIS) during harvest by agronomist Hüseyin Noyan, working in the Olam Progıda Sustainability team.

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# Directors' Statement

The directors are pleased to present their statement 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 and statement of changes in equity of the Company for the financial year ended 31 December 2017.

## 1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements set out on pages 12 to 84 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, changes in equity of the Group and of the Company, the financial performance and the 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.

## 2. Directors

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

Lim Ah Doo
Sunny George Verghese
Jean-Paul Pinard
Sanjiv Misra
Nihal Vijaya Devadas Kaviratne CBE
Yap Chee Keong
Marie Elaine Teo
Rachel Eng Yaag Ngee
Yutaka Kyoya
Mitsumasa Icho (Appointed on 1 May 2017)
Shekhar Anantharaman

## 3. 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 ended 31 December 2017 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.

## 4. Directors' interests in shares and debentures

According to the register of the directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Held in the name of the director or nominee | | | Deemed interest | | |
|---|---|---|---|---|---|---|
| Name of directors | As at 1.1. 2017 or date of appointment, if later | **As at 31.12.2017** | **As at 21.1.2018** | As at 1.1.2017 or date of appointment, if later | **As at 31.12.2017** | **As at 21.1.2018** |
| **The Company** | | | | | | |
| **Olam International Limited** | | | | | | |
| **(a) Ordinary shares** | | | | | | |
| Sunny George Verghese | 111,646,477 | **111,748,977** | **132,594,096** | – | – | – |
| Shekhar Anantharaman | 12,619,672 | **12,677,672** | **15,558,947** | – | – | – |
| Jean-Paul Pinard | – | **806,761** | **806,761** | – | – | – |
| **(b) $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** | | | | | | |
| Jean-Paul Pinard | $250,000 | **–** | **–** | – | – | – |
| **(c) 51,077,331 Warrants issued at an exercise price of US$1.09 for each new share** [1] | | | | | | |
| Sunny George Verghese | 20,178,230 | **20,845,119** | **–** | – | – | – |
| Shekhar Anantharaman | 2,789,093 | **2,881,275** | **–** | – | – | – |
| Jean-Paul Pinard | 780,949 | **–** | **–** | – | – | – |
| **(d) Euro Medium Term Note Programme** | | | | | | |
| Nihal Vijaya Devadas Kaviratne CBE [2] | US$200,000 | **US$200,000** | **US$200,000** | – | – | – |
| **(e) 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** | – | – | – |

## 4. Directors' interests in shares and debentures continued

| Name of directors | Held in the name of the director or nominee: As at 1.1. 2017 or date of appointment, if later | As at 31.12.2017 | As at 21.1.2018 | Deemed interest: As at 1.1.2017 or date of appointment, if later | As at 31.12.2017 | As at 21.1.2018 |
|---|---|---|---|---|---|---|
| **Subsidiaries of the Company's holding company** | | | | | | |
| **Temasek Group of companies** | | | | | | |
| **(a) Mapletree Greater China Commercial Trust Management Ltd (Unit holdings in Mapletree Greater China Commercial Trust)** | | | | | | |
| Sunny George Verghese | 510,000 | **510,000** | **510,000** | – | **–** | **–** |
| **(b) Mapletree Logistics Trust Management Ltd (Unit holdings in Mapletree Logistics Trust)** | | | | | | |
| Sunny George Verghese | 505,000 | **505,000** | **505,000** | – | **–** | **–** |
| Lim Ah Doo | 185,000 | **185,000** | **185,000** | – | **–** | **–** |
| **(c) Mapletree Commercial Trust Management Ltd. (3.25% Bonds due 3 February 2023)** | | | | | | |
| Yap Chee Keong | $250,000 | **$250,000** | **$250,000** | – | **–** | **–** |
| **(d) Singapore Technologies Engineering Ltd (Ordinary Shares)** | | | | | | |
| Lim Ah Doo | 31,300 | **42,600** | **42,600** | – | **–** | **–** |
| **(e) Starhub Ltd (Ordinary Shares)** | | | | | | |
| Nihal Vijaya Devadas Kaviratne CBE | 19,000 | **23,000** | **23,000** | – | **–** | **–** |
| Sanjiv Misra [3] | 60,000 | **60,000** | **60,000** | – | **–** | **–** |
| Rachel Eng Yaag Ngee | 6,900 | **19,800** | **19,800** | – | **–** | **–** |
| **(f) Mapletree Industrial Trust (Ordinary Shares)** | | | | | | |
| Marie Elaine Teo | 11,800 | **11,800** | **11,800** | – | **–** | **–** |
| Sanjiv Misra [3] | – | **100,000** | **100,000** | – | **–** | **–** |
| **(g) Singapore Airlines Limited (3.035% Notes due 2025)** | | | | | | |
| Yap Chee Keong | – | **$250,000** | **$250,000** | – | **–** | **–** |

1. On 29 January 2013, the Company undertook a renounceable underwritten rights issue (the 'Rights Issue') of US$750,000,000 6.75 per cent. 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 ('SGX-ST'). 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. The Company has fully redeemed the Bonds. These Warrants are exercisable from 29 January 2016 to 29 January 2018. Under the terms and conditions of the Warrants, the exercise price of the Warrants and the number of Warrants may be adjusted as a result of certain events. At the end of the financial year, the exercise price of the Warrants was adjusted to US$1.09 and a total of 51,077,331 Warrants were outstanding.
2. This refers to the Notes issued under Series 006 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, 21 August 2015 and 23 November 2016, comprising US$300,000,000 in principal amount of 4.50 per cent fixed rate notes due 2020.
3. Held in trust by Windsor Castle Holding Ltd for Sanjiv Misra and spouse.

## 5. Olam employee share option scheme and Olam share grant plan

The Company offers the following share plans to its employees:

(a) Olam Employee Share Option Scheme, and

(b) Olam Share Grant Plan.

These share plans are administered by the Human Resource & Compensation Committee ('HRCC'), which comprises the following directors:-

Lim Ah Doo

Jean-Paul Pinard

Sanjiv Misra

Mitsumasa Icho (Appointed 1 May 2017)

Rachel Eng Yaag Ngee

### 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.

Pursuant to the voluntary conditional cash offer by Breedens International Pte Ltd approval was sought and granted on 8 April 2014 such that all outstanding options which have not been exercised at the expiry of the accelerated exercise period shall not automatically lapse and become null and void but will expire in accordance with their original terms. The ESOS has expired on 3 January 2015. The terms of the ESOS continue to apply to outstanding options granted under the ESOS. The ESOS rules amended on 29 October 2008 may be read in the Appendix 1 of the Company's circular dated 13 October 2008.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS outstanding as at 31 December 2017 are as follows:-

| Expiry date | Exercise price ($) | Number of options |
|---|---|---|
| 21 July 2019 | 2.28 | 32,175,000 |
| 17 February 2020 | 2.35 | 15,000,000 |
| 23 July 2020 | 2.64 | 3,185,000 |
| 17 December 2020 | 3.10 | 650,000 |
| 14 March 2021 | 2.70 | 1,195,000 |
| 30 December 2021 | 2.16 | 2,620,000 |
| 15 June 2022 | 1.76 | 16,442,000 |
| **Total** | | **71,267,000** |

The details of options granted to the directors, 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 were 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 where the vesting conditions were met. The options will expire ten years after the date of grant.

The 1,750,000 options granted to Shekhar Anantharaman in financial year 2010 were exercisable in tranches of 25% and 75% at the end of the third and fourth anniversary from the date of grant (21 July 2009) at the exercise price of $2.28 where the vesting conditions were 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.

## 5. Olam employee share option scheme and Olam share grant plan continued

### Olam Share Grant Plan

The Company had adopted the Olam Share Grant Plan ('OSGP') at the 2014 Annual General Meeting.

The OSGP helps retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding employees and executive directors of the Group who have contributed to the growth of the Group. The OSGP gives participants an opportunity to have a personal equity interest in the Company and will help to achieve the following positive objectives:

- motivate participants to optimise their performance standards and efficiency, maintain a high level of contribution to the Group and strive to deliver long-term shareholder value;
- align the interests of employees with the interests of the Shareholders of the Company;
- retain key employees and executive directors of the Group whose contributions are key to the long-term growth and profitability of the Group;
- instil loyalty to, and a stronger identification by employees with the long-term prosperity of, the Company; and
- attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders of the Company.

An employee's Award under the OSGP will be determined at the absolute discretion of the HRCC. In considering an Award to be granted to an employee, the HRCC may take into account, inter alia, the employee's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skills set. The OSGP contemplates the award of fully-paid Shares, when and after pre-determined performance or service conditions are accomplished. Any performance targets set under the OSGP are intended to be based on longer-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. Examples of performance targets include targets based on criteria such as total shareholders' return, return on invested capital, economic value added, or on the Company meeting certain specified corporate target(s). It is also currently intended that a Retention Period, during which the Shares awarded may not be transferred or otherwise disposed of (except to the extent set out in the Award Letter or with the prior approval of the HRCC), may be imposed in respect of Shares awarded to the employees under the OSGP.

Details of the Awards granted (including to the directors), are as follows:-

| Type of Grant | Performance share awards ('PSA') | | Restricted share awards('RSA') | |
|---|---|---|---|---|
| Date of Grant | **24 April 2017** | **5 May 2017** | **24 April 2017** | **5 May 2017** |
| Number of Shares which are subject of the Awards granted | **9,711,173** | **40,000** | **4,456,173** | **20,000** |
| Number of employees receiving Shares Awards | **320** | **1** | **319** | **1** |
| Market Value of Olam Shares on the Date of Grant | **$1.91** | **$1.90** | **$1.91** | **$1.90** |
| Number of Shares awarded granted to directors of the Company | **Sunny George Verghese 392,147** | **–** | **Sunny George Verghese 392,147** | **–** |
| | **Shekhar Anantharaman 323,026** | **–** | **Shekhar Anantharaman 323,026** | **–** |
| Vesting Date of Shares awarded | **April 2020** | **April 2020** | **Tranche 1 – 25%: 1 April 2018<br>Tranche 2 – 25%: 1 April 2019<br>Tranche 3 – 25%: 1 April 2020<br>Tranche 4 – 25%: 1 April 2021** | **Tranche 1 – 25%: 1 April 2018<br>Tranche 2 – 25%: 1 April 2019<br>Tranche 3 – 25%: 1 April 2020<br>Tranche 4 – 25%: 1 April 2021** |

The actual number of shares to be delivered pursuant to the PSA granted in the table above will range from 0% to 200.0% of the base award and is contingent on the achievement of pre-determined targets set out in the three year performance period and other terms and conditions being met.

## 5. Olam employee share option scheme and Olam share grant plan continued

### Olam Share Grant Plan continued

| Type of Grant | | Performance share awards ('PSA') | Restricted share awards ('RSA') |
|---|---|---|---|
| Date of Grant | 7 April 2015 | 15 April 2016 | 15 April 2016 |
| Number of Shares which are subject of the Awards granted | 11,817,500 | 10,397,000 | 5,423,000 |
| Number of employees receiving Shares Awards | 280 | 297 | 294 |
| Market Value of Olam Shares on the Date of Grant | $1.985 | $1.72 | $1.72 |
| Number of Shares awarded granted to directors of the Company | Sunny George Verghese 400,000 | Sunny George Verghese 410,000 | Sunny George Verghese 410,000 |
| | Shekhar Anantharaman 250,000 | Shekhar Anantharaman 350,000 | Shekhar Anantharaman 232,000 |
| Vesting Date of Shares awarded | April 2018 | April 2019 | Tranche 1 – 25%: 1 April 2017<br>Tranche 2 – 25%: 1 April 2018<br>Tranche 3 – 25%: 1 April 2019<br>Tranche 4 – 25%: 1 April 2020 |

The actual number of shares to be delivered pursuant to the PSA granted in the table above will range from 0% to 192.5% of the base award and is contingent on the achievement of pre-determined targets set out in the three year performance period and other terms and conditions being met.

The details of awards granted to the directors, are as follows:-

| Name of Participant | Share awards granted during financial year under review | Aggregate share awards granted since the commencement of the scheme to the end of financial year under review | Aggregate share awards vested since the commencement of the scheme to the end of financial year under review | Aggregate share awards outstanding as at the end of financial year under review |
|---|---|---|---|---|
| **Restricted Share Awards:** | | | | |
| Sunny George Verghese | 392,147 | 802,147 | 102,500 | 699,647 |
| Shekhar Anantharaman | 323,026 | 555,026 | 58,000 | 497,026 |

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

The options/shares 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/shares granted from commencement of ESOS/OSGP to the financial year end under review.

There were no options/shares granted at a discount.

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

## 6. Audit Committee

The Audit Committee (the 'AC' or "Committee") comprises three Independent Non-Executive directors and a Non-Executive director. The members of the AC are Yap Chee Keong (Chairman), Nihal Vijaya Devadas Kaviratne CBE, Rachel Eng Yaag Ngee and Yutaka Kyoya (appointed on 1 May 2017). The AC performed the functions specified in section 201B(5) of the Singapore Companies Act, Chapter 50, the Singapore Code of Corporate Governance and the Listing Manual of the SGX-ST with full access and cooperation of the management and full discretion to invite any director or executive officer to attend its meetings.

In performing its function, the AC held seven meetings during the year and 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;
- scope of work of the external and internal auditors, the results of their examinations and their evaluation of the Company's internal accounting control systems;
- the Company's material internal controls, including financial, operational, compliance controls and risk management via the integrated assurance framework (including the in-business control framework and reporting), audit and reviews carried out by the internal auditors along with the reviews by the control functions;
- whistle-blowers' reports;
- 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 SGX-ST); and
- the scope and results of the audit.

Further, the Committee

- 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 AC;
- made recommendations to the board of directors in relation to the external auditor's reappointment and their compensation; and
- reported actions and minutes of the AC meetings to the board of directors with such recommendations as the AC considered appropriate.

As part of the review of the independence and objectivity of the external auditors, the Committee 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 Committee 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 SGX-ST.

Please refer to the additional disclosures on the AC provided in the Corporate Governance Report in the Company's Annual Report to shareholders.

## 7. Auditor

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

On behalf of the board of directors,

**Lim Ah Doo**
Director

**Sunny George Verghese**
Director
20 March 2018

# Independent Auditor's Report

For the financial year ended 31 December 2017
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 12 to 84, which comprise the balance sheets of the Group and the Company as at 31 December 2017, 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 financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### 1 Fair value of retained interest in investment in jointly-controlled entity

During the current financial year, the Group divested 50% of an existing subsidiary as described in Note 13. As a result of the divestment, the retained interest of the investment at the Group is required to be remeasured and recorded at its fair value, which becomes the cost on initial recognition of the investment in a jointly-controlled entity. The fair value of the retained interest was determined using a value-in-use model by discounting the underlying cash flow forecasts. Due to the measurement of fair value being inherently judgemental, we have considered this to be a key audit matter.

Our procedures in relation to assessing the fair value measurement included:

- Understanding how the management determines the fair value measurement of the retained interest
- Evaluating the reasonableness of management's conclusions on key assumptions including forecast cash flows focusing on revenues and earnings before interest, tax depreciation and amortisation ('EBITDA'), assessing the appropriateness of discount rates with the assistance of our valuation specialist, and growth rates to historical trends and external market data to assess the reliability of management's forecast
- Testing the mathematical accuracy of the model

## Key audit matters continued

### 2 Impairment assessment of goodwill, indefinite life intangible assets and fixed assets

The Group makes and has significant investments in fixed assets, goodwill and intangible assets as disclosed in Notes 10 and 11 respectively that are associated with its operations and business units around the world. Management performs periodic reviews of goodwill, intangible assets with indefinite life and fixed assets for indication of impairment. Impairment assessments are performed whenever there are indicators of impairment based on the periodic reviews, or as part of an annual impairment assessment exercise as required. Realisable values of the fixed assets, goodwill and indefinite life intangible assets are determined based on the business units' cash flow forecasts and are performed by management with the help of independent professional valuers where applicable. Due to the element of judgement exercised in forecasting and discounting future cash flows, we have considered this to be a key audit matter.

Our procedures included:

- Evaluating the reasonableness of management's conclusions on key assumptions including forecast cash flows focusing on revenues and earnings before interest, tax depreciation and amortisation ('EBITDA'), assessing the appropriateness of discount rates with the assistance of our valuation specialist where required and growth rates to historical trends to assess the reliability of management's forecast and, in addition to comparing forecast assumptions to external market analysis, whilst considering the risk of management bias.
- Where independent professional valuers are involved, assessing the competence, capabilities and objectivity and evaluating the appropriateness of the impairment model prepared by independent professional valuers
- Testing the mathematical accuracy of the models
- Reviewing the Group's disclosures of the application of judgement in estimating cash-generating units cash flows and the sensitivity of the results of those estimates adequately reflect the risks associated with goodwill, indefinite life intangible assets and fixed assets impairment

### 3 Valuation of biological assets

The Group operates various farms and plantations for which the livestock, agricultural produce ('fruits on trees') and annual crops are subject to valuation. These significant biological assets across the Edible Nuts, Spices and Vegetable Ingredients and Food Staples and Packaged Foods segments, are fair valued by management and/or independent professional valuers engaged by the Group using industry/ market accepted valuation methodology and approaches. Due to the measurement of fair value being inherently judgemental, we have considered this to be a key audit matter.

Our procedures in relation to assessing the fair value measurement included:

- Understanding how the management determines the fair value measurement of the biological assets, including the involvement of the independent professional valuers
- Evaluating the appropriateness of the valuation model prepared by management and/or independent professional valuers in determining the fair value which include forecast cash flows, discount rates and yield rates for the plantations and market prices of the fruits or nuts/crop and livestock
- Reviewing the sufficiency and appropriateness of the Group's disclosures on the application of judgement in estimating cash-generating units cash flows and the sensitivity of the results of those estimates adequately reflect the risks associated with biological assets valuation

### 4 Valuation of financial instruments

As disclosed in Notes 34 and 35 to the consolidated financial statements, the Group enters into various financial instruments which are required to be carried at fair value. Estimation uncertainty is high for those financial instruments where significant valuation inputs are unobservable (i.e. Level 3 instruments) as it involves exercise of judgement and use of assumptions and estimates. Due to the related judgement in estimation, this is considered a key audit matter.

Our procedures in relation to assessing the fair value measurement included:

- Assessing controls over identification, measurement and management of valuation risk, and evaluating the methodologies, inputs and assumptions used. The review also included comparisons of observable inputs against independent sources and externally available market data
- Evaluating the assumptions and models used or re-performing independent valuation assessment to assess the reasonableness of the computed fair value, with the help of our own valuation specialist where required
- Reviewing the appropriateness and adequacy of disclosures of fair value risks and sensitivities to reflect the Group's exposure to valuation risk

## Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information in the Annual Report 2017 comprises the information included in (i) Strategy Report, (ii) Governance Report and (iii) Director' Statement (within the Financial Report) sections, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We have nothing to report in this regard.

