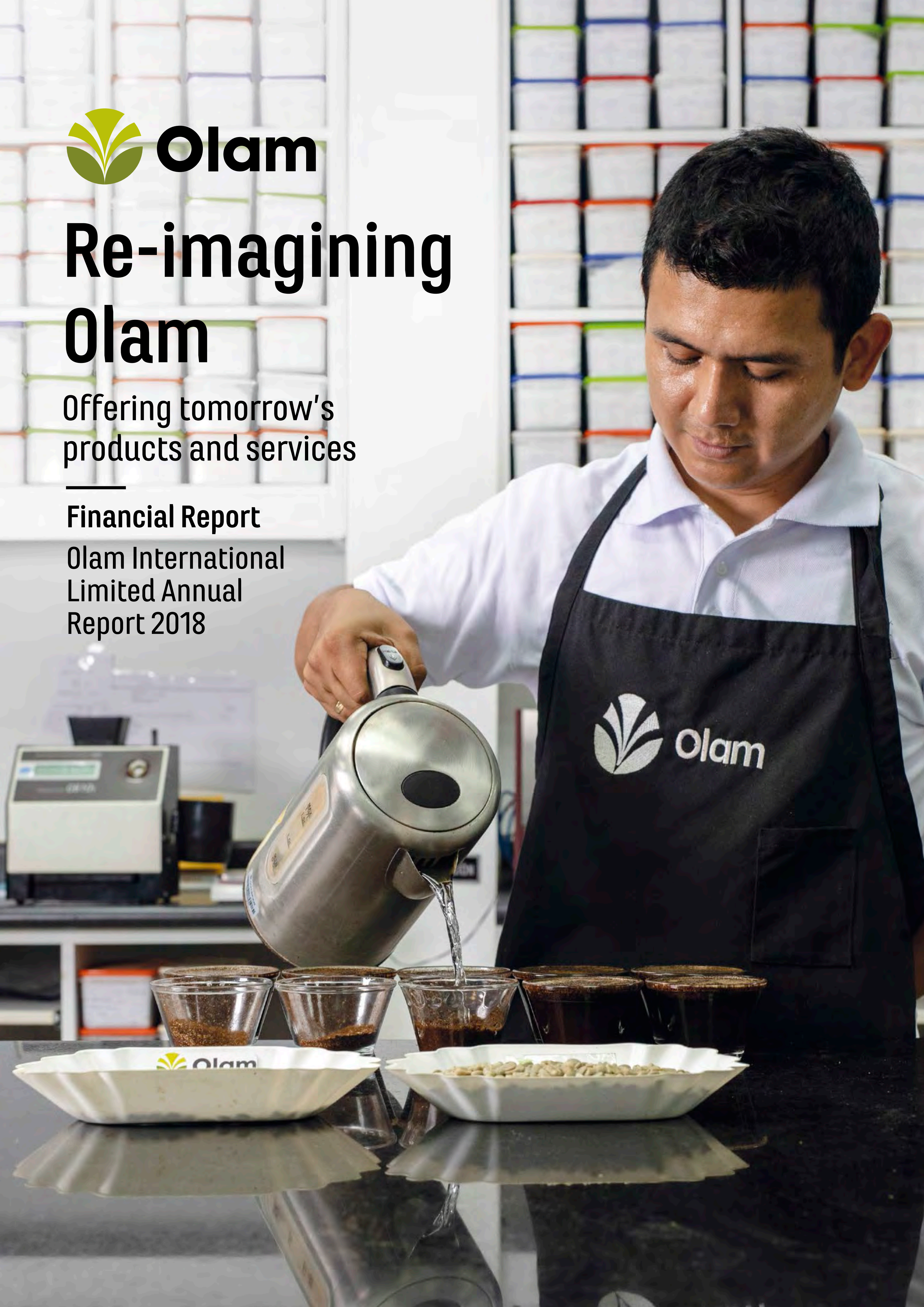


Re-imagining Olam

Offering tomorrow's products and services

Financial Report

Olam International Limited Annual Report 2018

About this report

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 strategy, our performance and key market factors and trends. It can be read independently as an Executive Summary or as part of the full report.