## Responsibilities of Management and Directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Vincent Toong Weng Sum.

**Ernst & Young LLP**
Public Accountants and Chartered Accountants
Singapore
20 March 2018

# Consolidated Profit and Loss Account
For the financial year ended 31 December 2017

| | | Group | |
|---|---|---|---|
| | Note | **2017 $'000** | 2016 $'000 |
| Sale of goods and services | 4 | **26,272,529** | 20,587,032 |
| Other income | 5 | **207,531** | 47,265 |
| Cost of goods sold | 6 | **(23,757,685)** | (18,363,777) |
| Net (loss)/gain from changes in fair value of biological assets | 12 | **(15,250)** | 14,141 |
| Depreciation and amortisation | 10, 11 | **(380,680)** | (353,481) |
| Other expenses | 7 | **(1,297,602)** | (1,103,939) |
| Finance income | | **65,597** | 30,248 |
| Finance costs | 8 | **(531,178)** | (446,248) |
| Share of results from jointly controlled entities and associates | 14 | **67,631** | 22,160 |
| **Profit before taxation** | | **630,893** | 433,401 |
| Income tax expense | 9 | **(79,248)** | (94,314) |
| **Profit for the financial year** | | **551,645** | 339,087 |
| **Attributable to:** | | | |
| Owners of the Company | | **580,743** | 351,312 |
| Non-controlling interests | | **(29,098)** | (12,225) |
| | | **551,645** | 339,087 |
| **Earnings per share attributable to owners of the Company (cents)** | | | |
| Basic | 25 | **18.62** | 11.54 |
| Diluted | 25 | **17.92** | 11.14 |

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

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2017

| | Group | |
|---|---|---|
| | **2017 $'000** | 2016 $'000 |
| **Profit for the financial year** | **551,645** | 339,087 |
| **Other comprehensive income** | | |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Net gain/(loss) on fair value changes during the financial year | **336,076** | (44,170) |
| Recognised in the profit and loss account on occurrence of hedged transactions | **(68,037)** | (54,111) |
| Foreign currency translation adjustments | **(357,694)** | (306,122) |
| Share of other comprehensive income of jointly controlled entities and associates | **65,520** | (19,616) |
| **Other comprehensive income for the year, net of tax** | **(24,135)** | (424,019) |
| **Total comprehensive income for the year** | **527,510** | (84,932) |
| **Attributable to:** | | |
| Owners of the Company | **560,419** | (80,320) |
| Non-controlling interests | **(32,909)** | (4,612) |
| | **527,510** | (84,932) |

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

# Balance Sheets
As at 31 December 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | **5,625,837** | 5,367,039 | **13,285** | 12,581 |
| Intangible assets | 11 | **1,207,283** | 1,313,608 | **280,547** | 304,573 |
| Biological assets | 12 | **471,656** | 450,564 | **–** | – |
| Subsidiary companies | 13 | **–** | – | **6,043,511** | 5,550,460 |
| Deferred tax assets | 9 | **95,871** | 95,735 | **–** | – |
| Investments in jointly controlled entities and associates | 14 | **1,070,940** | 889,838 | **780,557** | 724,826 |
| Long-term investments | 15 | **257,519** | 148,492 | **257,519** | 136,321 |
| Other non-current assets | 21 | **25,852** | 30,400 | **–** | – |
| | | **8,754,958** | 8,295,676 | **7,375,419** | 6,728,761 |
| **Current assets** | | | | | |
| Amounts due from subsidiary companies | 16 | **–** | – | **1,926,416** | 3,583,148 |
| Trade receivables | 17 | **1,901,925** | 1,656,457 | **965,592** | 385,620 |
| Margin accounts with brokers | 18 | **399,680** | 164,958 | **304,862** | 153,544 |
| Inventories | 19 | **6,044,681** | 7,414,311 | **1,405,000** | 1,144,986 |
| Advance payments to suppliers | 20 | **743,516** | 880,602 | **116,243** | 142,456 |
| Advance payments to subsidiary companies | 20 | **–** | – | **852,001** | 2,196,193 |
| Cash and short-term deposits | 33 | **1,986,351** | 2,144,051 | **1,137,011** | 1,274,672 |
| Derivative financial instruments | 34 | **1,619,249** | 1,926,151 | **1,098,147** | 1,118,686 |
| Other current assets | 21 | **848,187** | 986,678 | **168,061** | 151,116 |
| | | **13,543,589** | 15,173,208 | **7,973,333** | 10,150,421 |
| **Current liabilities** | | | | | |
| Trade payables and accruals | 22 | **(2,184,352)** | (2,201,494) | **(1,087,350)** | (949,283) |
| Borrowings | 24 | **(4,660,209)** | (5,983,035) | **(2,309,058)** | (3,632,631) |
| Derivative financial instruments | 34 | **(851,947)** | (987,942) | **(685,128)** | (681,162) |
| Provision for taxation | | **(162,977)** | (84,949) | **(81,343)** | (24,739) |
| Other current liabilities | 23 | **(473,313)** | (383,731) | **(111,131)** | (115,176) |
| | | **(8,332,798)** | (9,641,151) | **(4,274,010)** | (5,402,991) |
| **Net current assets** | | **5,210,791** | 5,532,057 | **3,699,323** | 4,747,430 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 9 | **(416,991)** | (505,876) | **(6,662)** | (8,103) |
| Borrowings | 24 | **(6,927,729)** | (7,687,553) | **(4,985,786)** | (6,435,337) |
| | | **(7,344,720)** | (8,193,429) | **(4,992,448)** | (6,443,440) |
| **Net assets** | | **6,621,029** | 5,634,304 | **6,082,294** | 5,032,751 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 26 | **3,674,206** | 3,087,894 | **3,674,206** | 3,087,894 |
| Treasury shares | 26 | **(187,276)** | (190,465) | **(187,276)** | (190,465) |
| Capital securities | 26 | **1,045,773** | 930,416 | **1,045,773** | 930,416 |
| Reserves | | **1,910,878** | 1,570,498 | **1,549,591** | 1,204,906 |
| | | **6,443,581** | 5,398,343 | **6,082,294** | 5,032,751 |
| Non-controlling interests | | **177,448** | 235,961 | **–** | – |
| **Total equity** | | **6,621,029** | 5,634,304 | **6,082,294** | 5,032,751 |

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

# Statements of Changes in Equity
## For the financial year ended 31 December 2017

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 December 2017<br>Group | Share capital (Note 26)<br>$'000 | Treasury shares (Note 26)<br>$'000 | Capital securities (Note 26)<br>$'000 | Capital reserves[1]<br>$'000 | Foreign currency translation reserves[2]<br>$'000 | Fair value adjustment reserves[3]<br>$'000 | Share-based compensation reserves[4]<br>$'000 | Revenue reserves<br>$'000 | Total reserves<br>$'000 | Total<br>$'000 | Total non-controlling interests<br>$'000 | Total equity<br>$'000 |
| **At 1 January 2017** | 3,087,894 | (190,465) | 930,416 | 280,647 | (703,305) | (398,824) | 119,520 | 2,272,460 | 1,570,498 | 5,398,343 | 235,961 | 5,634,304 |
| Profit for the financial year | – | – | – | – | – | – | – | 580,743 | 580,743 | 580,743 | (29,098) | 551,645 |
| Other comprehensive income | | | | | | | | | | | | |
| Net gain on fair value changes during the financial year | – | – | – | – | – | 336,076 | – | – | 336,076 | 336,076 | – | 336,076 |
| Recognised in the profit and loss account on occurrence of hedged transactions | – | – | – | – | – | (68,037) | – | – | (68,037) | (68,037) | – | (68,037) |
| Foreign currency translation adjustments | – | – | – | – | (353,883) | – | – | – | (353,883) | (353,883) | (3,811) | (357,694) |
| Share of other comprehensive income of jointly controlled entities and associates | – | – | – | 14,916 | 50,604 | – | – | – | 65,520 | 65,520 | – | 65,520 |
| **Other comprehensive income for the financial year, net of tax** | – | – | – | 14,916 | (303,279) | 268,039 | – | – | (20,324) | (20,324) | (3,811) | (24,135) |
| **Total comprehensive income for the year** | – | – | – | 14,916 | (303,279) | 268,039 | – | 580,743 | 560,419 | 560,419 | (32,909) | 527,510 |
| Contributions by and distributions to owners | | | | | | | | | | | | |
| Buy back of capital securities (Note 26) | – | – | (235,800) | – | – | – | – | – | – | (235,800) | – | (235,800) |
| Issue of shares on exercise of warrants (Note 26) | 585,542 | – | – | – | – | – | – | – | – | 585,542 | – | 585,542 |
| Issue of shares on exercise of share options (Note 26) | 770 | – | – | – | – | – | – | – | – | 770 | – | 770 |
| Issue of treasury shares for Restricted Share Award (Note 26) | – | 3,189 | – | – | – | – | (3,189) | – | (3,189) | – | – | – |
| Issue of capital securities, net of transaction costs (Note 26) | – | – | 347,727 | – | – | – | – | – | – | 347,727 | – | 347,727 |
| Share-based expense | – | – | – | – | – | – | 20,184 | – | 20,184 | 20,184 | – | 20,184 |
| Dividends on ordinary shares (Note 27) | – | – | – | – | – | – | – | (180,399) | (180,399) | (180,399) | – | (180,399) |
| Accrued capital securities distribution | – | – | 56,635 | – | – | – | – | (56,635) | (56,635) | – | – | – |
| Payment of capital securities distribution | – | – | (53,205) | – | – | – | – | – | – | (53,205) | – | (53,205) |
| **Total contributions by and distributions to owners** | 586,312 | 3,189 | 115,357 | – | – | – | 16,995 | (237,034) | (220,039) | 484,819 | – | 484,819 |
| Changes in ownership interests in subsidiaries that do not result in loss of control | | | | | | | | | | | | |
| **Capital reduction in subsidiary without change in ownership** | – | – | – | – | – | – | – | – | – | – | (25,604) | (25,604) |
| **Total changes in ownership interests in subsidiaries** | – | – | – | – | – | – | – | – | – | – | (25,604) | (25,604) |
| **Total transactions with owners in their capacity as owners** | 586,312 | 3,189 | 115,357 | – | – | – | 16,995 | (237,034) | (220,039) | 484,819 | (25,604) | 459,215 |
| **At 31 December 2017** | 3,674,206 | (187,276) | 1,045,773 | 295,563 | (1,006,585) | (130,785) | 136,515 | 2,616,170 | 1,910,878 | 6,443,581 | 177,448 | 6,621,029 |

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

# Statements of Changes in Equity continued
# For the financial year ended 31 December 2017

| 31 December 2016<br>Group | Attributable to owners of the Company<br>Share capital (Note 26) $'000 | Treasury shares (Note 26) $'000 | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2016** | 3,082,499 | (96,081) | 237,525 | 280,647 | (375,057) | (107,931) | 106,238 | 1,990,670 | 1,894,567 | 5,118,510 | 240,573 | 5,359,083 |
| Effects of Biological assets adjustment (FRS 16, FRS 41) | – | – | – | – | 5,103 | – | – | (44,530) | (39,427) | (39,427) | – | (39,427) |
| Effects of FRS 109 early adoption | – | – | – | – | – | (192,612) | – | 192,612 | – | – | – | – |
| At 1 January 2016, as restated | 3,082,499 | (96,081) | 237,525 | 280,647 | (369,954) | (300,543) | 106,238 | 2,138,752 | 1,855,140 | 5,079,083 | 240,573 | 5,319,656 |
| Profit for the financial year | – | – | – | – | – | – | – | 351,312 | 351,312 | 351,312 | (12,225) | 339,087 |
| Other comprehensive income | | | | | | | | | | | | |
| Net loss on fair value changes during the financial years | – | – | – | – | – | (44,170) | – | – | (44,170) | (44,170) | – | (44,170) |
| Recognised in the profit and loss account on occurrence of hedged transactions | – | – | – | – | – | (54,111) | – | – | (54,111) | (54,111) | – | (54,111) |
| Foreign currency translation adjustments | – | – | – | – | (313,735) | – | – | – | (313,735) | (313,735) | 7,613 | (306,122) |
| Share of other comprehensive income of jointly controlled entities and associates | – | – | – | – | (19,616) | – | – | – | (19,616) | (19,616) | – | (19,616) |
| **Other comprehensive income for the financial year, net of tax** | – | – | – | – | (333,351) | (98,281) | – | – | (431,632) | (431,632) | 7,613 | (424,019) |
| **Total comprehensive income for the year** | – | – | – | – | (333,351) | (98,281) | – | 351,312 | (80,320) | (80,320) | (4,612) | (84,932) |
| Contributions by and distributions to owners | | | | | | | | | | | | |
| Buy back of shares (Note 26) | – | (94,384) | – | – | – | – | – | – | – | (94,384) | – | (94,384) |
| Issue of shares on exercise of warrants (Note 26) | 5,096 | – | – | – | – | – | – | – | – | 5,096 | – | 5,096 |
| Issue of shares on exercise of share options (Note 26) | 299 | – | – | – | – | – | – | – | – | 299 | – | 299 |
| Issue of capital securities, net of transaction costs (Note 26) | – | – | 675,874 | – | – | – | – | – | – | 675,874 | – | 675,874 |
| Share-based expense | – | – | – | – | – | – | 13,282 | – | 13,282 | 13,282 | – | 13,282 |
| Dividends on ordinary shares (Note 27) | – | – | – | – | – | – | – | (184,036) | (184,036) | (184,036) | – | (184,036) |
| Accrued capital securities distribution | – | – | 33,568 | – | – | – | – | (33,568) | (33,568) | – | – | – |
| Payment of capital securities distribution | – | – | (16,551) | – | – | – | – | – | – | (16,551) | – | (16,551) |
| **Total contributions by and distributions to owners** | 5,395 | (94,384) | 692,891 | – | – | – | 13,282 | (217,604) | (204,322) | 399,580 | – | 399,580 |
| **Total transactions with owners in their capacity as owners** | 5,395 | (94,384) | 692,891 | – | – | – | 13,282 | (217,604) | (204,322) | 399,580 | – | 399,580 |
| **At 31 December 2016** | 3,087,894 | (190,465) | 930,416 | 280,647 | (703,305) | (398,824) | 119,520 | 2,272,460 | 1,570,498 | 5,398,343 | 235,961 | 5,634,304 |

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | |
| 31 December 2017<br>Company | Share capital (Note 26)<br>$'000 | Treasury shares (Note 26)<br>$'000 | Capital securities (Note 26)<br>$'000 | Capital reserves[1]<br>$'000 | Foreign currency translation reserves[2]<br>$'000 | Fair value adjustment reserves[3]<br>$'000 | Share-based compensation reserves[4]<br>$'000 | Revenue reserves<br>$'000 | Total reserves<br>$'000 | Total<br>$'000 |
| **At 1 January 2017** | 3,087,894 | (190,465) | 930,416 | 140,486 | 298,656 | (398,818) | 119,520 | 1,045,062 | 1,204,906 | 5,032,751 |
| Profit for the financial year | – | – | – | – | – | – | – | 736,368 | 736,368 | 736,368 |
| Other comprehensive income | | | | | | | | | | |
| Net gain on fair value changes during the financial year | – | – | – | – | – | 336,076 | – | – | 336,076 | 336,076 |
| Recognised in the profit and loss account on occurrence of hedged transactions | – | – | – | – | – | (68,037) | – | – | (68,037) | (68,037) |
| Foreign currency translation adjustments | – | – | – | – | (439,683) | – | – | – | (439,683) | (439,683) |
| **Other comprehensive income for the financial year, net of tax** | – | – | – | – | (439,683) | 268,039 | – | – | (171,644) | (171,644) |
| **Total comprehensive income for the year** | – | – | – | – | (439,683) | 268,039 | – | 736,368 | 564,724 | 564,724 |
| Contributions by and distributions to owners | | | | | | | | | | |
| Buy back of capital securities (Note 26) | – | – | (235,800) | – | – | – | – | – | – | (235,800) |
| Issue of shares on exercise of warrants (Note 26) | 585,542 | – | – | – | – | – | – | – | – | 585,542 |
| Issue of shares on exercise of share options (Note 26) | 770 | – | – | – | – | – | – | – | – | 770 |
| Issue of treasury shares for Restricted Share Awards (Note 26) | – | 3,189 | – | – | – | – | (3,189) | – | (3,189) | – |
| Issue of capital securities, net of transaction costs (Note 26) | – | – | 347,727 | – | – | – | – | – | – | 347,727 |
| Share-based expense | – | – | – | – | – | – | 20,184 | – | 20,184 | 20,184 |
| Dividends on ordinary shares (Note 27) | – | – | | – | – | – | – | (180,399) | (180,399) | (180,399) |
| Accrued capital securities distribution | – | – | 56,635 | – | – | – | – | (56,635) | (56,635) | – |
| Payment of capital securities distribution | – | – | (53,205) | – | – | – | – | – | – | (53,205) |
| **Total contributions by and distributions to owners** | 586,312 | 3,189 | 115,357 | – | – | – | 16,995 | (237,034) | (220,039) | 484,819 |
| **Total transactions with owners in their capacity as owners** | 586,312 | 3,189 | 115,357 | – | – | – | 16,995 | (237,034) | (220,039) | 484,819 |
| **At 31 December 2017** | 3,674,206 | (187,276) | 1,045,773 | 140,486 | (141,027) | (130,779) | 136,515 | 1,544,396 | 1,549,591 | 6,082,294 |

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

# Statements of Changes in Equity continued
# For the financial year ended 31 December 2017

| 31 December 2016<br>Company | Share capital (Note 26)<br>$'000 | Treasury shares (Note 26)<br>$'000 | Capital securities (Note 26)<br>$'000 | Attributable to owners of the Company<br><br>Capital reserves[1]<br>$'000 | Foreign currency translation reserves[2]<br>$'000 | Fair value adjustment reserves[3]<br>$'000 | Share-based compensation reserves[4]<br>$'000 | Revenue reserves<br>$'000 | Total reserves<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2016** | 3,082,499 | (96,081) | 237,525 | 140,486 | 175,744 | (107,925) | 106,238 | 829,337 | 1,143,880 | 4,367,823 |
| Effects of FRS 109 early adoption | – | – | – | – | – | (192,612) | – | 192,612 | – | – |
| At 1 January 2016, as restated | 3,082,499 | (96,081) | 237,525 | 140,486 | 175,744 | (300,537) | 106,238 | 1,021,949 | 1,143,880 | 4,367,823 |
| Profit for the financial year | – | – | – | – | – | – | – | 240,717 | 240,717 | 240,717 |
| Other comprehensive income | | | | | | | | | | |
| Net loss on fair value changes during the financial year | – | – | – | – | – | (44,170) | – | – | (44,170) | (44,170) |
| Recognised in the profit and loss account on occurrence of hedged transactions | – | – | – | – | – | (54,111) | – | – | (54,111) | (54,111) |
| Foreign currency translation adjustments | – | – | – | – | 122,912 | – | – | – | 122,912 | 122,912 |
| **Other comprehensive income for the financial year, net of tax** | – | – | – | – | 122,912 | (98,281) | – | – | 24,631 | 24,631 |
| **Total comprehensive income for the year** | – | – | – | – | 122,912 | (98,281) | – | 240,717 | 265,348 | 265,348 |
| Contributions by and distributions to owners | | | | | | | | | | |
| Buy back of shares (Note 26) | – | (94,384) | – | – | – | – | – | – | – | (94,384) |
| Issue of shares on exercise of warrants (Note 26) | 5,096 | – | – | – | – | – | – | – | – | 5,096 |
| Issue of shares on exercise of share options (Note 26) | 299 | – | – | – | – | – | – | – | – | 299 |
| Issue of capital securities, net of transaction costs (Note 26) | – | – | 675,874 | – | – | – | – | – | – | 675,874 |
| Share-based expense | – | – | – | – | – | – | 13,282 | – | 13,282 | 13,282 |
| Dividends on ordinary shares (Note 27) | – | – | – | – | – | – | – | (184,036) | (184,036) | (184,036) |
| Accrued capital securities distribution | – | – | 33,568 | – | – | – | – | (33,568) | (33,568) | – |
| Payment of capital securities distribution | – | – | (16,551) | – | – | – | – | – | – | (16,551) |
| **Total contributions by and distributions to owners** | 5,395 | (94,384) | 692,891 | – | – | – | 13,282 | (217,604) | (204,322) | 399,580 |
| **Total transactions with owners in their capacity as owners** | 5,395 | (94,384) | 692,891 | – | – | – | 13,282 | (217,604) | (204,322) | 399,580 |
| **At 31 December 2016** | 3,087,894 | (190,465) | 930,416 | 140,486 | 298,656 | (398,818) | 119,520 | 1,045,062 | 1,204,906 | 5,032,751 |

## 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 reserves 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 long term investment.

## 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 financial year ended 31 December 2017

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | **630,893** | 433,401 |
| Adjustments for:- | | |
| Allowance for doubtful debts | **43,911** | 39,403 |
| Amortisation of intangible assets and depreciation of property, plant and equipment | **380,680** | 353,481 |
| Share-based expense | **20,184** | 13,282 |
| Fair value of biological assets (Note 12) | **15,250** | (14,141) |
| Gain on disposal of subsidiary | **(121,188)** | – |
| (Gain)/loss on disposal of property, plant and equipment and intangible assets | **(29,205)** | 5,405 |
| Interest income | **(65,597)** | (30,248) |
| Interest expense | **531,178** | 446,248 |
| Inventories written down, net | **30,718** | 18,910 |
| Share of results from jointly controlled entities and associates | **(67,631)** | (22,160) |
| **Operating cash flows before reinvestment in working capital** | **1,369,193** | 1,243,581 |
| Decrease/(increase) in inventories | **856,220** | (259,677) |
| Increase in receivables and other current assets | **(35,655)** | (132,885) |
| Decrease/(increase) in advance payments to suppliers | **86,083** | (119,522) |
| (Increase)/decrease in margin account with brokers | **(196,761)** | 14,061 |
| Increase in payables and other current liabilities | **124,835** | 270,258 |
| **Cash flows from operations** | **2,203,915** | 1,015,816 |
| Interest income received | **65,597** | 30,248 |
| Interest expense paid | **(529,581)** | (378,028) |
| Tax paid | **(82,098)** | (48,420) |
| **Net cash flows generated from operating activities** | **1,657,833** | 619,616 |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of property, plant and equipment | **197,359** | 31,981 |
| Purchase of property, plant and equipment (Note 10) | **(951,086)** | (751,793) |
| Purchase of intangibles (Note 11) | **(7,163)** | (11,686) |
| Acquisition of subsidiaries, net of cash acquired | **–** | (588,137) |
| Net proceeds from associates and jointly controlled entities | **(12,374)** | (65,863) |
| Dividends received from associate | **22,278** | – |
| Proceeds on disposal of intangible asset | **–** | 10 |
| Proceeds from partial divestment of subsidiary | **113,539** | – |
| **Net cash flows used in investing activities** | **(637,447)** | (1,385,488) |

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

## Consolidated Cash Flow Statement continued
## For the financial year ended 31 December 2017

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Dividends paid on ordinary shares by the Company | **(180,399)** | (184,036) |
| (Repayment)/proceeds from borrowings, net | **(1,385,209)** | 831,556 |
| Proceeds from issuance of shares on exercise of share options | **770** | 299 |
| Proceeds from conversion of warrants | **585,542** | 5,096 |
| Proceeds from of capital securities, net of distribution | **58,722** | 659,323 |
| Payment for bond buy-back | **–** | (318,401) |
| Purchase of treasury shares | **–** | (94,384) |
| **Net cash flows (used in)/generated from financing activities** | **(920,574)** | 899,453 |
| | | |
| **Net effect of exchange rate changes on cash and cash equivalents** | **(157,423)** | (112,924) |
| Net (decrease)/increase in cash and cash equivalents | **(57,611)** | 20,657 |
| Cash and cash equivalents at beginning of period | **1,939,418** | 1,918,761 |
| | | |
| **Cash and cash equivalents at end of period (Note 33)** | **1,881,807** | 1,939,418 |

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

These notes form an integral part of the financial statements.

The financial statements for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors on 20 March 2018.

## 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 and principal place of business of the Company is at 7 Straits View, #20-01 Marina One East Tower, Singapore 018936.

## 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.

#### 2.1.1 Convergence with International Financial Reporting Standard

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) the new financial reporting framework on 1 January 2018.

The Group has performed an assessment of the impact of adopting the SFRS (I). Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of SFRS (I) will have no material impact on the financial statements in the year of initial application.

### 2.2 Changes in accounting policies and restatements

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

## 2. Summary of significant accounting policies continued

### 2.3 Standards issued but not yet effective

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

| Description | Effective for financial year beginning on |
|---|---|
| Amendments to FRS 40: Transfers of Investment Property | 1 January 2018 |
| FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts | 1 January 2018 |
| FRS 116 Leases | 1 January 2019 |
| Improvements to FRSs (December 2016): | |
| Amendments to FRS 28: Measuring an Associate or Joint Venture at fair value | 1 January 2018 |
| Amendments to FRS 109: Prepayment Features with Negative Compensation | 1 January 2019 |
| INT FRS 122 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| INT FRS 123 Uncertainty Over Income Tax Treatments | 1 January 2019 |
| Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Date to be determined |

Except for FRS 115 Revenue from Contracts with Customers, Amendments to FRS 115 and FRS 116 Leases, 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 FRS 115 Revenue from Contracts with Customers, Amendments to FRS 115 and FRS 116 Leases is described below.

#### FRS 115 Revenue from Contracts with Customers and Amendments to FRS 115

In accordance with FRS 115, which is effective from 1 January 2018 onwards, excluding interest and dividend income and other such income from financial instruments recognised in accordance with FRS 109, revenues are recognised upon transfer of promised goods or services to customers in amounts that reflect the consideration to which Group expect to be entitled in exchange for those goods or services based on the five step approach as prescribed in the standard.

The Group has performed an impact assessment and does not expect a change in revenue recognition for sales of goods or services upon adoption on 1 January 2018.

#### FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use ('ROU') the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary high-level impact assessment of the adoption of FRS 116 on its existing operating lease arrangements as lessee. Based on its preliminary assessment, the Group expects these operating leases to be recognised as ROU assets and corresponding lease liabilities which will result in increase in total assets and total liabilities, EBITDA and gearing ratio. The Group plans to adopt the standard when it becomes effective in 2019.

## 2. Summary of significant accounting policies continued

### 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.

#### (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 measured.

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 continued

### 2.5 Subsidiary companies, basis of consolidation and business combinations

#### (a) Subsidiary companies

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

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

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.

#### (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.

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

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. Summary of significant accounting policies continued

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

### 2.7 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 over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group'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.

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. Summary of significant accounting policies continued

### 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 2.17. 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:-

| | |
|---|---|
| Bearer plants | • 15 to 30 years |
| Leasehold land and buildings | • 5 to 50 years |
| Plant and machinery | • 3 to 25 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.

Bearer plants - Immature plantations are stated at acquisition cost which includes costs incurred for field preparation, planting, farming inputs and maintenance, capitalisation of borrowing costs incurred on loans used to finance the development of immature plantations and an allocation of other indirect costs based on planted hectarage.

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.

### 2.10 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.

## 2. Summary of significant accounting policies continued

### 2.10 Intangible assets continued

#### (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.

### 2.11 Biological assets

#### (a) Agricultural produce ('Fruits on trees') and annual crops

The agricultural produce ('fruits on trees') are valued in accordance with FRS 41 Agriculture. The fair value amount is an aggregate of the fair valuation of the current financial year and the reversal of the prior year's fair valuation. The fair valuation takes into account current selling prices and related costs. The calculated value is then discounted by a suitable factor to take into account the agricultural risk until maturity.

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.

#### (b) 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 valuer using the market prices of livestock of similar age, breed and generic merit.

### 2.12 Impairment of non-financial assets

The Group performs periodic reviews of non-financial assets for indication of impairment. Impairment assessment are done whenever there are indicators of impairment, or as part of an annual impairment assessment exercise as required. The Group makes an estimate of the asset's recoverable amount with the help of independent professional valuers where applicable.

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 have been previously revalued and 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 continued

### 2.12 Impairment of non-financial assets continued

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 instruments. 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**

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:-

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income ('FVOCI')

Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI 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 for impairment losses, foreign exchange gains and losses 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 de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

Equity instruments

The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss.

Changes in fair value of financial assets at FVOCI are recognised in OCI.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

## 2. Summary of significant accounting policies continued

### 2.13 Financial instruments continued

#### (a) Financial assets continued

**Subsequent measurement continued**

**Impairment**
The Group assesses on a forward looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. For trade receivables only, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses.

**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.

#### (b) Financial liabilities

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

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

**Subsequent measurement**
After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

#### (c) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 2.14 Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances and short-term fixed bank deposits that are subject to an insignificant risk of changes in value. These also 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 as measured at amortised cost under FRS 109. The accounting policy for this category of financial assets is stated in Note 2.13.

## 2. Summary of significant accounting policies continued

### 2.15 Impairment of financial assets

#### Trade receivables

The Group measures the loss allowance for its trade receivables at an amount equal to lifetime expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets.

#### Other financial assets

Accordingly, other financial assets are classified as measured at amortised cost less expected impairment losses. The Group's other financial assets have contractual cash flows that are solely principal, and interest and the business model's objective is to hold these assets to collect contractual cash flows. Impairment allowances for other financial assets are determined based on the 12-month expected credit loss model.

### 2.16 Inventories

Inventories principally comprise commodities held for trading and inventories that form part of the Group's expected purchase, sale or usage requirements.

Inventories for commodity trading businesses are measured at fair value less costs to sell, with changes in fair value less costs to sell recognised in the profit or loss in the period of the change.

Inventories that form part of the Group's expected purchase, sale or usage requirements are stated at the lower of cost and net realisable value and are valued on a first-in-first-out basis or weighted average cost method, depending on the underlying business activity. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated cost of disposal and after making allowance for damages and slow-moving items.

For fruits on trees that are harvested, are stated at fair value less estimated point-of-sale costs at the time of harvest (the 'initial cost'). Thereafter these inventories are carried at the lower of initial cost and net realisable value.

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

### 2.17 Borrowing costs

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

### 2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 2. Summary of significant accounting policies continued

### 2.19 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 contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution 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 as a liability 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 options scheme/share grant plan

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 share-based payment transactions with employees is measured with reference to the fair value at the date on which the share subscriptions/options are granted which takes into account market conditions and non-vesting conditions.

This cost is recognised in the profit or loss, 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 or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

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. Summary of significant accounting policies continued

### 2.20 Leases

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

#### (a) Operating lease

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

#### (b) Finance lease

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

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

### 2.21 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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must be met before revenue is recognised:

#### (a) Sale of goods

Revenue from the sale of goods is recognised upon passage of title to the customer, which generally coincides with their delivery and acceptance. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) Sale of services

Revenue from services rendered is recognised upon services performed.

#### (c) Interest income

Interest income is recognised using the effective interest method.

### 2.22 Government grants, export incentives and subsidies

Government grants, export incentives and subsidies are recognised at their fair values when there is reasonable assurance that the grant will be received and all conditions attached will be complied with. When the grant relates to an expense item, it is recognised in the profit or loss over the period necessary to match it 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 or loss over the expected useful life of the relevant asset by equal annual instalments.

### 2.23 Taxes

#### (a) Current income tax

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

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

## 2. Summary of significant accounting policies continued

### 2.23 Taxes continued

#### (b) Deferred tax

Deferred 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 liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would be treated either as a reduction to goodwill (as long as it does not exceed goodwill) if incurred during the measurement period or in profit or loss.

#### (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
- where receivables and payables 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. Summary of significant accounting policies continued

### 2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services, which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

The segment managers report directly to the management of the Company which regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.25 Share capital and share issue expenses

Proceeds from issuance of ordinary shares net of directly attributable expenses are recognised as share capital in equity.

### 2.26 Treasury shares

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

### 2.27 Perpetual capital securities

The perpetual capital securities do not have a maturity date and the Company is able to elect to defer making a distribution subject to the term and conditions of the securities issue. The Company is considered to have no contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue. Accordingly, the perpetual capital securities do not meet the definition for classification as financial liability and are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

### 2.28 Contingencies

A contingent liability is:-

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

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

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

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

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

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

### 2.29 Derivative financial instruments and hedging activities

Derivative financial instruments include forward currency contracts, commodity futures, options, over-the-counter ('OTC') structured products, commodity physical forwards, foreign currency swap and interest rate swap contracts. These are used to manage the Group's exposure to 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 remeasured 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, options, OTC structured products and physical forwards are determined by reference to available market information and market valuation methodology. Where the quoted market prices are not available, fair values are based on management's best estimates, which are arrived at by reference to market prices.

## 2. Summary of significant accounting policies continued

### 2.29 Derivative financial instruments and hedging activities continued

#### Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:-

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

#### (a) Fair value hedges

Fair value hedge accounting is applied to hedge the Group's exposure to changes in the fair value portion of such an asset or liability or an identified portion of such an asset or liability that is attributable to a particular risk – commodity price risk that could affect the profit and loss account. For fair value hedges, the carrying amount of the hedged item (inventories) is adjusted for gains and losses attributable to the risk being hedged, the derivative (hedging instrument) is remeasured at fair value, gains and losses from both are taken to the profit and loss account.

When inventories are designated as a hedged item, the subsequent cumulative change in the fair value of these inventories attributable to the hedged commodity price risk is recognised as part of inventories with a corresponding gain or loss in the profit and loss account. The hedging instrument is recorded at fair value as an asset or liability and the changes in the fair value of the hedging instrument are also recognised in the profit and loss account.

The application of hedge accounting is discontinued in cases where the Group revokes the hedging relationship. Effective from FRS 109, hedging relationships may not be voluntarily revoked unless there is a change in risk management objective. Accordingly, in cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the Group adjusts the hedging ratio to re-establish the effectiveness of the hedging relationship. Furthermore, the Group discontinues the application of hedge accounting in cases where there is a change in the risk management objective for the hedging relationship. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is expensed to profit and loss account from the date on which the Company discontinues hedge accounting.

#### (b) Cash flow hedges

For each cash flow hedge relationship, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the profit and loss account at the time hedge effectiveness is tested.

When a cash flow hedge is discontinued, any cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur. If the hedged future cash flows no longer expected to occur, the net cumulative gain or loss is immediately reclassified to profit and loss account.

### 2.30 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 the share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

## 2. Summary of significant accounting policies continued

### 2.31 Related parties

A related party is defined as follows:-

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:-

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 3. Significant accounting judgements 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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### 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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (a) Impairment of goodwill and intangible assets with indefinite useful life

Management performs periodic reviews of goodwill, intangible assets with indefinite life for indication of impairment. The Group estimates the value in use of the cash-generating units to which the goodwill and intangible asset with indefinite useful life is allocated. Estimating the value in use requires the Group, with the help of independent professional valuers where applicable, 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 impairment tests are sensitive to growth rates and discount rates. Changes in these assumptions may result in changes in recoverable values. The carrying amount of the Group's goodwill and indefinite life intangible assets at the balance sheet date is disclosed in Note 11 to the financial statements.

## 3. Significant accounting judgements and estimates continued

### Key sources of estimation uncertainty continued

**(b) Impairment of property, plant and equipment**

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model and requires the Group, with the help of independent professional valuers where applicable, 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 property, plant and equipment at the balance sheet date is disclosed in Note 10 to the financial statements.

**(c) Biological assets**

The fair value of biological assets (other than annual crops and livestock) is estimated using the discounted cash flow model, which requires the Group to make an estimate of the expected future cash flows from the biological assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows, which is referenced to professional valuations or fair valued by independent professional valuers where significant. The valuation of these biological assets is particularly sensitive to discount rates and they are disclosed in Note 12.

**(d) Fair value of financial instruments**

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of model inputs regarding forward prices, credit risk, volatility and counterparty risk that are not supported by observable market data. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 35.

## 4. Sale of goods and services

| | Group | |
|---|---|---|
| | **2017 $'000** | 2016 $'000 |
| Sale of goods | **26,068,654** | 20,422,256 |
| Sale of services | **203,875** | 164,776 |
| | **26,272,529** | 20,587,032 |

Revenue from sale of goods is stated net of discounts and returns. It excludes interest income, realised gains or losses on derivatives and intra-group transactions.

Revenue from sale of services mainly represents ginning and toll processing income and freight charter income.

## 5. Other income

Other income included the following:-

| | Group | |
|---|---|---|
| | **2017 $'000** | 2016 $'000 |
| Gain on disposal of subsidiary (Note 13) | **121,188** | – |
| Gain on disposal of property, plant and equipment and intangible assets, net [1] | **29,205** | – |
| Commissions and claims, sale of packaging materials, sales of scrap and others | **57,138** | 47,265 |
| | **207,531** | 47,265 |

1. Net gain on disposal of property, plant and equipment in the current financial year includes the gain on sale of USA orchards farmland amounting to $34,168,000 in a Revenue Tier Sharing Arrangement where the Group will pay the buyer a share of the annual revenue from sale of harvests, while the Group continues to operate the orchards for the next 25 years.

## 6. Cost of goods sold

The significant portion of the cost of goods sold pertains to the purchase costs of inventories sold. There are other directly attributable costs associated with cost of goods sold and these include:-

| | Group | |
|---|---|---|
| | **2017 $'000** | 2016 $'000 |
| Shipping, logistics, commission and claims | **(2,832,574)** | (2,682,495) |
| Foreign exchange on cost of goods sold [1] | **247,008** | 179,348 |
| Gains on derivatives net of fair value changes | **246,472** | 63,609 |
| Inventories written down, net (Note 19) | **(30,718)** | (18,911) |
| Export incentives, subsidies and grant income received [2] | **27,789** | 51,384 |

1. Foreign exchange on cost of goods sold relate to foreign exchange movement arising between the time of purchase of goods and the time of sale of such goods.
2. Export incentives and subsidies relate to income from government agencies of various countries for the export of agricultural products.

## 7. Other expenses

Other expenses are stated after (charging)/crediting:-

| | Group | |
|---|---|---|
| | **2017 $'000** | 2016 $'000 |
| Employee benefits expenses (Note 30) | **(704,252)** | (617,887) |
| Gain on foreign exchange, net | **31,518** | 21,566 |
| Bank charges | **(74,416)** | (57,530) |
| Travelling expenses | **(67,867)** | (55,829) |
| Transaction costs incurred in business combinations | **–** | (3,257) |
| Impairment loss on financial assets: | | |
| • Trade receivables (Note 17) | **(41,207)** | (37,016) |
| • Advance payments to suppliers (Note 20) | **(2,704)** | (2,387) |
| Bad debts written back: | | |
| • Trade receivables | **385** | 35,083 |
| • Advance payments to suppliers | **998** | 756 |
| Auditor's remuneration: | | |
| • Ernst & Young LLP, Singapore | **(1,518)** | (2,000) |
| • Other member firms of Ernst & Young Global | **(8,458)** | (6,606) |
| • Other auditors | **(920)** | (1,601) |
| Non-audit fees: | | |
| • Ernst & Young LLP, Singapore | **(776)** | (586) |
| • Other member firms of Ernst & Young Global | **(1,983)** | (137) |
| • Other auditors | **(629)** | (1,214) |

## 8. Finance costs

Finance costs include the following:-

| | Group | |
|---|---|---|
| | **2017 $'000** | 2016 $'000 |
| Interest expense: | | |
| • On bank overdrafts | **36,670** | 44,390 |
| • On bank loans | **298,195** | 207,896 |
| • On medium-term notes | **204,154** | 174,899 |
| • On bonds | **25,950** | 40,213 |
| • Others | **37,249** | 35,419 |
| | **602,218** | 502,817 |
| Less: interest expense capitalised in: | | |
| • Property, plant and equipment and biological assets | **(71,040)** | (56,569) |
| | **531,178** | 446,248 |

Interest was capitalised to capital work-in-progress, plant and machinery, buildings and biological assets by various subsidiaries of the Group at rates ranging from 5.50% to 7.50% (31 December 2016: from 5.00% to 7.50%) per annum.

# 9. Income tax

## (a) Major components of income tax expense

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| **Profit and loss account** | | |
| Current income tax: | | |
| • Singapore | **81,210** | 29,493 |
| • Foreign | **73,742** | 54,218 |
| Overprovision in respect of prior years | **(900)** | (1,527) |
| | **154,052** | 82,184 |
| Deferred income tax: | | |
| • Singapore | **(9,311)** | (347) |
| • Foreign | **(65,493)** | 12,477 |
| Income tax expense | **79,248** | 94,314 |

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| **Statement of comprehensive income:** | | |
| Deferred income tax related to items credited directly to other comprehensive income: | | |
| Net change in fair value adjustment reserves for derivative financial instruments designated as hedging instruments in cash flow hedges | **(7,179)** | (1,457) |
| Deferred tax recorded in other comprehensive income | **(7,179)** | (1,457) |

## (b) Relationship between tax expense and accounting profit

A reconciliation of the statutory tax rate to the Group's effective tax rate is as follows:-

| | Group 2017 % | Group 2016 % |
|---|---|---|
| Statutory tax rate | **17.0** | 17.0 |
| Tax effect of non-deductible expenses | **2.3** | 5.7 |
| Higher statutory tax rates of other countries [1] | **3.3** | 10.4 |
| Tax effect on over provision in respect of prior years | **(0.3)** | (0.4) |
| Tax effect of income taxed at concessionary rate [2] | **(0.2)** | (0.2) |
| Tax effect on non-taxable/ exempt income [3] | **(6.2)** | (9.4) |
| Tax effect of jointly controlled entities/associates | **(1.8)** | (0.9) |
| Tax effect of deferred tax assets not recognised | **2.1** | 6.7 |
| Tax effect of others, net | **(3.6)** | (7.1) |
| | **12.6** | 21.8 |

1. The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.
2. 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 2013 to 30 June 2018 on qualifying activities, products and income.
3. There are seven (31 December 2016: seven) subsidiaries within the Group that are taxed at the preferential tax rate of 0% (as opposed to the local headline/ statutory tax rates ranging from 20% to 35%) by the local tax authorities for periods ranging from 2 to 6 years, except one subsidiary which does not have an expiry date on preferential tax rate.

## 9. Income tax continued

### (c) Deferred income tax

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

The amounts, after such offsets, are disclosed on the balance sheet as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Deferred tax assets | **95,871** | 95,735 | **–** | – |
| Deferred tax liabilities | **(416,991)** | (505,876) | **(6,662)** | (8,103) |
| Net deferred tax liabilities | **(321,120)** | (410,141) | **(6,662)** | (8,103) |

Details of deferred tax assets and liabilities before offsetting is as follows:-

| | Group | | | | Company | |
|---|---|---|---|---|---|---|
| | Consolidated balance sheet | | Consolidated profit and loss account | | Balance sheet | |
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **2017 $'000** | 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| **Deferred tax liabilities:** | | | | | | |
| Property, plant and equipment and intangible assets | **140,415** | 207,620 | **(65,005)** | 39,267 | **626** | 680 |
| Fair value adjustment on business combinations | **128,037** | 198,461 | **(28,409)** | (16,319) | **1,417** | 9,634 |
| Biological assets | **69,895** | 63,814 | **3,373** | (13,289) | **–** | – |
| Convertible bonds | **446** | 483 | **–** | 323 | **446** | 483 |
| Others | **–** | – | **(17,832)** | 13,695 | **–** | – |
| Gross deferred tax liabilities | **338,793** | 470,378 | | | **2,489** | 10,797 |
| **Deferred tax assets:** | | | | | | |
| Allowance for doubtful debts | **(1,040)** | (3,467) | **(1,658)** | (649) | **–** | 76 |
| Inventories written down | **589** | 76 | **(532)** | – | **589** | – |
| Revaluation of financial instruments to fair value | **(9,264)** | 2,618 | **4,206** | (2,420) | **(4,762)** | 2,618 |
| Unabsorbed losses | **7,884** | 43,912 | **31,053** | (22,316) | **–** | – |
| Others | **19,504** | 17,098 | **–** | 13,838 | **–** | – |
| Gross deferred tax assets | **17,673** | 60,237 | | | **(4,173)** | 2,694 |
| Net deferred tax liabilities | **(321,120)** | (410,141) | | | **(6,662)** | (8,103) |
| Deferred income tax (credit)/expense | | | **(74,804)** | 12,130 | | |

#### Unrecognised tax losses and capital allowances for which no deferred tax assets have been recognised

The Group has tax losses of $372,978,000 (31 December 2016: $320,957,000) and capital allowances of $93,864,000 (31 December 2016: $99,149,000) 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 and there is no expiry date on the utilisation of such tax losses and capital allowances for offset against future taxable profits, except for amounts of $284,965,000 (31 December 2016: $272,996,000) which will expire over financial years 2018 to 2022.

#### Unrecognised temporary differences relating to investments in subsidiaries and jointly controlled entities

At the end of the financial years ended 31 December 2016 and 31 December 2017, there is no deferred tax liability that needs to be recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and jointly controlled entities as the Group has determined that if any undistributed earnings of its subsidiaries and jointly controlled entities are distributed in the foreseeable future, there will be no material tax impact.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $158,785,000 (31 December 2016: $163,009,000). The deferred tax liability is estimated to be $26,993,000 (31 December 2016: $27,711,000).

#### Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements in respect of the current and previous financial year (Note 27).

## 10. Property, plant and equipment

| Group | Freehold land $'000 | Leasehold land and buildings $'000 | Plant and machinery $'000 | Other assets[1] $'000 | Capital work-in-progress $'000 | Bearer plants $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 January 2016, as restated | 452,979 | 1,537,418 | 2,044,734 | 270,091 | 332,266 | 1,039,816 | 5,677,304 |
| Additions | 13,146 | 96,630 | 81,504 | 34,206 | 312,137 | 214,170 | 751,793 |
| Acquired through business combination | 58 | 186,215 | 181,611 | 4,685 | 76,489 | 2,607 | 451,665 |
| Disposals | (6,986) | (19,395) | (39,539) | (8,512) | (1,344) | – | (75,776) |
| Reclassification | (23,616) | 83,808 | 51,843 | (14,402) | (110,492) | 12,859 | – |
| Foreign currency translation adjustments | (12,927) | (110,360) | (141,105) | (13,150) | 27,063 | 23,803 | (226,676) |
| As at 31 December 2016 and 1 January 2017 | 422,654 | 1,774,316 | 2,179,048 | 272,918 | 636,119 | 1,293,255 | 6,578,310 |
| Additions | 1,404 | 155,727 | 82,437 | 37,435 | 462,562 | 211,521 | 951,086 |
| Disposals | (121,996) | (31,704) | (23,867) | (32,002) | (2,552) | – | (212,121) |
| Reclassification | 17,144 | 221,619 | 158,624 | 9,188 | (430,587) | 24,012 | – |
| Disposal of ownership interest in subsidiaries resulting in loss of control (Note 13) | – | (7,672) | (48,002) | (903) | (662) | – | (57,239) |
| Foreign currency translation adjustments | (26,228) | (62,021) | (124,037) | 2,350 | (11,065) | 1,689 | (219,312) |
| **As at 31 December 2017** | **292,978** | **2,050,265** | **2,224,203** | **288,986** | **653,815** | **1,530,477** | **7,040,724** |
| **Accumulated depreciation and impairment loss** | | | | | | | |
| As at 1 January 2016, as restated | – | 219,790 | 565,656 | 124,800 | – | 45,078 | 955,324 |
| Charge for the year | – | 67,347 | 162,300 | 38,946 | – | 53,192 | 321,785 |
| Disposals | – | (2,386) | (14,068) | (6,762) | – | – | (23,216) |
| Reclassification | – | (8,055) | 8,494 | (439) | – | – | – |
| Foreign currency translation adjustments | – | (14,395) | (27,683) | (7,107) | – | 6,563 | (42,622) |
| As at 31 December 2016 and 1 January 2017 | – | 262,301 | 694,699 | 149,438 | – | 104,833 | 1,211,271 |
| Charge for the year | – | 83,158 | 158,366 | 45,420 | – | 60,101 | 347,045 |
| Disposals | – | (14,708) | (15,477) | (28,253) | – | – | (58,438) |
| Reclassification | – | 8,362 | (9,377) | 1,015 | – | – | – |
| Disposal of ownership interest in subsidiaries resulting in loss of control (Note 13) | – | (3,781) | (29,594) | (715) | – | – | (34,090) |
| Foreign currency translation adjustments | – | (11,427) | (37,094) | 6,329 | – | (8,709) | (50,901) |
| **As at 31 December 2017** | **–** | **323,905** | **761,523** | **173,234** | **–** | **156,225** | **1,414,887** |
| **Net carrying value** | | | | | | | |
| **As at 31 December 2017** | **292,978** | **1,726,360** | **1,462,680** | **115,752** | **653,815** | **1,374,252** | **5,625,837** |
| As at 31 December 2016 | 422,654 | 1,512,015 | 1,484,349 | 123,480 | 636,119 | 1,188,422 | 5,367,039 |

1. Other assets comprise of motor vehicles, furniture and fittings, office equipment and computers.

## 10. Property, plant and equipment continued

| Company | Buildings $'000 | Plant and machinery $'000 | Motor vehicles $'000 | Furniture and fittings $'000 | Office equipment $'000 | Computers $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 January 2016 | 585 | 922 | 1,540 | 2,150 | 1,156 | 28,287 | 34,640 |
| Additions | – | 11 | – | 4 | – | 185 | 200 |
| Disposals | – | – | (285) | (8) | (21) | (17) | (331) |
| Foreign currency translation adjustments | 12 | 19 | 20 | 42 | 22 | 571 | 686 |
| As at 31 December 2016 and 1 January 2017 | 597 | 952 | 1,275 | 2,188 | 1,157 | 29,026 | 35,195 |
| Additions | – | – | – | 7,284 | 700 | 1,320 | 9,304 |
| Foreign currency translation adjustments | (45) | (73) | (97) | (349) | (106) | (2,255) | (2,925) |
| **As at 31 December 2017** | **552** | **879** | **1,178** | **9,123** | **1,751** | **28,091** | **41,574** |
| **Accumulated depreciation** | | | | | | | |
| As at 1 January 2016 | 296 | 290 | 975 | 2,103 | 1,054 | 10,750 | 15,468 |
| Charge for the year | 49 | 128 | 166 | 16 | 33 | 6,461 | 6,853 |
| Disposals | – | – | (271) | (8) | (21) | (13) | (313) |
| Foreign currency translation adjustments | 9 | 11 | 15 | 42 | 21 | 508 | 606 |
| As at 31 December 2016 and 1 January 2017 | 354 | 429 | 885 | 2,153 | 1,087 | 17,706 | 22,614 |
| Charge for the year | 49 | 105 | 141 | 743 | 92 | 6,465 | 7,595 |
| Foreign currency translation adjustments | (28) | (35) | (71) | (183) | (86) | (1,517) | (1,920) |
| **As at 31 December 2017** | **375** | **499** | **955** | **2,713** | **1,093** | **22,654** | **28,289** |
| **Net carrying value** | | | | | | | |
| **As at 31 December 2017** | **177** | **380** | **223** | **6,410** | **658** | **5,437** | **13,285** |
| As at 31 December 2016 | 243 | 523 | 390 | 35 | 70 | 11,320 | 12,581 |

The carrying amount of freehold land, leasehold buildings, plant and machinery and bearer plants of the Group held under financial lease at the end of the reporting period was $81,072,000 (31 December 2016: $124,600,000). The Group's land, buildings, plant and machinery with a carrying amount of $230,053,000 (31 December 2016: $201,931,000) have been pledged to secure the Group's borrowings as set out in Note 24 to the financial statements.

Bearer plants consist of mature and immature almond orchards, coffee, cocoa, palm and rubber plantations.

The almond orchards and coffee plantations presently consist of trees aged between 1 and 28 years and 1 and 16 years respectively (31 December 2016: 1 and 27 years and 1 and 15 years respectively). The cocoa plantations presently consist of trees aged between 1 and 17 years (31 December 2016: 13 and 15 years).

Immature plantations mainly consist of almond, palm and rubber trees aged between 1 and 5 years amounting to $707,317,000 (31 December 2016: $509,965,000).

At the end of the financial year, the Group's total planted area of plantations is approximately 96,786 (31 December 2016: 78,324) hectares, excluding hectares for those commodities whose plantations are not managed by the Group.

## 11. Intangible assets

| Group | Goodwill $'000 | Customer relationships $'000 | Brands and trademarks[1] $'000 | Software $'000 | Water Rights[2] $'000 | Concession Rights[3] $'000 | Others[4] $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| As at 1 January 2016, as restated | 538,939 | 115,628 | 128,728 | 68,031 | 184,141 | 81,337 | 124,986 | 1,241,790 |
| Acquired through business combinations | 139,022 | 17,650 | 24,144 | – | – | – | 13,064 | 193,880 |
| Additions | – | – | – | 10,872 | – | – | 814 | 11,686 |
| Disposals | – | – | – | (1,973) | – | – | (758) | (2,731) |
| Foreign currency translation adjustments | 16,606 | 3,586 | 3,755 | 1,513 | 1,670 | (486) | 2,646 | 29,290 |
| As at 31 December 2016 and 1 January 2017 | 694,567 | 136,864 | 156,627 | 78,443 | 185,811 | 80,851 | 140,752 | 1,473,915 |
| Additions | – | – | – | 6,947 | – | – | 216 | 7,163 |
| Disposals | – | – | – | (797) | – | – | (117) | (914) |
| Re-classification | – | – | – | 176 | – | – | (176) | – |
| Foreign currency translation adjustments | (51,786) | (10,351) | (11,995) | (5,557) | 66 | (738) | (9,775) | (90,136) |
| **As at 31 December 2017** | **642,781** | **126,513** | **144,632** | **79,212** | **185,877** | **80,113** | **130,900** | **1,390,028** |
| **Accumulated amortisation and impairment** | | | | | | | | |
| As at 1 January 2016 | 4,512 | 33,636 | – | 30,153 | – | 35,899 | 23,251 | 127,451 |
| Amortisation | – | 12,537 | – | 5,632 | – | 4,301 | 9,226 | 31,696 |
| Disposals | – | – | – | (746) | – | – | (570) | (1,316) |
| Foreign currency translation adjustments | (789) | 1,232 | – | 617 | – | 729 | 687 | 2,476 |
| As at 31 December 2016 and 1 January 2017 | 3,723 | 47,405 | – | 35,656 | – | 40,929 | 32,594 | 160,307 |
| Amortisation | – | 12,470 | – | 6,680 | – | 4,258 | 10,227 | 33,635 |
| Disposals | – | – | – | (348) | – | – | (113) | (461) |
| Re-classification | – | – | – | 39 | – | – | (39) | – |
| Foreign currency translation adjustments | 198 | (3,879) | – | (2,297) | – | (2,514) | (2,244) | (10,736) |
| **As at 31 December 2017** | **3,921** | **55,996** | **–** | **39,730** | **–** | **42,673** | **40,425** | **182,745** |
| **Net carrying value** | | | | | | | | |
| **As at 31 December 2017** | **638,860** | **70,517** | **144,632** | **39,482** | **185,877** | **37,440** | **90,475** | **1,207,283** |
| As at 31 December 2016 | 690,844 | 89,459 | 156,627 | 42,787 | 185,811 | 39,922 | 108,158 | 1,313,608 |
| **Average remaining amortisation period (years) – 31 December 2017** | **–** | **1–14** | **–** | **1–10** | **–** | **9–19** | **1–48** | |
| Average remaining amortisation period (years) – 31 December 2016 | – | 1–15 | – | 1–10 | – | 10–20 | 1–49 | |

## 11. Intangible assets continued

| Company | Goodwill $'000 | Brands and trademarks $'000 | Software $'000 | Others[4] $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2016, as restated | 147,327 | 897 | 35,001 | 52,660 | 235,885 |
| Additions | – | – | 10,295 | 443 | 10,738 |
| Disposals | – | – | (1,907) | – | (1,907) |
| Reclassification | 44,837 | – | – | 12,744 | 57,581 |
| Foreign currency translation adjustments | 18,324 | 18 | 1,079 | 5,444 | 24,865 |
| As at 31 December 2016 and 1 January 2017 | 210,488 | 915 | 44,468 | 71,291 | 327,162 |
| Additions | – | – | 5,993 | – | 5,993 |
| Disposals | – | – | (726) | – | (726) |
| Foreign currency translation adjustments | (16,120) | (70) | (3,536) | (5,460) | (25,186) |
| **As at 31 December 2017** | **194,368** | **845** | **46,199** | **65,831** | **307,243** |
| **Accumulated amortisation** | | | | | |
| As at 1 January 2016 | – | – | 9,911 | 7,123 | 17,034 |
| Amortisation | – | – | 3,211 | 2,494 | 5,705 |
| Disposals | – | – | (718) | – | (718) |
| Foreign currency translation adjustments | – | – | 311 | 257 | 568 |
| As at 31 December 2016 and 1 January 2017 | – | – | 12,715 | 9,874 | 22,589 |
| Amortisation | – | – | 4,068 | 2,240 | 6,308 |
| Disposals | – | – | (322) | – | (322) |
| Foreign currency translation adjustments | – | – | (1,067) | (812) | (1,879) |
| **As at 31 December 2017** | **–** | **–** | **15,394** | **11,302** | **26,696** |
| **Net carrying amount** | | | | | |
| **As at 31 December 2017** | **194,368** | **845** | **30,805** | **54,529** | **280,547** |
| As at 31 December 2016 | 210,488 | 915 | 31,753 | 61,417 | 304,573 |
| **Average remaining amortisation period (years)** | | | | | |
| **– 31 December 2017** | **–** | **–** | **1–10** | **2–48** | |
| – 31 December 2016 | – | – | 1–10 | 3–49 | |

1. Brands and trademarks include 'Dona', 'OK Foods' and 'OK Sweets' brands. The useful lives of the brands are estimated to be indefinite as management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash flows for the Group.
2. Water rights relate to perpetual access to share of water from a specified consumptive pool.
3. Concession rights consist of rights to harvest trees in designated areas. Amortisation is charged over the estimated useful life of the concession rights.
4. Others comprise land use rights, trade names, marketing agreements and non-compete fees. Land use rights relate to rights to land where the Group has acquired plantations. Amortisation is charged over the estimated useful lives of the land use rights.

## 11. Intangible assets continued

### Impairment testing of goodwill and other intangible assets

Goodwill and intangible assets with indefinite lives arising from business combinations have been allocated to the following cash-generating units ('CGU'), for impairment testing:-

| | Goodwill | | Brands and trademark | | Water rights | |
|---|---|---|---|---|---|---|
| | 31 December 2017 $'000 | 31 December 2016 $'000 | 31 December 2017 $'000 | 31 December 2016 $'000 | 31 December 2017 $'000 | 31 December 2016 $'000 |
| Olam Orchards Australia Pty Ltd | – | – | – | – | 185,877 | 185,811 |
| Cocoa Processing Business | 231,835 | 251,062 | – | – | – | – |
| Quintessential Foods Nigeria Limited | 74,748 | 80,947 | – | – | – | – |
| McCleskey Mills Inc. | 74,671 | 80,864 | – | – | – | – |
| Universal Blanchers | 66,193 | 71,684 | – | – | – | – |
| Brooks Peanuts Company | 48,659 | 52,694 | – | – | – | – |
| Packaged Foods brands | 31,494 | 34,108 | 120,164 | 130,130 | – | – |
| Caraway Nigeria Africa Limited (Formerly known as 'Ranona Limited') | 43,032 | 46,599 | – | – | – | – |
| Progida Group | 12,499 | 13,535 | – | – | – | – |
| Acacia Investments Limited | 11,600 | 12,562 | 23,648 | 25,608 | – | – |
| Olam Spices & Vegetables Ingredients | 9,134 | 9,965 | 820 | 889 | – | – |
| Olam Food Ingredients Holdings UK Limited | 7,708 | 8,226 | – | – | – | – |
| Olam International – Brazilian Cotton (Queensland Cotton Holdings) | 5,880 | 6,367 | – | – | – | – |
| Olam Food Ingredients Spain, S.L. | 5,839 | 6,323 | – | – | – | – |
| Dehydro Foods S.A.E. | 4,697 | 5,086 | – | – | – | – |
| Queensland Cotton Holdings: | | | | | | |
| • Australian Cotton | 5,023 | 5,021 | – | – | – | – |
| • Australian Pulses | 1,438 | 1,437 | – | – | – | – |
| • USA Cotton | 2,155 | 2,154 | – | – | – | – |
| Hemarus Industries Limited | 1,517 | 1,410 | – | – | – | – |
| Usicam S.A. | 738 | 800 | – | – | – | – |
| | 638,860 | 690,844 | 144,632 | 156,627 | 185,877 | 185,811 |

## 11. Intangible assets continued

### Impairment testing of goodwill and other intangible assets continued

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 five year period. The discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the five year period are as follows:-

| | Growth rates | | Discount rates | |
|---|---|---|---|---|
| | **31 December 2017 %** | 31 December 2016 % | **31 December 2017 %** | 31 December 2016 % |
| Olam Orchards Australia Pty Ltd | **–** | – | **13.00** | 13.00 |
| Cocoa Processing Business | **2.00** | 2.00 | **10.00** | 10.00 |
| Quintessential Foods Nigeria Limited | **–** | – | **11.40** | 11.40 |
| McCleskey Mills Inc. | **1.50** | 1.50 | **14.00** | 14.00 |
| Universal Blanchers | **2.00** | 2.00 | **10.00** | 10.00 |
| Brooks Peanuts Company | **1.50** | 1.50 | **10.00** | 10.00 |
| Packaged Foods brands | **3.00** | 3.00 | **12.50** | 12.50 |
| Caraway Nigeria Africa Limited (Formerly known as 'Ranona Limited') | **3.00** | 3.00 | **12.50** | 12.50 |
| Progida Group | **2.00** | 2.00 | **12.50** | 12.50 |
| Acacia Investment Limited | **3.00** | 3.00 | **17.70** | 17.70 |
| Olam Spices & Vegetables Ingredients | **2.00** | 2.00 | **12.00** | 12.00 |
| Olam Food Ingredients Holdings UK Limited | **–** | – | **12.50** | 12.50 |
| Olam International – Brazilian Cotton (Queensland Cotton Holdings) | **2.00** | 2.00 | **13.00** | 13.00 |
| Olam Food Ingredients Spain, S.L. | **–** | – | **12.00** | 12.00 |
| Dehydro Foods S.A.E. | **2.00** | 2.00 | **12.90** | 12.90 |
| Queensland Cotton Holdings [1] | **–** | – | **13.00** | 13.00 |
| Hemarus Industries Limited | **–** | – | **11.50** | 11.50 |
| Usicam S.A. | **2.00** | 2.00 | **12.00** | 12.00 |

1. The growth rates and discount rates used are 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.

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.

## 12. Biological assets

| Group | Fruits on trees and annual crops $'000 | Livestock $'000 | Total $'000 |
|---|---|---|---|
| As at 1 January 2016, as restated | 227,590 | 108,556 | 336,146 |
| Net additions/(reductions) | 41,687 | (52,351) | (10,664) |
| Capitalisation of expenses | 32,029 | 62,637 | 94,666 |
| Net change in fair value less estimated costs to sell | 18,160 | (4,019) | 14,141 |
| Foreign currency translation adjustments | 4,733 | 11,542 | 16,275 |
| As at 31 December 2016 and 1 January 2017 | 324,199 | 126,365 | 450,564 |
| Net reductions | (30,398) | (53,214) | (83,612) |
| Capitalisation of expenses | 64,453 | 70,180 | 134,633 |
| Net change in fair value less estimated costs to sell | (22,668) | 7,418 | (15,250) |
| Foreign currency translation adjustments | (7,171) | (7,508) | (14,679) |
| **As at 31 December 2017** | **328,415** | **143,241** | **471,656** |

### Fruits on trees and annual crops

During the financial year, the Group harvested approximately 43,429 metric tonnes (31 December 2016: 44,071 metric tonnes) of almonds, which had a fair value less estimated point-of-sale costs of approximately $262,904,000 (31 December 2016: $463,805,000). The fair value of almonds was determined with reference to the market prices at the date of harvest.

Annual crops consist of various commodities such as cotton, onions, tomatoes and other vegetables, rice and grains. For cotton, onions, tomatoes and other vegetables, the Group provides seeds to farmers to sow and grow while for rice and grains, the Group manages its own farms. For annual crops where seeds are provided, the farmers take all the harvest risks and bear all the farming costs. However, the Group has the first right to buy the produce from these farmers, when these annual crops are harvested.

At the end of the financial year, the Group's total planted area of annual crops is approximately 99,310 (31 December 2016: 111,712) hectares, excluding for those commodities where farms are not managed by the Group.

#### Fair value determination

The fair value of fruits on trees is estimated with reference to an independent professional valuation using the present value of expected net cash flows from the biological assets.

The following table shows the key inputs used:-

| Key inputs | Inter-relationship between key inputs and fair value measurement |
|---|---|
| Discount rates of 14.6% (31 December 2016: 15.0%) per annum | The estimated fair value increases as the estimated discount rate per annum decreases, and vice versa. |
| Market prices approximating $9,993 (31 December 2016: $9,500) per metric tonne | The estimated fair value increases as the respective inputs increase, and vice versa. |

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

### Livestock

Livestock relates mainly to dairy cattle in Uruguay and Russia. At the end of the financial year, the Group held 42,297 (31 December 2016: 32,290) cows, which are able to produce milk (mature assets) and 38,321 (31 December 2016: 39,579) heifers and calves, being raised to produce milk in the future (immature assets). The cows produced 245 million litres (31 December 2016: 166 million litres) of milk with a fair value less estimated point-of-sale costs of $146,978,000 (31 December 2016: $94,051,000) during the financial year.

#### Fair value determination

The fair value of livestock is determined based on valuations by an independent professional valuer using market prices ranging from $69 to $5,132 (31 December 2016: $69 to $3,796) of livestock of similar age, breed and generic merit.

### Financial risk management strategies related to agricultural activities

The Group is exposed to financial risk in respect of agricultural activity. The agricultural activity of the Group consists of the management of biological assets to produce marketable output. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of biological assets and on harvesting and ultimately receiving cash from the sale of the marketable output. The Group plans for cash flow requirements for such activities and manages its debt and equity portfolio actively.

## 13. Subsidiary companies

| | Company | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Unquoted equity shares at cost | **4,982,916** | 3,101,835 |
| Less: Impairment loss | **(16,130)** | (16,130) |
| Foreign currency translation adjustments | **7,380** | 314,602 |
| | **4,974,166** | 3,400,307 |
| Loans to subsidiary companies | **1,069,345** | 2,150,153 |
| | **6,043,511** | 5,550,460 |

Loans to subsidiary companies denominated in currencies other than functional currency of the Company are as follows:-

| | Company | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Euro | **96,945** | 513,596 |

No impairment has been recognised in both current and previous financial year on the investment in the subsidiaries as the carrying amount exceeds the fair value based on the net asset value of the subsidiaries.

Loans to subsidiary companies are unsecured and are not repayable within the next 12 months. The loans are non-interest bearing, except for amounts of $74,131,000 (31 December 2016: $722,690,000) which bear interest ranging from 3.3% to 7.0% (31 December 2016: 1.0% to 7.5%) per annum.

The Group did not have any material non-controlling interests as at the balance sheet dates.

### Composition of the Group

Details of significant subsidiary companies are as follows:-

| | | | Effective percentage of equity held by the Group | |
|---|---|---|---|---|
| Name of company | Country of incorporation | Principal activities | **31 December 2017 %** | 31 December 2016 % |
| Olam Ghana Limited [1] | Ghana | (a) | **100** | 100 |
| Olam Ivoire SA [1] | Ivory Coast | (a) | **100** | 100 |
| Olam Nigeria Limited [1] | Nigeria | (a) | **100** | 100 |
| Outspan Ivoire SA [1] | Ivory Coast | (a) | **100** | 100 |
| Olam Moçambique, Limitada [1] | Mozambique | (a) | **100** | 100 |
| Olam Vietnam Limited [1] | Vietnam | (a) | **100** | 100 |
| Olam South Africa (Proprietary) Limited [1] | South Africa | (a) | **100** | 100 |
| Olam Brasil Ltda [1] | Brazil | (a) | **100** | 100 |
| Olam Europe Limited [1] | United Kingdom | (a) | **100** | 100 |
| PT Olam Indonesia [1] | Indonesia | (a) | **100** | 100 |
| Olam Agricola Ltda.[1] | Brazil | (a) | **100** | 100 |
| Olam Argentina S.A.[1] | Argentina | (a) | **100** | 100 |
| Café Outspan Vietnam Limited [1] | Vietnam | (a) | **100** | 100 |
| LLC Outspan International [1] | Russia | (a) | **100** | 100 |
| Olam Enterprises India Private Limited [1] | India | (a) | **100** | 100 |
| Crown Flour Mills Limited [1] | Nigeria | (a) | **100** | 100 |
| Olam Orchards Australia Pty Ltd [1] | Australia | (a) & (c) | **100** | 100 |
| tt Timber International AG [2] | Switzerland | (a) & (b) | **100** | 100 |
| Congolaise Industrielle des Bois SA [1] | Republic of Congo | (a) | **100** | 100 |
| NZ Farming Systems Uruguay Limited [1] | New Zealand | (a), (b) & (c) | **100** | 100 |

## 13. Subsidiary companies continued

### Composition of the Group continued

Details of significant subsidiary companies are as follows:-

| Name of company | Country of incorporation | Principal activities | Effective percentage of equity held by the Group<br>31 December 2017 % | 31 December 2016 % |
|---|---|---|---|---|
| Caraway Pte Ltd [1] | Singapore | (a) | **75** | 75 |
| OK Foods Limited [1] | Nigeria | (a) & (b) | **75** | 75 |
| Caraway Nigeria Africa Limited [1] (Formerly known as 'Ranona Limited') | Nigeria | (a) | **75** | 75 |
| Nutrifoods Ghana Limited [1] | Ghana | (a) | **75** | 75 |
| Olam Sanyo Foods Limited [1] | Nigeria | (a) | **75** | 75 |
| Olam Cocoa Processing Cote d'Ivoire [1] | Ivory Coast | (a) | **100** | 100 |
| Seda Outspan Iberia S.L.[1] | Spain | (a) | **100** | 100 |
| Dehydro Foods S.A.E.[1] | Egypt | (a) | **100** | 100 |
| Queensland Cotton Holdings Pty Ltd [1] | Australia | (a) & (b) | **100** | 100 |
| Olam Holdings Inc [1] (Formerly known as 'Olam Holdings Partnership') | The United States of America | (a), (b) & (c) | **100** | 100 |
| Progida Tarim ǘrǘnleri Sanayi ve Ticaret A.ş.[1] | Turkey | (a) | **100** | 100 |
| Progida Pazarlama A.ş.[1] | Turkey | (a) | **100** | 100 |
| LLC Russian Dairy Company [1] | Russia | (c) | **93** | 93 |
| Gabon Fertilizer Company SA [1] | Gabon | (a) | **80** | 80 |
| Olam Palm Gabon SA [1] | Gabon | (a) & (c) | **60** | 60 |
| Olam Rubber Gabon SA [1] | Gabon | (a) & (c) | **60** | 60 |
| Olam Cam SA [1] | Cameroon | (a) | **100** | 100 |
| Panasia International FZCO [2] | United Arab Emirates | (a) | **100** | 100 |
| Olam International UK Limited [2] | United Kingdom | (b) | **100** | 100 |
| Olam Cocoa Processing Ghana Limited [2] | Ghana | (a) | **100** | 100 |
| Olam Cocoa Ivoire SA [2] | Ivory Coast | (a) | **100** | 100 |
| Olam Cocoa B.V. [2] | Netherlands | (a) | **100** | 100 |
| Olam Cocoa Deutschland GmbH [2] | Germany | (a) | **100** | 100 |
| Olam Suisse Sarl [1] | Switzerland | (a) | **100** | 100 |
| Olam Cocoa Pte Limited [2] | Singapore | (a) | **100** | 100 |
| Acacia Investment Limited [3] | United Arab Emirates | (b) | **100** | 100 |
| Fasorel Sarl [2] | Mozambique | (a) | **100** | 100 |
| Quintessential Foods Nigeria Limited [1] | Nigeria | (a) | **100** | 100 |
| Olam Holdings B.V. [2] | Netherlands | (b) | **100** | 100 |

(a) Sourcing, processing, packaging and merchandising of agricultural products and inputs.

(b) Investment holding.

(c) Agricultural operations.

1. Audited by member firms of Ernst & Young Global.
2. Audited by other Certified Public Accounting ('CPA') firms.
3. No statutory audit is required.

## 13. Subsidiary companies continued

### Disposal of ownership interest in a subsidiary resulting in loss of control

Far East Agri Pte Ltd

On 21 December 2017, the Company completed the sale of 50% stake in Far East Agri Pte Ltd (which holds 100% of PT Dharmapala Usaha Sukses in Indonesia), collectively known as “FEA group” to a third party. The cash consideration is $137,010,000, of which $20,552,000 is deferred; resulting in a net cash inflow on disposal of subsidiary of $113,539,000 recorded in the consolidated cash flow statement.

The net assets derecognised on disposal and together with the fair value of retained interest has resulted in a gain on disposal of $121,188,000 which has been recorded in ‘Other Income’ in profit and loss account (Note 5). Upon the sale, FEA Group ceased to be a subsidiary of the Company and has been classified as a jointly-controlled entity (Note 14(a)).

The value of assets and liabilities recorded in the consolidated financial statements as at 21 December 2017 that was disposed is as follows:-

| | $'000 |
|---|---|
| Property, plant and equipment (Note 10) | **23,149** |
| Non-current assets | **29,244** |
| Current assets | **99,145** |
| Cash and bank balances | **2,919** |
| | **154,457** |
| Current liabilities | **60,704** |
| Non-current liabilities | **43,044** |
| | **103,748** |
| Net assets | **50,709** |

## 14. Investments in jointly controlled entities and associates

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Jointly controlled entities (Note 14(a)) | **281,001** | 247,748 | **198,815** | 124,256 |
| Associates (Note 14(b)) | **789,939** | 642,090 | **581,742** | 600,570 |
| | **1,070,940** | 889,838 | **780,557** | 724,826 |

### (a) Investments in jointly controlled entities

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Unquoted equity shares at cost [1] | **57,818** | 1,551 | **45,936** | – |
| Share of post-acquisition reserves | **63,830** | 102,376 | **–** | – |
| Loans to jointly controlled entities [2] | **154,022** | 124,256 | **154,022** | 124,256 |
| Foreign currency translation adjustments | **5,331** | 19,565 | **(1,143)** | – |
| | **281,001** | 247,748 | **198,815** | 124,256 |

1. In the current financial year, the Group had divested 50% stake in Far East Agri Pte Ltd and its subsidiary and is now accounted for as a jointly controlled entity (Note 13).
2. Loans to jointly controlled entities are unsecured, not expected to be repayable within the next 12 months and are interest free, except for loan balances amounting to $39,277,000 (31 December 2016: $Nil) that bears interest ranging from 3.25% to 4.00% (31 December 2016: Nil).

As of 31 December 2016 and 31 December 2017, no jointly controlled entity was individually material to the Group. However, list of key jointly controlled entities among all the immaterial jointly controlled entities of the Group at the end of financial year are as follows:-

| | | | Percentage of equity held | |
|---|---|---|---|---|
| Name of company | Country of incorporation | Principal activities | **31 December 2017 %** | 31 December 2016 % |
| **Held by the Company** | | | | |
| Nauvu Investments Pte Ltd [1] | Singapore | Sourcing, processing and trading of agricultural commodities and technical services | **50** | 50 |
| Far East Agri Pte Ltd [2] | Singapore | Processing and trading of agricultural commodities | **50** | – |

1. Audited by Ernst & Young LLP, Singapore.
2. Audited by member firms of Ernst & Young Global.

## 14. Investments in jointly controlled entities and associates continued

### (a) Investments in jointly controlled entities continued

The summarised financial information in respect of the jointly controlled entities, based on its FRS financial statements and reconciliation with the carrying amount of the investments in the combined financial statements are as follows:-

| | Group | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| **Summarised balance sheet** | | |
| Non-current assets | **414,953** | 563,044 |
| Current assets | **115,238** | 62,261 |
| Total assets | **530,191** | 625,305 |
| Non-current liabilities | **262,479** | 368,685 |
| Current liabilities | **51,460** | 7,387 |
| Total liabilities | **313,939** | 376,072 |
| Net assets | **216,252** | 249,233 |
| Proportion of the Group's ownership: | | |
| Group's share of net assets | **106,910** | 123,492 |
| Goodwill on acquisition | **20,069** | – |
| Loan to jointly-controlled entities | **154,022** | 124,256 |
| Carrying amount of the investments | **281,001** | 247,748 |
| **Summarised statement of comprehensive income** | | |
| Revenue | **21,167** | 13,535 |
| Profit after tax | **455** | 10,026 |
| Total comprehensive income | **455** | 10,026 |

## 14. Investments in jointly controlled entities and associates continued

### (b) Investments in associates

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Unquoted equity shares at cost | **328,957** | 350,714 | **373,962** | 373,424 |
| Share of post-acquisition reserves | **214,353** | 42,797 | **–** | – |
| Loans to associates [1] | **289,927** | 258,794 | **263,682** | 256,683 |
| Less: Impairment loss | **(35,596)** | (35,596) | **(35,596)** | (35,596) |
| Foreign currency translation adjustments | **(7,702)** | 25,381 | **(20,306)** | 6,059 |
| | **789,939** | 642,090 | **581,742** | 600,570 |

1. Loans to associates are unsecured, not expected to be repayable within the next 12 months and are interest-free except for an amount of $265,073,000 (31 December 2016: $256,683,000) that bears interest of 7.50% (31 December 2016: 5.00% to 7.50%) per annum.

As of 31 December 2016 and 31 December 2017, no associate was individually material to the Group. However, list of key associates among all the immaterial associates of the Group at the end of financial year are as follows:-

| | | | Percentage of equity held | |
|---|---|---|---|---|
| Name of company | Country of incorporation | Principal activities | **31 December 2017 %** | 31 December 2016 % |
| **Held by the Company** | | | | |
| Gabon Special Economic Zone SA [1] | Gabon | Infrastructure development | **40.49** | 40.49 |
| Open Country Dairy Limited [2] | New Zealand | Processing and trading of agricultural commodities | **15.19** | 15.19 |

1. Audited by member firms of Ernst & Young Global.
2. Audited by other CPA firms.

Management has assessed and is satisfied that the Group retains significant influence over Open Country Dairy Limited as the Group continues to hold positions in the Board of Directors of the entity and actively participates in all board meetings.

The summarised financial information in respect of the material associates based on its FRS financial statements and reconciliation with the carrying amount of the investment in the combined financial statements are as follows:-

| | Group | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| **Summarised balance sheet** | | |
| Non-current assets | **1,727,544** | 1,335,418 |
| Current assets | **1,238,213** | 1,026,082 |
| Total assets | **2,965,757** | 2,361,500 |
| Non-current liabilities | **645,563** | 838,299 |
| Current liabilities | **814,339** | 377,695 |
| Total liabilities | **1,459,902** | 1,215,994 |
| Net assets | **1,505,855** | 1,145,506 |
| Proportion of the Group's ownership: | | |
| Group's share of net assets | **511,797** | 364,688 |
| Goodwill on acquisition | **14,461** | 18,608 |
| Loan to associates | **263,682** | 258,794 |
| Carrying amount of the investments | **789,940** | 642,090 |
| **Summarised statement of comprehensive income** | | |
| Revenue | **1,908,573** | 1,072,362 |
| Profit after tax | **179,916** | 87,785 |
| Other comprehensive income | **37,780** | (19,616) |
| Total comprehensive income | **217,696** | 68,169 |

## 15. Long-term investments

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Quoted equity shares | **257,519** | 136,321 | **257,519** | 136,321 |
| Unquoted equity shares | **–** | 12,171 | **–** | – |
| | **257,519** | 148,492 | **257,519** | 136,321 |

The Group's investment in quoted equity shares relates to a 18.56% (31 December 2016: 18.56%) investment in PureCircle Limited ('PureCircle'). Management has assessed and is of the view that the Group does not retain significant influence over PureCircle and is accounted for as fair value through other comprehensive income. The investment in unquoted equity shares relates to a 20% investment in Olam Grains Australia Pty Ltd which was disposed in the current financial year.

## 16. Amounts due from subsidiary companies

| | Company | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Trade receivables | **1,906,156** | 1,886,313 |
| Loans to subsidiaries | **1,877,382** | 1,790,805 |
| Non-trade payables | **(1,857,122)** | (93,970) |
| | **1,926,416** | 3,583,148 |

Loans to subsidiaries include amounts totalling $1,112,709,000 (31 December 2016: $1,479,030,000) which are unsecured and bear interest ranging from 2.00% to 7.50% (31 December 2016: 0.60% to 7.50%) per annum, repayable on demand and are to be settled in cash. The remaining amounts are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.

The other amounts are non-interest bearing, unsecured, subject to trade terms or repayable on demand, and are to be settled in cash.

Amounts due from subsidiary companies denominated in currencies other than functional currency of the Company are as follows:-

| | Company | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Euro | **1,200,445** | 1,504,480 |
| Indian Rupee | **1,275,453** | 877,662 |
| Great Britain Pounds | **154,531** | 508,675 |
| Australian Dollar | **(1,892,055)** | (2,227) |
| Amounts due from subsidiary companies are stated after deducting impairment loss: | | |
| • Trade | **7,792** | 8,261 |
| • Non-trade | **22,630** | 24,506 |
| | **30,422** | 32,767 |

## 17. Trade receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2017 $'000 | 31 December 2016 $'000 | 31 December 2017 $'000 | 31 December 2016 $'000 |
| Trade receivables | **1,635,078** | 1,407,854 | **963,987** | 385,144 |
| Indirect tax receivables | **266,847** | 248,603 | **1,605** | 476 |
| | **1,901,925** | 1,656,457 | **965,592** | 385,620 |

Trade receivables are non-interest bearing and are subject to trade terms of 30 to 60 days' terms. They are recognised at their original invoice amounts, which represent their fair values on initial recognition. Indirect tax receivables comprise goods and services, value-added taxes and other indirect forms of taxes.

Trade receivables denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2017 $'000 | 31 December 2016 $'000 | 31 December 2017 $'000 | 31 December 2016 $'000 |
| Euro | **298,090** | 24,619 | **278,043** | 12,337 |
| United States Dollar | **144,301** | 165,922 | **–** | – |
| Great Britain Pounds | **56,791** | 87,844 | **36,734** | – |

Trade receivables include amounts of $8,559,000, $21,836,000 and $Nil (31 December 2016: $295,000, $Nil and $2,318,000) due from associates, a jointly controlled entity and a shareholder related company, respectively.

The expected credit loss provision as at 31 December 2017 is determined as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2017 $'000 | 31 December 2016 $'000 | 31 December 2017 $'000 | 31 December 2016 $'000 |
| Trade receivables measured at amortised cost | **1,716,289** | 1,458,774 | **1,014,215** | 414,387 |
| Less: Lifetime expected credit loss for trade receivables | **(81,211)** | (50,920) | **(50,228)** | (29,243) |
| Total trade receivables measured at amortised cost | **1,635,078** | 1,407,854 | **963,987** | 385,144 |
| | | | | |
| Movement in allowance accounts:- | | | | |
| As at beginning of year | **50,920** | 60,721 | **29,243** | 42,440 |
| Charge for the year | **41,207** | 37,016 | **23,818** | 27,972 |
| Written off | **(6,102)** | (542) | **–** | – |
| Written back | **(1,272)** | (44,319) | **–** | (41,405) |
| Foreign currency translation adjustments | **(3,542)** | (1,956) | **(2,833)** | 236 |
| As at end of year | **81,211** | 50,920 | **50,228** | 29,243 |

### Receivables that are past due but not impaired

The analysis of the Group and Company's ageing for receivables that are past due but not impaired is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2017 $'000 | 31 December 2016 $'000 | 31 December 2017 $'000 | 31 December 2016 $'000 |
| Trade receivables past due but not impaired:- | | | | |
| Less than 30 days | **384,032** | 346,694 | **145,240** | 56,932 |
| 30 to 60 days | **125,057** | 194,829 | **31,091** | 9,584 |
| 61 to 90 days | **75,642** | 38,006 | **47,148** | 10,832 |
| 91 to 120 days | **69,142** | 20,578 | **19,771** | 813 |
| 121 to 180 days | **18,090** | 8,459 | **5,288** | 1,880 |
| More than 180 days | **39,079** | 39,961 | **22,787** | 6,234 |
| Total trade receivables measured at amortised cost | **711,042** | 648,527 | **271,325** | 86,275 |

## 18. 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.

These amounts reflect the payments made to futures dealers as initial and variation margins depending on the volume of trades done and price movements.

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Margin deposits with brokers | **583,925** | 1,037,352 | **488,250** | 970,574 |
| Amounts due to brokers | **(184,245)** | (872,394) | **(183,388)** | (817,030) |
| | **399,680** | 164,958 | **304,862** | 153,544 |

## 19. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| **Balance sheets:** | | | | |
| Commodity inventories at fair value | **4,096,968** | 5,365,835 | **1,267,257** | 1,038,380 |
| Commodity inventories at the lower of cost and net realisable value | **1,947,713** | 2,048,476 | **137,743** | 106,606 |
| | **6,044,681** | 7,414,311 | **1,405,000** | 1,144,986 |
| **Profit and loss account:** | | | | |
| Inventories recognised as an expense in cost of goods sold inclusive of the following (charge)/credit | **(21,442,547)** | (15,940,068) | **(17,535,130)** | (11,875,179) |
| • Inventories written down | **(46,757)** | (38,664) | **(25,397)** | (11,435) |
| • Reversal of write-down of inventories [1] | **16,039** | 19,754 | **11,321** | 10,366 |

1. The reversal of write-down of inventories is made when the related inventories are sold above their carrying amounts.

## 20. Advance payments to suppliers/subsidiary companies

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Third parties | **743,516** | 880,602 | **116,243** | 142,456 |
| Subsidiary companies | **–** | – | **852,001** | 2,196,193 |
| | **743,516** | 880,602 | **968,244** | 2,338,649 |

These represent advance payments to suppliers and subsidiary companies for procurement of physical commodities.

Advance payments to suppliers and subsidiary companies denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| United States Dollar | **37,193** | 67,803 | **–** | – |
| Euro | **36,968** | 30,269 | **455,950** | 613,857 |
| Great Britain Pounds | **126** | 168 | **582** | 62,596 |

## 20. Advance payments to suppliers/subsidiary companies continued

Advance payments to subsidiary companies are stated after deducting allowance for doubtful debts of $40,773,000 (31 December 2016: $43,483,000).

Advance payments to suppliers (third parties) for the Group and Company are stated after deducting allowance for doubtful debts of $11,423,000 and $769,000 (31 December 2016: $12,450,000 and $472,000) respectively.

The movement in the allowance accounts for advance payment to suppliers is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Movement in allowance accounts:- | | | | |
| As at beginning of year | **12,450** | 17,337 | **472** | 6,561 |
| Charge for the year | **2,704** | 2,387 | **354** | 452 |
| Written off | **(2,093)** | (7,285) | **(13)** | (5,956) |
| Written back | **(998)** | (756) | **–** | (446) |
| Foreign currency translation adjustments | **(640)** | 767 | **(44)** | (139) |
| As at end of year | **11,423** | 12,450 | **769** | 472 |

## 21. Other current/non-current assets

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| **Current:** | | | | |
| Sundry receivables [1] | **216,485** | 362,123 | **21,172** | 1,189 |
| Export incentives and subsidies receivable [2] | **70,479** | 69,983 | **–** | – |
| Amounts due from jointly-controlled entity, associates and a shareholder related company | **64,295** | 29,425 | **20,046** | 23,314 |
| Deposits | **61,168** | 59,772 | **2,121** | 2,565 |
| Option premium receivable | **5,843** | 3,632 | **4,798** | 3,632 |
| Staff advances [3] | **9,466** | 8,182 | **369** | 492 |
| Insurance receivables [4] | **17,679** | 32,493 | **6,858** | 3,548 |
| Short-term investment | **11,600** | 4,478 | **–** | – |
| | **457,015** | 570,088 | **55,364** | 34,740 |
| Prepayments [5] | **317,291** | 356,819 | **112,697** | 116,376 |
| Advance corporate tax paid | **67,351** | 35,633 | **–** | – |
| Taxes recoverable | **6,530** | 24,138 | **–** | – |
| | **848,187** | 986,678 | **168,061** | 151,116 |
| **Non-current:** | | | | |
| Other non-current assets [6] | **25,852** | 30,400 | **–** | – |

1. Sundry receivables include receivables amounting to $Nil (31 December 2016: $162,449,000) which relate to the sale-and-leaseback of the Awala palm plantations.
2. These relate to incentives and subsidies receivable from the Government agencies of various countries for export of agricultural products. There are no unfulfilled conditions or contingencies attached to these incentives and subsidies.
3. Staff advances are interest-free, unsecured, repayable within the next 12 months and are to be settled in cash.
4. Insurance receivables pertain to pending marine and inventories insurance claims. The outstanding claims are currently being processed by the insurance companies for final settlement.
5. Prepayments mainly pertain to prepaid expenses incurred for sourcing, processing, packaging and merchandising of agricultural products and inputs.
6. Other non-current assets include an investment in a dairy co-operative in Uruguay, which is accounted at cost amounting to $11,061,000 (31 December 2016: $11,978,000).

## 22. Trade payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Trade payables | **1,637,565** | 1,538,786 | **923,272** | 799,160 |
| Accruals | **457,244** | 567,802 | **159,053** | 150,123 |
| Advances received from customers | **43,732** | 51,459 | **–** | – |
| GST payable and equivalent | **45,811** | 43,447 | **5,025** | – |
| | **2,184,352** | 2,201,494 | **1,087,350** | 949,283 |

Trade payables are non-interest bearing. Trade payables are subject to trade terms of 30 to 60 days' terms while other payables have an average term of two months.

Trade payables and accruals denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Euro | **178,813** | 124,705 | **173,627** | 121,564 |
| Great Britain Pounds | **140,042** | 340,044 | **124,962** | 293,772 |
| United States Dollar | **31,391** | 37,336 | **–** | – |

Trade payables include amounts of $19,471,000 (31 December 2016: $Nil) and $Nil (31 December 2016: $18,000) due to an associate and a jointly controlled entity respectively.

Accruals mainly relate to operating costs such as logistics, insurance premiums and employee benefits.

## 23. Other current liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Interest payable on bank loans | **82,951** | 81,355 | **74,526** | 75,110 |
| Sundry payables | **339,816** | 261,081 | **–** | 6,647 |
| Option premium payable | **18,450** | 33,419 | **18,450** | 33,419 |
| Amount due to jointly controlled entities | **19,626** | – | **18,155** | – |
| | **460,843** | 375,855 | **111,131** | 115,176 |
| Withholding tax payable | **12,470** | 7,876 | **–** | – |
| | **473,313** | 383,731 | **111,131** | 115,176 |

## 24. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| **Current:** | | | | |
| Bank overdrafts (Note 33) | **104,544** | 190,165 | **–** | – |
| Bank loans | **2,644,191** | 3,220,351 | **1,259,505** | 1,694,362 |
| Term loans from banks | **1,643,678** | 1,842,830 | **799,690** | 1,218,610 |
| Medium-term notes | **249,863** | 719,659 | **249,863** | 719,659 |
| Obligation under finance leases (Note 28(c)) | **17,933** | 10,030 | **–** | – |
| | **4,660,209** | 5,983,035 | **2,309,058** | 3,632,631 |
| **Non-current:** | | | | |
| Term loans from banks | **2,750,543** | 4,232,530 | **1,335,932** | 3,092,015 |
| Medium-term notes | **3,778,652** | 2,983,926 | **3,317,732** | 2,983,926 |
| Obligation under finance leases (Note 28(c)) | **66,412** | 111,701 | **–** | – |
| Other bonds | **332,122** | 359,396 | **332,122** | 359,396 |
| | **6,927,729** | 7,687,553 | **4,985,786** | 6,435,337 |
| | **11,587,938** | 13,670,588 | **7,294,844** | 10,067,968 |

Borrowings denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Singapore Dollar | **1,482,143** | 1,480,199 | **1,481,730** | 1,480,199 |
| United States Dollar | **341,014** | 253,992 | **–** | – |
| Australian Dollar | **185,096** | 200,279 | **185,082** | 200,279 |
| Japanese Yen | **371,332** | 146,690 | **371,332** | 146,690 |
| Great Britain Pounds | **20,289** | 18,703 | **–** | – |
| Euro | **420,271** | – | **–** | – |

### Bank overdrafts and bank loans

The bank loans to the Company are repayable within 12 months and bear interest in a range from 1.95% to 3.65% (31 December 2016: 1.26% to 1.61%) per annum.

The bank loans and bank overdrafts to the subsidiary companies are repayable within 12 months and bear interest in a range from 0.65% to 22.00% (31 December 2016: 0.80% to 26.00%) per annum.

Bank loans include an amount of $17,885,000 (31 December 2016: $24,079,000) secured by the assets of subsidiaries. The remaining amounts of bank loans are unsecured.

### Term loans from banks

Term loans from banks to the Company bear interest at floating interest rates ranging from 2.47% to 3.20% (31 December 2016: 1.56% to 2.76%) per annum. Term loans to the Company are unsecured and are repayable within five years.

Term loans from banks to the subsidiary companies bear interest at floating interest rates ranging from 0.91% to 12.00% (31 December 2016: 1.20% to 12.00%) per annum. Term loans from banks to the subsidiary companies are repayable between two to fifteen years (31 December 2016: two and seven years).

Term loans from banks include an amount of $101,141,000 (31 December 2016: $93,992,000) secured by the assets of subsidiaries. The remaining amounts of term loans from banks are unsecured.

## 24. Borrowings continued

### Medium-term notes

The Company has a $800,000,000 multicurrency medium-term notes ('MTN') programme and a US$5,000,000,000 Euro medium-term notes ('EMTN') programme. The drawdowns from the MTN and EMTN are unsecured.

The MTN and EMTN are as follows:-

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Maturity | **31 December 2017 $'000** | **31 December 2016 $'000** | 31 December 2017 $'000 | 31 December 2016 $'000 |
| **Current:** | | | | | |
| Multicurrency medium-term note programme: | | | | | |
| • 5.75% fixed rate notes | 2017 | – | 719,659 | – | 719,659 |
| • 6.00% fixed rate notes | 2018 | **249,863** | **–** | 249,863 | – |
| **Non-current:** | | | | | |
| Multicurrency medium-term note programme: | | | | | |
| • 6.00% fixed rate notes | 2018 | **–** | **249,638** | – | 249,638 |
| Euro medium-term note programme: | | | | | |
| • 4.25% fixed rate notes | 2019 | **399,077** | **398,484** | 399,077 | 398,484 |
| • 5.80% fixed rate notes | 2019 | **349,422** | **349,047** | 349,422 | 349,047 |
| • 4.50% fixed rate notes | 2020 | **398,741** | **430,748** | 398,741 | 430,748 |
| • 4.875% fixed rate notes | 2020 | **185,082** | **200,279** | 185,082 | 200,279 |
| • 1.375% fixed rate notes | 2020 | **68,272** | **73,860** | 68,272 | 73,860 |
| • 4.00% fixed rate notes | 2020 | **66,662** | **72,119** | 66,662 | 72,119 |
| • 6.00% fixed rate notes | 2022 | **483,369** | **483,030** | 483,369 | 483,030 |
| • 4.50% fixed rate notes | 2021 | **600,963** | **653,891** | 600,963 | 653,891 |
| • 1.427% fixed rate notes | 2021 | **67,241** | **72,830** | 67,241 | 72,830 |
| • 0.47% fixed rate notes | 2022 | **67,848** | **–** | 67,848 | – |
| • 4.375% fixed rate notes | 2023 | **396,378** | **–** | 396,378 | – |
| • 0.9725% fixed rate notes | 2022 | **72,089** | **–** | 72,089 | – |
| • 3.65% fixed rate notes | 2022 | **66,706** | **–** | 66,706 | – |
| • 0.9825% fixed rate notes | 2022 | **95,882** | **–** | 95,882 | – |
| Other medium-term notes: | | | | | |
| • 3.90% fixed rate notes | 2022 | **233,800** | **–** | – | – |
| • 3.73% fixed rate notes | 2022 | **227,120** | **–** | – | – |
| | | **3,778,652** | **2,983,926** | 3,317,732 | 2,983,926 |

### Obligations under finance leases

Obligations under finance leases amounting to $18,101,000 (31 December 2016: $19,602,000) are guaranteed by a subsidiary company.

Obligations under finance leases bear interest ranging from 8.05% to 25.00% (31 December 2016: 0.96% to 9.22%) per annum and are repayable between 1 and 25 years (31 December 2016: 1 and 20 years).

### Other bonds

| | Group and Company | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Non-current: | | |
| 7.50% unsecured senior bonds [1] | **332,122** | 359,396 |

1. On 7 August 2010, the Company issued 7.50% interest bearing unsecured senior bonds of US$250,000,000 due in 2020. The interest is payable semi-annually. On 9 July 2014, the Company repurchased US$917,000 of the senior bonds. Upon settlement, the repurchased portion was cancelled and the aggregate outstanding principal amount following such cancellation is US$249,083,000.

## 24. Borrowings continued

A reconciliation of liabilities arising from financing activities is as follows:-

| | Group | | | | |
|---|---|---|---|---|---|
| | 31 December 2016 $'000 | Cash Flows $'000 | Non-cash changes | | **31 December 2017 $'000** |
| | | | Foreign exchange movement $'000 | Disposal of subsidiary (Note 13) $'000 | |
| Bank borrowings and obligations under finance leases (exclude bank overdrafts) | 9,417,442 | (1,779,508) | (491,308) | (23,869) | **7,122,757** |
| Medium-term notes | 3,703,585 | 394,299 | (69,369) | – | **4,028,515** |
| Other bonds | 359,396 | – | (27,274) | – | **332,122** |

## 25. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the year.

Diluted earnings per share is calculated by dividing the adjusted net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the year adjusted for the effects of dilutive shares and options.

The following reflects the profit and share data used in the basic and diluted earnings per share computations for the financial years ended 31 December:-

| | Group | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Net profit attributable to owners of the Company | **580,743** | 351,312 |
| Less: Accrued capital securities distribution | **(56,635)** | (33,568) |
| Adjusted net profit attributable to owners of the Company for basic and dilutive earnings per share | **524,108** | 317,744 |

| | **No. of shares** | No. of shares |
|---|---|---|
| Weighted average number of ordinary shares on issue applicable to basic earnings per share | **2,814,058,047** | 2,753,842,602 |
| Dilutive effect of convertible bonds | **–** | 6,332,446 |
| Dilutive effect of share options | **2,314,339** | 1,035,086 |
| Dilutive effect of performance share plan | **35,528,711** | 23,098,975 |
| Dilutive effect of warrants | **72,287,589** | 66,835,892 |
| Adjusted weighted average number of ordinary shares applicable to diluted earnings per share | **2,924,188,686** | 2,851,145,001 |

The incremental shares relating to the outstanding convertible bonds have not been included in the calculation of diluted earnings per share as they are anti-dilutive for the previous financial year. During the current financial year, there are no such items.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and the date of these financial statements.

## 26. Share capital, treasury shares, perpetual capital securities and warrants

### (a) Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | **31 December 2017** | | 31 December 2016 | |
| | **No. of shares** | **$'000** | No. of shares | $'000 |
| Ordinary shares issued and fully paid [1] | | | | |
| Balance at beginning of year | **2,829,036,837** | **3,087,894** | 2,825,645,142 | 3,082,499 |
| Issue of shares on exercise of warrants | **391,928,073** | **585,542** | 3,221,695 | 5,096 |
| Issue of shares on exercise of share options | **80,000** | **770** | 170,000 | 299 |
| Balance at end of year | **3,221,044,910** | **3,674,206** | 2,829,036,837 | 3,087,894 |

1. 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. The ordinary shares have no par value.

### (b) Treasury shares

| | Group and Company | | | |
|---|---|---|---|---|
| | **31 December 2017** | | 31 December 2016 | |
| | **No. of shares** | **$'000** | No. of shares | $'000 |
| Ordinary shares issued and fully paid [1] | | | | |
| Balance at beginning of year | **101,165,100** | **190,465** | 52,196,000 | 96,081 |
| Use of treasury shares for share awards/options [2] | **(1,631,500)** | **(3,189)** | – | – |
| Share buyback during the year | **–** | **–** | 48,969,100 | 94,384 |
| Balance at end of year | **99,533,600** | **187,276** | 101,165,100 | 190,465 |

2. The Company used 1,631,500 treasury shares during the current financial year towards the release of 1,321,500 restricted share awards and issuance of 310,000 shares on exercise of share options.

### (c) Capital securities

#### S$275,000,000 7.00% Perpetual Capital Securities

On 1 March 2012, the Company issued perpetual capital securities (the 'perpetual securities') with an aggregate principal amount of S$275,000,000. Issuance costs incurred amounting to $4,549,000 were recognised in equity as a deduction from proceeds.

Such perpetual securities bear distributions at a rate of 7% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering circular, the Company may elect to defer making distribution on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred.

On 22 January 2014, the Company repurchased S$39,200,000 of the S$275,000,000 7% Perpetual Capital Securities issued on 1 March 2012 (the 'Perpetual Bonds'). The repurchase was made by way of on-market purchases. Upon settlement, the repurchased portion was cancelled and the aggregate outstanding principal amount following such cancellation is S$235,800,000.

On 4 September 2017, the Company has repurchased the remaining of the S$275,000,000 7% Perpetual Capital Securities at an amount approximating S$235,800,000. The repurchase was made by way of on-market purchases and the repurchased portion was cancelled in the current financial year.

#### US$500,000,000 5.35% Perpetual Capital Securities

On 20 July 2016, the Company issued subordinated perpetual capital securities (the 'capital securities') with an aggregate principal amount of US$500,000,000 under the US$5,000,000,000 EMTN Programme. Issuance costs incurred amounting to $6,126,000 were recognised in equity as a deduction from proceeds.

The capital securities were priced at par and bear a distribution rate of 5.35% for the first five years. The distribution rate will then be reset at the end of five years from the issue date of the capital securities and each date falling every 5 years thereafter. Additionally, Olam may choose to redeem in whole the capital securities on or after the fifth anniversary of the issuance of the capital securities.

#### Combined S$350,000,000 5.50% Perpetual Capital Securities

On 11 July 2017 and 4 August 2017, the Company issued subordinated perpetual capital securities (the 'capital securities') with an aggregate combined principal amount of S$350,000,000 (S$300,000,000 and S$50,000,000 respectively) under the US$5,000,000,000 EMTN Programme. Issuance costs incurred amounting to $2,273,000 were recognised in equity as a deduction from proceeds.

The capital securities were priced at par and bear a distribution rate of 5.50% for the first five years. The distribution rate will then be reset at the end of five years from the issue date of the capital securities and each date falling every 5 years thereafter. Additionally, Olam may choose to redeem in whole the capital securities on or after the fifth anniversary of the issuance of the capital securities.

## 26. Share capital, treasury shares, perpetual capital securities and warrants continued

### (d) Warrants

On 29 January 2013, 387,365,079 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 29 January 2018. The Warrants have been presented as capital reserves under equity.

During the current financial year, the exercise price for each Warrant were adjusted from US$1.14 to US$1.12 and finally US$1.09. A total of 391,928,073 Warrants were exercised at a maximum price of US$1.14 and minimum price of US$1.09 and new ordinary shares were issued. The outstanding number of warrants following the aforementioned exercise is 51,077,331 with an exercise price of US$1.09 expires on 29 January 2018. Post 31 December 2017, a further 49,973,747 Warrants at the exercise price of US$1.09 each were exercised and all remaining subscription rights under the Warrants which have not been exercised as at 29 January 2018 have lapsed and ceased to be valid.

## 27. Dividends

| | Group and Company | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Declared and paid during the financial year ended:- | | |
| Dividends on ordinary shares: | | |
| • One tier tax exempted interim dividend for financial year ended 31 December 2017: $0.035 (31 December 2016: $0.030) per share | **97,740** | 82,296 |
| • One tier tax exempted second and final dividend for financial year ended 31 December 2016: $0.030 (31 December 2015: $0.035) per share | **82,659** | 101,740 |
| | **180,399** | 184,036 |
| Proposed but not recognised as a liability as at:- | | |
| Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting: | | |
| • One tier tax exempted second and final dividend for financial year ended 31 December 2017: $0.040 (31 December 2016: $0.030) per share | **124,860** | 81,836 |

## 28. Commitments

### (a) Operating lease commitments

Operating lease expenses of the Group and Company (principally for land, offices, warehouses, employees' residences and vessels) were $162,948,000 (31 December 2016: $117,866,000) and $68,406,000 (31 December 2016: $37,536,000), respectively. These leases have an average tenure of between 1.0 and 19.0 years with no renewal option or contingent rent provision included in the contracts. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum rental payable under non-cancellable operating leases are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Within one year | **136,750** | 98,816 | **43,955** | 26,511 |
| After one year but not more than five years | **284,703** | 229,080 | **37,363** | 21,477 |
| More than five years | **467,117** | 581,424 | **774** | 1,398 |
| | **888,570** | 909,320 | **82,092** | 49,386 |

### (b) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Capital commitments in respect of property, plant and equipment | **57,621** | 15,267 | **–** | – |

### (c) Finance lease commitments

The Group has finance leases for palm and almond plantations, land and buildings. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:-

| | Group | | | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | **31 December 2017 $'000** | 31 December 2016 $'000 | 31 December 2016 $'000 |
| | **Minimum lease payments** | **Present value of payments (Note 24)** | Minimum lease payments | Present value of payments (Note 24) |
| Not later than one year | **19,322** | **17,933** | 14,812 | 10,030 |
| Later than one year but not later than five years | **32,301** | **25,623** | 65,743 | 40,740 |
| Later than five years | **83,363** | **40,789** | 132,860 | 70,961 |
| Total minimum lease payments | **134,986** | **84,345** | 213,415 | 121,731 |
| Less: Amounts representing finance charges | **(50,641)** | **–** | (91,684) | – |
| Present value of minimum lease payments | **84,345** | **84,345** | 121,731 | 121,731 |

## 29. Contingent liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Contingent liabilities not provided for in the accounts:<br>Financial guarantee contracts given on behalf of subsidiary companies[1] | **–** | – | **9,776,482** | 6,954,277 |

1. Amounts utilised by subsidiary companies on the bank facilities secured by corporate guarantees amounted to $2,046,030,000 (31 December 2016: $1,089,198,000).

The Company has agreed to provide continuing financial support to certain subsidiary companies.

## 30. Employee benefits expenses

Employee benefits expenses (including executive directors):-

| | Group | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Salaries and employee benefits | **652,171** | 571,963 |
| Central Provident Fund contributions and equivalents | **30,290** | 31,813 |
| Retrenchment benefits | **1,607** | 829 |
| Share-based expense (relates to OSGP only) | **20,184** | 13,282 |
| | **704,252** | 617,887 |

### (a) 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. 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 10 years, instead of 5 years. 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.

Controlling Shareholders and associates of Controlling Shareholders are not eligible to participate in the ESOS.

All these options have a contractual life of 10 years with no cash settlement alternatives.

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.

Pursuant to the voluntary conditional cash offer by Breedens International Pte Ltd approval was sought and granted on 8 April 2014 such that all outstanding options which have not been exercised at the expiry of the accelerated exercise period shall not automatically lapse and become null and void but will expire in accordance with their original terms.

The ESOS has expired on 3 January 2015. The terms of the ESOS continue to apply to outstanding options granted under the ESOS. The ESOS rules amended on 29 October 2008 may be read in the Appendix 1 of the Company's circular dated 13 October 2008.

#### Movement of share options during the financial year

The following table illustrates the number and weighted average exercise price of, and movements in, share options during the financial year:-

| | **31 December 2017** | | 31 December 2016 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price $** | Number of share options | Weighted average exercise price $ |
| Outstanding at the beginning of the year | **72,742,000** | **2.20** | 74,417,000 | 2.20 |
| Forfeited during the year | **(1,085,000)** | **2.38** | (1,505,000) | 2.66 |
| Exercised during the year [1] | **(390,000)** | **1.97** | (170,000) | 2.28 |
| Outstanding at the end of the year [2] | **71,267,000** | **2.20** | 72,742,000 | 2.20 |
| Exercisable at end of year | **71,267,000** | **2.20** | 60,238,000 | 2.29 |

1. The weighted average share price when the options were exercised in the current financial year was $1.97 (31 December 2016: $2.28).
2. The range of exercise prices for options outstanding at the end of the financial year was $1.76 to $3.10 (31 December 2016: $1.76 to $3.10). The weighted average remaining contractual life for these options is 2.52 years (31 December 2016: 4.52 years).

## 30. Employee benefits expenses continued

### (b) Olam Share Plans

#### Olam Share Grant Plan ('OSGP')

On 30 October 2014, the Company had adopted the new Share Grant Plan ('OSGP'). The OSGP is a share-based incentive plan which involves the award of fully-paid shares, when and after pre-determined performance or service conditions are accomplished. Any performance targets set under the OSGP are intended to be based on longer-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The actual number of shares to be delivered pursuant to the award granted will range from 0% to 192.5% and 200% of the base award and is contingent on the achievement of pre-determined targets set out in the three-year performance period and other terms and conditions being met.

The details of OSGP are described below:-

Olam Share Grant Plan ('OSGP') – Performance and Restricted Share Awards ('PSA' and 'RSA')

| | |
|---|---|
| Plan Description | Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives |
| Performance Conditions | • Absolute Total Shareholder Return ('TSR')<br>• Relative Total Shareholder Return<br>• Return on Equity ('ROE')<br>• Profit after Tax and Minority Interest ('PATMI') Growth |
| Vesting Condition | Vesting based on meeting stated performance conditions over a three-year performance period |
| Payout | 0% – 192.5% and 200% depending on the achievement of pre-set performance targets over the performance period. |

#### Fair value of OSGP

The fair value of services received in return for shares awarded is measured by reference to the fair value of shares granted under the OSGP. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model, which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns. The inputs to the model used for the shares granted are shown below:-

| Plan: | RSA and PSA | RSA and PSA | PSA |
|---|---|---|---|
| Grant date: | 24 April 2017 | 15 April 2016 | 7 April 2015 |
| Dividend yield (%) | 2.333 | 2.753 | 2.87 |
| Expected volatility (%) | 22.035 | 22.747 | 7.82 |
| Risk-free interest rate (%) | 1.394 | 1.197 | 1.33 |
| Expected term (years) | 2.94 | 2.72 | 2.74 |
| Index (for Relative TSR) | Not applicable | FTSE Straits Times Index | FTSE Straits Times Index |
| Index volatility (%) | Not applicable | 14.081 | 7.82 |
| Correlation with Index (%) | Not applicable | 35.4 | 38.8 |
| Share price at date of grant ($) | 1.910 | 1.720 | 1.985 |
| Fair value at date of grant ($) | 1.594 | 1.400 | 1.848 |

The number of contingent shares granted but not released for both PSA and RSA awards as at 31 December 2017 was 38,897,596 (31 December 2016: 27,637,500).

Based on the achievement factor, the actual release of the PSA awards could range from zero to maximum of 59,553,509 (31 December 2016: 42,762,913) fully-paid ordinary shares of the Company.

## 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 | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Subsidiary companies: | | | | |
| • Sales of goods | **–** | – | **3,549,093** | 3,288,693 |
| • Sales of services, net | **–** | – | **1,539** | 29,125 |
| • Purchases | **–** | – | **11,002,794** | 7,113,429 |
| • Insurance premiums paid | **–** | – | **14,365** | 13,295 |
| • Commissions paid | **–** | – | **30,475** | 56,074 |
| • Interest received on loans, net | **–** | – | **60,355** | 80,824 |
| • Consultancy fee paid | **–** | – | **85,885** | 30,850 |
| • Management fee received | **–** | – | **46,688** | 35,049 |
| • Trademark income | **–** | – | **–** | 204,817 |
| • Dividend received | **–** | – | **12,997** | 101 |
| • Toll processing charges paid | **–** | – | **120,672** | – |
| • Warehouse rental paid | **–** | – | **383** | – |
| Jointly controlled entities: | | | | |
| • Sales of goods | **2,844** | – | **–** | – |
| • Management fee received | **383** | 204 | **–** | – |
| • Interest received on loans | **8** | – | **8** | – |
| Associates: | | | | |
| • Sales of goods | **81,070** | 31,347 | **79,266** | 19,659 |
| • Purchases | **316,421** | 165,859 | **316,417** | 165,852 |
| • Finance income | **22,758** | 14,659 | **22,758** | 14,659 |
| • Dividend received | **22,325** | 12 | **22,325** | 12 |
| • Management fee received | **2,351** | 664 | **2,351** | 664 |
| • Director Fees received | **38** | 77 | **38** | 77 |
| • Miscellaneous income | **131** | 255 | **131** | 255 |
| Shareholder related companies: | | | | |
| • Sale of goods | **54,751** | 58,002 | **19,466** | 48,585 |
| • Purchases | **123** | 1,278 | **–** | 485 |
| • Others | **–** | 78 | **–** | – |

## 32. Compensation of directors and key management personnel

The remuneration of directors and key management personnel during the years is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2017 $'000 | 31 December 2016 $'000 | 31 December 2017 $'000 | 31 December 2016 $'000 |
| Directors' fees | **1,755** | 1,866 | **1,698** | 1,806 |
| Salaries and employee benefits | **20,511** | 19,581 | **16,796** | 16,629 |
| Central Provident Fund contributions and equivalents | **557** | 448 | **126** | 130 |
| Share-based expense | **4,543** | 2,803 | **3,688** | 2,279 |
| | **27,366** | 24,698 | **22,308** | 20,844 |
| Comprising amounts paid to:- | | | | |
| Directors of the Company | **11,389** | 10,550 | **11,332** | 10,490 |
| Key management personnel | **15,977** | 14,148 | **10,976** | 10,354 |
| | **27,366** | 24,698 | **22,308** | 20,844 |

### Directors' interests in employee share benefit plans

At the end of the reporting date, the total number of outstanding options/shares that were issued/allocated to the directors and key management personnel under existing employee benefit schemes is given below:-

| | 31 December 2017 Options/shares | 31 December 2016 Options/shares |
|---|---|---|
| Employee Share Option Scheme: | | |
| Directors | **20,000,000** | 20,000,000 |
| Key management personnel | **16,800,000** | 16,800,000 |
| Olam Share Grant Plan: | | |
| Directors | **3,321,846** | 2,052,000 |
| Key management personnel | **5,750,000** | 3,700,000 |

## 33. Cash and short-term deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2017 $'000 | 31 December 2016 $'000 | 31 December 2017 $'000 | 31 December 2016 $'000 |
| Cash and bank balances | **1,174,552** | 1,556,636 | **601,561** | 723,680 |
| Deposits | **811,799** | 587,415 | **535,450** | 550,992 |
| | **1,986,351** | 2,144,051 | **1,137,011** | 1,274,672 |

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.1% to 21.0% (31 December 2016: 0.00% to 12.50%) per annum.

Deposits include short-term and capital guaranteed deposits. Short-term deposits are made for varying periods between 1 and 365 days (31 December 2016: 1 and 365 days) depending on the immediate cash requirements of the Group, and interest earned at floating rates ranging from 0.80% to 19.50% (31 December 2016: 0.00% to 9.96%) per annum and may be withdrawn on demand.

Deposits amounting to $1,119,000 (31 December 2016: $1,545,000) have been pledged to secure the Group's borrowings as set out in Note 24 to the financial statements.

Deposits include capital guaranteed, non-interest bearing, index-linked structured deposits of $Nil (31 December 2016: $14,468,000) (31 December 2016: remaining maturity period of three months) and may be withdrawn on demand.

Cash and bank balances and deposits denominated in currencies other than functional currencies of Group companies are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2017 $'000 | 31 December 2016 $'000 | 31 December 2017 $'000 | 31 December 2016 $'000 |
| Euro | **876,917** | 294,709 | **865,456** | 290,061 |
| United States Dollar | **68,335** | 86,235 | **–** | – |
| Great Britain Pounds | **17,214** | 103,304 | **14,039** | 102,285 |
| Singapore Dollar | **17,075** | 49,808 | **16,798** | 49,806 |
| Japanese Yen | **10,881** | 267,271 | **10,881** | 267,208 |
| Swiss Franc | **1,359** | 210,833 | **1,284** | 210,015 |
| Australian Dollar | **579** | 3,625 | **576** | 3,324 |

## 33. Cash and short-term deposits continued

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:-

| | Group | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Cash and bank balances | **1,174,552** | 1,556,636 |
| Deposits | **811,799** | 587,415 |
| Structured deposits | **–** | (14,468) |
| Bank overdrafts (Note 24) | **(104,544)** | (190,165) |
| | **1,881,807** | 1,939,418 |

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 and the Company are exposed to financial risks from its operations and the use of financial instruments. The board of directors and board risk committee reviews and agrees on policies and procedures for the management of these risks, which are executed by the Chief Financial Officer and Head of Risk. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

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, bonds, 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 and 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.

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

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 the commodities price index moved by 1.0% with all other variables held constant, the Group's profit net of tax would have changed by $30,287,000 (31 December 2016: $22,991,000) arising as a result of fair value on Group's commodity futures, options contracts, physical sales and purchases commitments as well as the inventory held at balance sheet date.

## 34. Financial risk management policies and objectives continued

### (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.

For computation of impairment losses on financial assets, the Group uses a provision matrix as presented below:-

| Balance Sheet | Expected credit loss |
|---|---|
| Trade receivables (Note 17)<br>Loans to jointly-controlled entities and associates (Note 14)<br>Other current assets – Sundry receivables, export incentives and subsidies receivable, deposits, staff advances, insurance receivables, amount due from jointly-controlled entity, associates and a shareholder related company (Note 21)<br>Amount due from subsidiary companies (Note 16) | A percentage of the financial asset calculated by taking the default sovereign risk rating of the counterparties based on external benchmarks |

The carrying amounts of trade receivables, other non-current and current assets, margin accounts with brokers, cash and short-term deposits payments, 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.

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the operating segment profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| **By operating segments:** | | | | |
| Edible nuts, spices and vegetable ingredients | **337,909** | 253,620 | **219,463** | 68,467 |
| Confectionery and beverage ingredients | **675,624** | 556,669 | **444,534** | 77,805 |
| Industrial raw materials | **178,959** | 79,105 | **156,962** | 47,890 |
| Food staples and packaged food business | **442,381** | 518,460 | **143,028** | 190,982 |
| Commodity financial services | **205** | – | **–** | – |
| | **1,635,078** | 1,407,854 | **963,987** | 385,144 |

The Group has no significant concentration of credit risk with any single customer.

## 34. Financial risk management policies and objectives continued

### (c) Foreign currency risk

The Group trades its products globally 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 Pounds (GBP), Euro (EUR), Australian Dollar (AUD) and Singapore Dollar (SGD).

The following table demonstrates the sensitivity of the Group's profit net of tax and equity to a reasonably possible change in the USD, GBP, EUR, AUD and SGD exchange rates, with all other variables held constant.

| | Group | | | |
|---|---|---|---|---|
| | **31 December 2017** | | 31 December 2016 | |
| | **Profit net of tax $'000** | **Equity $'000** | Profit net of tax $'000 | Equity $'000 |
| | **Increase/ (decrease)** | **Increase/ (decrease)** | Increase/ (decrease) | Increase/ (decrease) |
| SGD – strengthened 0.5% | **(7,217)** | **5,629** | (6,692) | 6,275 |
| GBP – strengthened 0.5% | **(673)** | **(5,287)** | (322) | (2,983) |
| USD – strengthened 0.5% | **(380)** | **–** | 689 | – |
| AUD – strengthened 0.5% | **(225)** | **4,439** | (134) | 2,609 |
| EUR – strengthened 0.5% | **1,615** | **(6,103)** | (2,954) | (10,129) |

## 34. Financial risk management policies and objectives continued

### (d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations associated with its financial liabilities or due to shortage of funds.

To ensure continuity of funding, the Group primarily uses short-term bank facilities that 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 repayment obligations.

| | **31 December 2017 $'000** | | | | 31 December 2016 $'000 | | | |
|---|---|---|---|---|---|---|---|---|
| | **One year or less** | **One to five years** | **Over five years** | **Total** | One year or less | One to five years | Over five years | Total |
| **Group** | | | | | | | | |
| **Financial liabilities:** | | | | | | | | |
| Trade payables and accruals (Note 22) | **2,094,809** | **–** | **–** | **2,094,809** | 2,201,494 | – | – | 2,201,494 |
| Other current liabilities (Note 23) | **377,892** | **–** | **–** | **377,892** | 294,500 | – | – | 294,500 |
| Borrowings | **4,995,442** | **7,039,874** | **555,524** | **12,590,840** | 6,465,152 | 7,727,079 | 689,751 | 14,881,982 |
| Derivative financial instruments (Note 34(f)) | **851,947** | **–** | **–** | **851,947** | 987,942 | – | – | 987,942 |
| Total undiscounted financial liabilities | **8,320,090** | **7,039,874** | **555,524** | **15,915,488** | 9,949,088 | 7,727,079 | 689,751 | 18,365,918 |
| **Company** | | | | | | | | |
| **Financial liabilities:** | | | | | | | | |
| Trade payables and accruals (Note 22) | **1,082,325** | **–** | **–** | **1,082,325** | 949,283 | – | – | 949,283 |
| Other current liabilities (Note 23) | **36,605** | **–** | **–** | **36,605** | 40,066 | – | – | 40,066 |
| Borrowings | **2,531,888** | **5,043,954** | **401,238** | **7,977,080** | 4,010,284 | 6,492,154 | 508,758 | 11,011,196 |
| Derivative financial instruments (Note 34(f)) | **685,128** | **–** | **–** | **685,128** | 681,162 | – | – | 681,162 |
| Total undiscounted financial liabilities | **4,335,946** | **5,043,954** | **401,238** | **9,781,138** | 5,680,795 | 6,492,154 | 508,758 | 12,681,707 |

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| | **31 December 2017 $'000** | | | | 31 December 2016 $'000 | | | |
|---|---|---|---|---|---|---|---|---|
| | **One year or less** | **One to five years** | **Over five years** | **Total** | One year or less | One to five years | Over five years | Total |
| **Group** | | | | | | | | |
| Financial guarantees | **–** | **–** | **–** | **–** | – | – | – | – |
| **Company** | | | | | | | | |
| Financial guarantees | **2,046,030** | **–** | **–** | **2,046,030** | 1,089,198 | – | – | 1,089,198 |

### (e) Interest rate risk

The Company's and the Group's exposure to market risk for changes in interest rates relate primarily to its floating rate loans and borrowings. Interest rate risk is managed on an ongoing basis such as hedging 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 to 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 $27,607,000 (31 December 2016: $25,393,000).

## 34. Financial risk management policies and objectives continued

### (f) Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage the Group's exposure to risks associated with foreign currency and commodity price. Certain derivatives are also used for trading purposes. The Group and Company have master netting arrangements with certain dealers and brokers to settle the net amount due to or from each other.

As at 31 December 2017, the settlement dates on open foreign exchange derivatives and commodity derivatives ranged between 1 and 24 months (31 December 2016: 1 and 24 months), except for power purchase agreement (10 years).

The Group's and Company's derivative financial instruments that are offset are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | Fair value | | Fair value | |
| | Assets $'000 | Liabilities $'000 | Assets $'000 | Liabilities $'000 |
| 31 December 2017 | | | | |
| **Derivatives held for hedging:** | | | | |
| Foreign exchange contracts | **257,385** | **(176,798)** | **143,026** | **(164,497)** |
| Foreign exchange contracts – Cash flow hedge | **–** | **(11,619)** | **–** | **(11,619)** |
| Commodity contracts | **2,603,631** | **(1,956,800)** | **2,163,097** | **(1,754,690)** |
| Power purchase agreement | **13,801** | **–** | **–** | **–** |
| Interest rate swaps | **–** | **(1,199)** | **–** | **(1,199)** |
| **Total derivatives held for hedging** | **2,874,817** | **(2,146,416)** | **2,306,123** | **(1,932,005)** |
| **Derivatives held for trading:** | | | | |
| Foreign exchange contracts | **3,806** | **(2,388)** | **3,806** | **(2,388)** |
| Commodity contracts | **124,791** | **(87,308)** | **124,791** | **(87,308)** |
| **Total derivatives held for trading** | **128,597** | **(89,696)** | **128,597** | **(89,696)** |
| **Total derivatives, gross** | **3,003,414** | **(2,236,112)** | **2,434,720** | **(2,021,701)** |
| Gross amounts offset in the balance sheet | **(1,384,165)** | **1,384,165** | **(1,336,573)** | **1,336,573** |
| **Net amounts in the balance sheet** | **1,619,249** | **(851,947)** | **1,098,147** | **(685,128)** |

| | Group | | Company | |
|---|---|---|---|---|
| | Fair value | | Fair value | |
| | Assets $'000 | Liabilities $'000 | Assets $'000 | Liabilities $'000 |
| 31 December 2016 | | | | |
| **Derivatives held for hedging:** | | | | |
| Foreign exchange contracts | 231,380 | (195,339) | 206,572 | (154,642) |
| Foreign exchange contracts – Cash flow hedge | – | (41,305) | – | (41,305) |
| Commodity contracts | 5,739,831 | (4,846,050) | 4,840,466 | (4,463,259) |
| **Total derivatives held for hedging** | 5,971,211 | (5,082,694) | 5,047,038 | (4,659,206) |
| **Derivatives held for trading:** | | | | |
| Foreign exchange contracts | 6,224 | (9,768) | 6,224 | (9,768) |
| Commodity contracts | 305,170 | (251,933) | 305,170 | (251,934) |
| **Total derivatives held for trading** | 311,394 | (261,701) | 311,394 | (261,702) |
| **Total derivatives, gross** | 6,282,605 | (5,344,395) | 5,358,432 | (4,920,908) |
| Gross amounts offset in the balance sheet | (4,356,454) | 4,356,453 | (4,239,746) | 4,239,746 |
| **Net amounts in the balance sheet** | 1,926,151 | (987,942) | 1,118,686 | (681,162) |

## 34. Financial risk management policies and objectives continued

### (f) Derivative financial instruments and hedge accounting continued

The Group applies hedge accounting in accordance with FRS 109 for certain hedging relationships which qualify for hedge accounting. The effects of applying hedge accounting for expected future sales and purchases on the Group's balance sheet and profit or loss are as follows:-

| | Line item in the Balance Sheets where the hedging instrument is reported: | **Group 31 December 2017** Assets $'000 | Liabilities $'000 | Group 31 December 2016 Assets $'000 | Liabilities $'000 |
|---|---|---|---|---|---|
| **Fair value hedge** | | | | | |
| **Hedged item:** | | | | | |
| Inventories | Inventories | **1,135,411** | **–** | 767,870 | – |
| Sales and purchase contracts | Derivative assets/ (liabilities) | **67,384** | **–** | 274,192 | – |
| **Hedging instruments:** | | | | | |
| Commodity contracts | Derivative assets/ (liabilities) | **55,832** | **–** | – | (225,817) |
| **Cash flow hedge** | | | | | |
| **Hedged item:** | | | | | |
| Forecasted transactions denominated in foreign currency | Fair value adjustment reserves | **214,878** | **–** | 76,655 | – |
| **Hedging instruments:** | | | | | |
| Foreign exchange contracts | Derivative assets/ (liabilities) | **–** | **(11,619)** | – | (41,305) |

#### Fair value hedge

The Group is exposed to price risk on the purchase side due to increase in commodity prices, on the sales sides and inventory held to decrease in commodity prices. Therefore, the Group applies fair value hedge accounting to hedge its commodity prices embedded in its inventories, sales and purchase contracts and uses commodity derivatives to manage its exposure. The Group determines its hedge effectiveness based on the volume of both hedged item and hedging instruments.

For all the commodity derivatives used for hedging purposes, the forecasted transactions are expected to occur within 3 to 24 months. The commodity derivatives held for hedging are used to hedge the commodity price risk related to inventories, sales and purchases contracts. The accumulated amount of fair value hedge adjustments included in the carrying amount of the inventories for the current financial year amounts to $178,271,000 (31 December 2016: $276,553,000).

#### Cash flow hedge

For all the foreign exchange and commodity derivatives used for hedging purposes, the forecasted transactions are expected to occur within 24 months (31 December 2016: 24 months). For all cases where the Group applies hedge accounting, the fair value of the derivative recorded in the fair value adjustment reserves will be recycled through the profit and loss account upon occurrence of the forecasted transactions and this amounts to $68,037,000 for the current financial year. The net hedging loss recognised in the 'Other Comprehensive Income' in relation to such transactions amounts to $11,619,000 in the current financial year.

Cash flow hedges of expected transactions that were assessed to be highly effective have resulted in a net fair value gain of $146,841,000 for both the Group and Company for the financial year ended 31 December 2017 (31 December 2016: gain of $22,544,000). There was no hedge ineffectiveness recorded in Profit and Loss during the current financial year.

## 35. Fair values of assets and liabilities

### (a) Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

## 35. Fair values of assets and liabilities continued

### (b) Fair value of assets and liabilities that are carried at fair value

The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:-

| | Group 31 December 2017 | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) $'000 | Significant other observable inputs (Level 2) $'000 | Significant unobservable inputs (Level 3) $'000 | Total $'000 |
| **Recurring fair value measurements** | | | | |
| **Financial assets:** | | | | |
| Long-term investment (Note 15) | 257,519 | – | – | 257,519 |
| Derivative financial instruments | | | | |
| • Foreign exchange contracts | – | 261,191 | – | 261,191 |
| • Commodity contracts | 107,212 | 1,166,466 | 70,579 | 1,344,257 |
| • Power purchase agreement | – | – | 13,801 | 13,801 |
| | 364,731 | 1,427,657 | 84,380 | 1,876,768 |
| **Financial liabilities:** | | | | |
| Derivative financial instruments | | | | |
| • Foreign exchange contracts | – | 179,186 | – | 179,186 |
| • Foreign exchange contracts – Cash flow hedge | – | 11,619 | – | 11,619 |
| • Commodity contracts | 223,277 | 435,004 | 1,662 | 659,943 |
| • Interest rate swaps | – | 1,199 | – | 1,199 |
| | 223,277 | 627,008 | 1,662 | 851,947 |
| **Non-financial assets:** | | | | |
| Biological assets (Note 12) | – | – | 471,656 | 471,656 |
| Inventories (Note 19) | – | 3,707,281 | 389,687 | 4,096,968 |
| | – | 3,707,281 | 861,343 | 4,568,624 |

| | Group 31 December 2016 | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) $'000 | Significant other observable inputs (Level 2) $'000 | Significant unobservable inputs (Level 3) $'000 | Total $'000 |
| **Recurring fair value measurements** | | | | |
| **Financial assets:** | | | | |
| Long-term investment (Note 15) | 136,321 | – | 12,171 | 148,492 |
| Derivative financial instruments | | | | |
| • Foreign exchange contracts | – | 237,604 | – | 237,604 |
| • Commodity contracts | 492,907 | 1,073,034 | 122,606 | 1,688,547 |
| | 629,228 | 1,310,638 | 134,777 | 2,074,643 |
| **Financial liabilities:** | | | | |
| Derivative financial instruments | | | | |
| • Foreign exchange contracts | – | 205,108 | – | 205,108 |
| • Foreign exchange contracts – Cash flow hedge | – | 41,305 | – | 41,305 |
| • Commodity contracts | 129,122 | 599,632 | 12,775 | 741,529 |
| | 129,122 | 846,045 | 12,775 | 987,942 |
| **Non-financial assets:** | | | | |
| Biological assets (Note 12) | – | – | 450,564 | 450,564 |
| Inventories (Note 19) | – | 4,550,262 | 815,573 | 5,365,835 |
| | – | 4,550,262 | 1,266,137 | 5,816,399 |

## 35. Fair values of assets and liabilities continued

### (b) Fair value of assets and liabilities that are carried fair value continued

#### Determination of fair value

Long-term investment relates to one investment in the current financial year, of which is based on quoted closing prices at the balance sheet date.

Foreign exchange contracts and interest rate swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Commodity contracts, inventories and power purchase agreement are valued based on the following:-

- Level 1 – Based on quoted closing prices at the balance sheet date;
- Level 2 – Valued using valuation techniques with market observable inputs. The models incorporate various inputs including the broker quotes for similar transactions, credit quality of counter-parties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodities; and
- Level 3 – Valued using inputs that are not based on observable inputs such as historical transacted prices and estimates.

Certain commodity contracts which were valued based on Level 3 in the previous financial year, are valued based on Level 2 in the current financial year as there were available broker quotes unlike in the previous financial year.

The fair value of biological assets (fruits on trees, annual crops and livestock) has been determined through various methods and assumptions. Please refer to Note 12 for more details.

### (c) Level 3 fair value measurements

#### (i) Information about significant unobservable inputs used in Level 3 fair value measurements

The significant unobservable inputs used in the valuation of biological assets are disclosed in Note 12.

The following table shows the information about fair value measurements of other assets and liabilities using significant unobservable inputs (Level 3):-

| Recurring fair value measurements | Valuation techniques | Unobservable inputs | Percentage |
|---|---|---|---|
| **Financial assets/ liabilities:** | | | |
| Long-term investment – unquoted | Discounted cash flow | Discount rate | Nil (31 December 2016: 14.6%) |
| Commodity contracts | Comparable market approach | Premium on quality per metric tonne | 0% to 33% (31 December 2016: 0% to 17%) |
| Commodity contracts | Comparable market approach | Discount on quality per metric tonne | 0% to 25% (31 December 2016: 0% to 21%) |
| Power purchase agreement | Discounted Cash Flow | Electricity Pricing per megawatt hour | 0% to 21% (31 December 2016: Nil) |
| **Non-financial assets:** | | | |
| Inventories | Comparable market approach | Premium on quality per metric tonne | 0% to 23% (31 December 2016: 0% to 20%) |
| Inventories | Comparable market approach | Discount on quality per metric tonne | 0% to 23% (31 December 2016: 0% to 20%) |

## 35. Fair values of assets and liabilities continued

### (c) Level 3 fair value measurements continued

#### (i) Information about significant unobservable inputs used in Level 3 fair value measurements continued

Impact of changes to key assumptions on fair value of Level 3 financial instruments

The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

| | 31 December 2017 | | |
|---|---|---|---|
| | | Effect of reasonably possible alternative assumptions | |
| | Carrying amount $'000 | Profit/(loss) $'000 | Other comprehensive income $'000 |
| **Recurring fair value measurements** | | | |
| **Financial assets:** | | | |
| Commodity contracts | **70,579** | **(621)** | **–** |
| Power purchase agreement | **13,801** | **381** | **–** |
| **Financial liabilities:** | | | |
| Commodity contracts | **(1,662)** | **182** | **–** |
| **Non-financial assets:** | | | |
| Biological assets – increased by 0.5% | **471,656** | **(1,863)** | **–** |
| Biological assets – decreased by 0.5% | **471,656** | **1,874** | **–** |
| Inventories | **389,687** | **3,996** | **–** |

| | 31 December 2016 | | |
|---|---|---|---|
| | | Effect of reasonably possible alternative assumptions | |
| | Carrying amount $'000 | Profit/(loss) $'000 | Other comprehensive income $'000 |
| **Recurring fair value measurements** | | | |
| **Financial assets:** | | | |
| Long-term investment – unquoted | 12,171 | – | 61 |
| Commodity contracts | 122,606 | 6,666 | – |
| **Financial liabilities:** | | | |
| Commodity contracts | (12,775) | 612 | – |
| **Non-financial assets:** | | | |
| Biological assets, as restated – increased by 0.5% | 450,564 | (1,853) | – |
| Biological assets, as restated – decreased by 0.5% | 450,564 | 1,864 | – |
| Inventories | 815,573 | 7,801 | – |

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the following key unobservable inputs used in the fair value measurement:

- For certain commodity contracts and inventories, the Group adjusted the market prices of the valuation model by 1%.
- For long-term investment (unquoted), the Group adjusted the assumptions to the model inputs of the valuation model by 0.5%.
- For biological assets, the Group adjusted the estimated discount rate applied to discounted cash flow model by 0.5%.

## 35. Fair values of assets and liabilities continued

### (c) Level 3 fair value measurements continued

#### (ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value, except for biological assets (Note 12), based on significant unobservable inputs (Level 3):-

| | Commodity contracts – assets $'000 | Commodity contracts – liabilities $'000 | Power purchase agreement – assets $'000 | Long-term investment – unquoted (Note 15) $'000 | Inventories $'000 |
|---|---|---|---|---|---|
| **At 1 January 2016** | 52,409 | (1,053) | – | 12,061 | 336,493 |
| Total gain/(loss) recognised in the profit and loss account | | | | | |
| • Net gain/(loss) on fair value changes | 70,197 | (11,722) | – | – | 53,154 |
| • Purchases and sales, net | – | – | – | – | 425,926 |
| • Foreign currency translation adjustments | – | – | – | 110 | – |
| **At 31 December 2016 and 1 January 2017** | **122,606** | **(12,775)** | **–** | **12,171** | **815,573** |
| Total gain/(loss) recognised in the profit and loss account | | | | | |
| • Net gain on fair value changes | (52,027) | 11,113 | 13,801 | – | (12,226) |
| • Purchases and sales, net | – | – | – | (12,171) | (413,660) |
| At 31 December 2017 | 70,579 | (1,662) | 13,801 | – | 389,687 |

### (d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

(i) Cash and short-term deposits, trade receivables, other current assets, margin accounts with brokers, amounts due from subsidiary companies, trade payables and accruals, other current liabilities and bank overdrafts.

The fair values of these financial instruments approximate their carrying amounts at the balance sheet date because of their short-term maturity.

(ii) Bank loans, term loans from banks and obligations from finance leases

The carrying amount of the bank loans, term loans from banks and obligations from finance leases are an approximation of fair values as they are subjected to frequent repricing (floating rates) and/ or because of their short-term maturity.

### (e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

(i) Loans to subsidiary companies, loans to jointly controlled entities and loans to associates

Loans to subsidiary companies, loans to jointly controlled entities and loans to associates have no fixed terms of repayment and are repayable only when the cash flow of the entities permits. Accordingly, the fair value of these amounts is not determinable as the timing of the future cash flow arising from these balances cannot be estimated reliably.

(ii) Other non-current assets – investment in dairy co-operative

The Group's investment in a dairy co-operative has been carried at cost because fair value cannot be measured reliably as the dairy co-operative is not listed and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

## 35. Fair values of assets and liabilities continued

### (e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value continued

(iii) Medium-term notes and other bonds

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying amount $'000 | Fair value $'000 | Carrying amount $'000 | Fair value $'000 |
| **31 December 2017** | | | | |
| **Financial liabilities:** | | | | |
| Medium-term notes | **4,028,515** | **4,090,749** | **3,567,595** | **3,629,829** |
| Other bonds | **332,122** | **360,259** | **332,122** | **360,259** |
| **31 December 2016** | | | | |
| **Financial liabilities:** | | | | |
| Medium-term notes | 3,703,585 | 3,700,546 | 3,703,585 | 3,700,546 |
| Other bonds | 359,396 | 390,468 | 359,396 | 390,468 |

The fair value of medium-term notes and all bonds is determined directly by reference to their published market bid price (Level 1) or valued using valuation techniques with market observable inputs (Level 2), where relevant at the end of the respective financial years.

## 36. Capital management

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 vis-a-vis 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. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2017.

The Group calculates the level of debt capital required to finance the working capital requirements using traditional and modified financial metrics including leverage/gearing ratio and asset turnover ratio.

As at balance sheet date, leverage ratios are as follows:-

| | Group | |
|---|---|---|
| | **31 December 2017** | 31 December 2016 |
| Gross debt to equity: | | |
| • Before fair value adjustment reserve | **1.76 times** | 2.36 times |
| Net debt to equity: | | |
| • Before fair value adjustment reserve | **1.46 times** | 1.99 times |

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 medium-term notes, issue new shares or convertible bonds and adjust dividend payments.

## 37. Classification of financial assets and liabilities

| Group | Amortised cost $'000 | Fair value through Other Comprehensive Income $'000 | Fair value through Profit or Loss $'000 |
|---|---|---|---|
| **31 December 2017** | | | |
| **Financial assets:** | | | |
| Loans to jointly controlled entities (Note 14(a)) | 154,022 | – | – |
| Loans to associates (Note 14(b)) | 289,927 | – | – |
| Long-term investments (Note 15) | – | 257,519 | – |
| Trade receivables (Note 17) | 1,635,078 | – | – |
| Margin accounts with brokers (Note 18) | 399,680 | – | – |
| Other current assets (Note 21) | 457,015 | – | – |
| Cash and short-term deposits (Note 33) | 1,986,351 | – | – |
| Derivative financial instruments (Note 34(f)) | – | – | 1,619,249 |
| Other non-current assets (Note 21) | 14,791 | – | 11,061 |
| | 4,936,864 | 257,519 | 1,630,310 |
| **Financial liabilities:** | | | |
| Trade payables and accruals (Note 22) | 2,094,809 | – | – |
| Other current liabilities (Note 23) | 460,843 | – | – |
| Borrowings (Note 24) | 11,587,938 | – | – |
| Derivative financial instruments (Note 34(f)) | – | 11,619 | 840,328 |
| | 14,143,590 | 11,619 | 840,328 |

| Company | Amortised cost $'000 | Fair value through Other Comprehensive Income $'000 | Fair value through Profit or Loss $'000 |
|---|---|---|---|
| **31 December 2017** | | | |
| **Financial assets:** | | | |
| Loans to jointly controlled entities (Note 14(a)) | 154,022 | – | – |
| Loans to associates (Note 14(b)) | 263,682 | – | – |
| Long-term investments (Note 15) | – | 257,519 | – |
| Amounts due from subsidiary companies (Note 16) | 1,926,416 | – | – |
| Trade receivables (Note 17) | 963,987 | – | – |
| Margin accounts with brokers (Note 18) | 304,862 | – | – |
| Other current assets (Note 21) | 55,364 | – | – |
| Cash and short-term deposits (Note 33) | 1,137,011 | – | – |
| Derivative financial instruments (Note 34(f)) | – | – | 1,098,147 |
| | 4,805,344 | 257,519 | 1,098,147 |
| **Financial liabilities:** | | | |
| Trade payables and accruals (Note 22) | 1,082,325 | – | – |
| Other current liabilities (Note 23) | 111,131 | – | – |
| Borrowings (Note 24) | 7,294,844 | – | – |
| Derivative financial instruments (Note 34(f)) | – | 11,619 | 673,509 |
| | 8,488,300 | 11,619 | 673,509 |

## 38. Segmental information

The Group's businesses are organised and managed as five 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 Vegetable Ingredients – Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts, sesame and beans including pulses, lentils and peas), spices and vegetable ingredients (including pepper, onion, garlic, capsicums and tomato).
- Confectionery and Beverage Ingredients – cocoa and coffee.
- Industrial Raw Materials, Ag Logistics and Infrastructure – cotton, wood products, rubber, fertiliser and Gabon Special Economic Zone (GSEZ including ports and infrastructure).
- Food Staples and Packaged Foods – rice, sugar and sweeteners, grains and animal feed, edible oils, dairy and packaged foods.
- Commodity Financial Services – risk management solutions, market-making, volatility and asset management, and trade and structured finance.

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, fixed deposits, other receivables and corporate liabilities such as taxation and borrowings. Assets which are unallocated are common and shared by segments and thus it is not practical to allocate them.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The measure used by management to evaluate segment performance is different from the operating profit or loss in the consolidated financial statements, as explained in the table in Note 38(a).

Group financing (including finance cost), which is managed on group basis, and income tax which is evaluated on group basis are not allocated to operating segments.

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.

# 38. Segmental information continued

## (a) Business segments

| | Edible nuts, spices and vegetable ingredients | | Confectionery and beverage ingredients | | Industrial raw materials, Ag Logistics and Infrastructure | | Food staples and packaged foods | | Commodity financial services | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Segment revenue : | | | | | | | | | | | | |
| Sales to external customers | **4,491,982** | 3,981,093 | **8,136,794** | 7,710,976 | **3,876,629** | 2,784,204 | **9,767,124** | 6,110,759 | **–** | – | **26,272,529** | 20,587,032 |
| Segment result (EBITDA) | **438,403** | 331,790 | **327,709** | 407,288 | **197,287** | 135,182 | **359,670** | 330,230 | **4,896** | (1,608) | **1,327,965** | 1,202,882 |
| Depreciation and amortisation | **(136,865)** | (134,707) | **(99,498)** | (97,192) | **(26,662)** | (24,271) | **(117,253)** | (96,996) | **(402)** | (315) | **(380,680)** | (353,481) |
| Finance costs | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(531,178)** | (446,248) |
| Finance income | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **65,597** | 30,248 |
| Exceptional items[1] | **28,001** | – | **–** | – | **–** | – | **121,188** | – | **–** | – | **149,189** | – |
| Profit before taxation | | | | | | | | | | | **630,893** | 433,401 |
| Taxation expense | | | | | | | | | | | **(79,248)** | (94,314) |
| Profit for the financial year | | | | | | | | | | | **551,645** | 339,087 |
| Segment assets | **4,051,846** | 4,185,983 | **6,054,288** | 7,212,619 | **2,914,211** | 2,794,927 | **5,960,449** | 5,642,221 | **174,111** | 260,835 | **19,154,905** | 20,096,585 |
| Unallocated assets[2] | | | | | | | | | | | **3,143,642** | 3,372,299 |
| | | | | | | | | | | | **22,298,547** | 23,468,884 |
| Segment liabilities | **447,956** | 543,317 | **707,254** | 1,103,141 | **561,218** | 349,162 | **1,282,132** | 1,120,138 | **75,815** | 107,053 | **3,074,375** | 3,222,811 |
| Unallocated liabilities[3] | | | | | | | | | | | **12,603,143** | 14,611,769 |
| | | | | | | | | | | | **15,677,518** | 17,834,580 |
| Other segmental information: | | | | | | | | | | | | |
| Share of results from jointly-controlled entities and associates | **27** | – | **1,511** | (232) | **63,324** | 6,772 | **2,769** | 15,620 | **–** | – | **67,631** | 22,160 |
| Investments in jointly-controlled entities and associates | **1,542** | 1,245 | **1,542** | 2,726 | **479,827** | 495,865 | **588,029** | 390,002 | **–** | – | **1,070,940** | 889,838 |
| Capital expenditure | **135,612** | 139,153 | **159,472** | 132,139 | **99,004** | 129,561 | **556,756** | 350,480 | **242** | 460 | **951,086** | 751,793 |

## (b) Geographical segments

| | Asia, Middle East and Australia | | Africa | | Europe | | Americas | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Segment revenue: | | | | | | | | | | | | |
| Sales to external customers | **9,809,906** | 6,823,304 | **4,854,419** | 3,646,339 | **6,784,873** | 5,466,757 | **4,823,331** | 4,650,632 | **–** | – | **26,272,529** | 20,587,032 |
| Intersegment sales | **10,895,287** | 6,279,030 | **3,569,317** | 2,932,461 | **1,666,624** | 2,628,457 | **3,365,854** | 2,645,897 | **(19,497,082)** | (14,485,845) | **–** | – |
| | **20,705,193** | 13,102,334 | **8,423,736** | 6,578,800 | **8,451,497** | 8,095,214 | **8,189,185** | 7,296,529 | **(19,497,082)** | (14,485,845) | **26,272,529** | 20,587,032 |
| Non-current assets[4] | **3,775,732** | 3,391,133 | **2,799,057** | 2,527,224 | **806,691** | 803,504 | **1,373,478** | 1,573,815 | **–** | – | **8,754,958** | 8,295,676 |

## (c) Information on major customers

The Group has no single customer accounting for more than 10% of the turnover.

## 38. Segmental information continued

1 Exceptional items included the following items of income/(expenses):-

| | Group | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Wage agreement settlement, USA | **(6,167)** | – |
| Gain on sale of USA orchards farmland | **34,168** | – |
| Gain on disposal of subsidiary (Note 13) | **121,188** | – |
| | **149,189** | – |

2 The following unallocated assets items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:-

| | Group | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Cash and bank balances | **1,174,552** | 1,556,636 |
| Fixed deposits | **811,799** | 587,415 |
| Other current/non-current assets | **803,901** | 984,021 |
| Long-term investments | **257,519** | 148,492 |
| Deferred tax assets | **95,871** | 95,735 |
| | **3,143,642** | 3,372,299 |

3 The following unallocated liabilities items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:-

| | Group | |
|---|---|---|
| | **31 December 2017 $'000** | 31 December 2016 $'000 |
| Borrowings | **11,587,938** | 13,670,588 |
| Deferred tax liabilities | **416,991** | 505,876 |
| Other liabilities | **435,237** | 350,356 |
| Provision for taxation | **162,977** | 84,949 |
| | **12,603,143** | 14,611,769 |

4 Non-current assets mainly relate to property, plant and equipment, intangible assets, biological assets, investments in jointly controlled entities and associates and long-term investments.

## 39. Events occurring after the reporting period

(a) On 19 January 2018, the Company announced the acquisition of 546,000 Ordinary Shares in Long Son Joint Stock Company ('Long Son'), a company established under the laws of Vietnam, and a Cashew processor, for a total consideration of US$20,000,000 (approximately S$27,402,000). Following the acquisition, Long Son became a 30% associated company of the Company; and

(b) On 29 January 2018, all remaining subscription rights under the Warrants (Note 26(d)) which have not been exercised have lapsed and ceased to be valid.

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