Governance Report

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

Contents

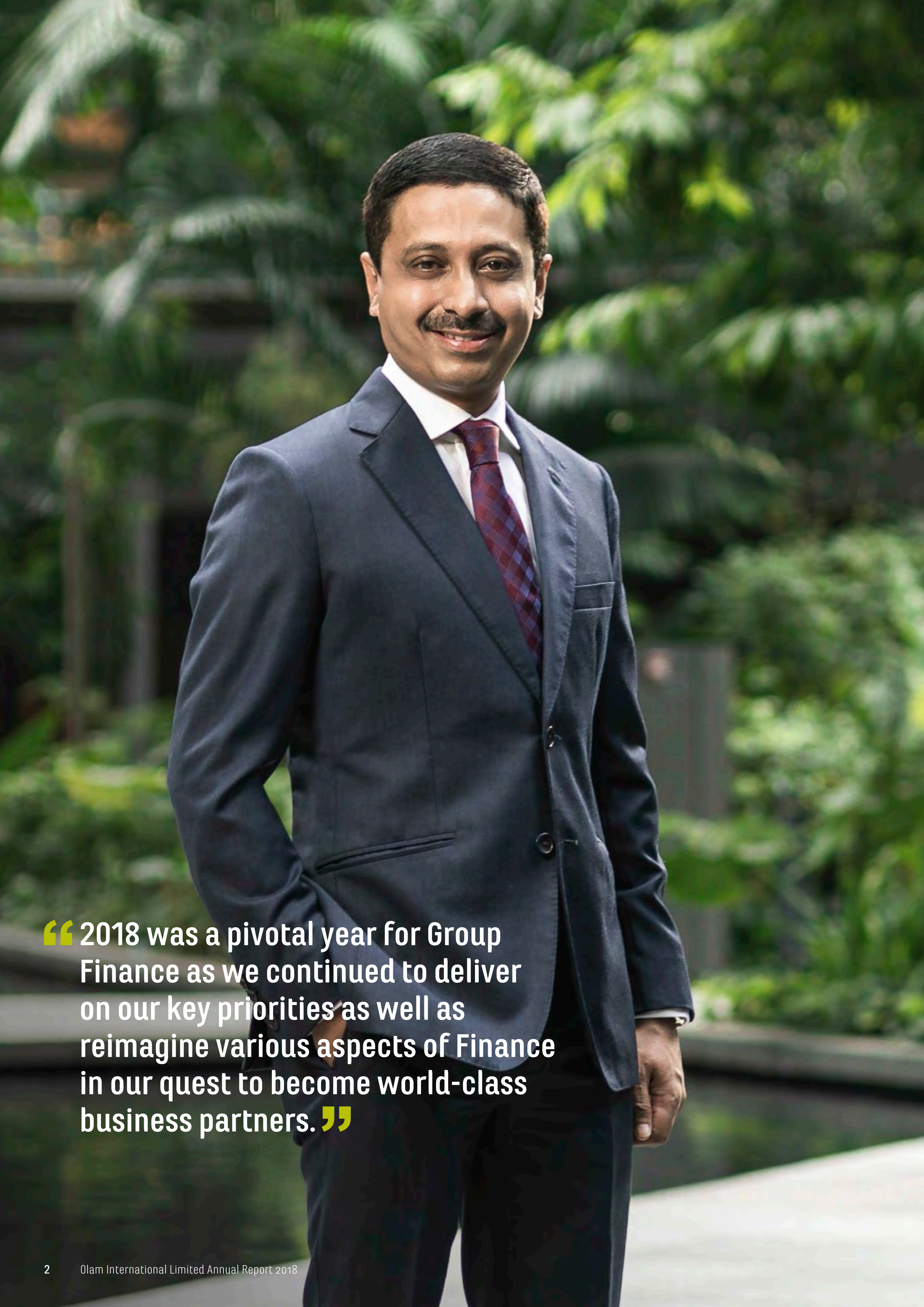
Financial report

Front cover image:

Johan Monteza, Olam's certified coffee 'Q' grader and Quality Analyst in Peru, prepares the 'coffee cupping' practice, where the aromas and flavours are expertly examined to ensure the finished coffee product satisfies variable customer demand.

As set out in our refreshed Strategic Plan, by 2024 we will be a **global food and agri-business** that **delivers food, feed** and **fibre along** with **innovative solutions** to **our customers.**

This supports our customers' growing need for **sustainable** and **transparent supply chains** with a clear focus on **tomorrow's consumer preferences.**



“2018 was a pivotal year for Group Finance as we continued to deliver on our key priorities as well as reimagine various aspects of Finance in our quest to become world-class business partners.”

Group Finance as "co-strategists" in Strategic Plan execution

Strengthening controls to minimise controllable losses

Continuing focus on working capital productivity

Improving Finance process maturity to enable operational excellence

Delivering on our key priorities

i. **Strengthening controls** to minimise controllable losses: institutionalised an In-Business Control (IBC) framework that tracks key risk areas related to Capex execution, Credit control, Inventory management and Statutory compliance

ii. **Optimising balance sheet**: established a Capital Productivity Task Force ("CPTF") in 2017 – a collaborative effort between Finance and Business Units – enabling the Group in 2018 to further reduce working capital by S$903.9 million.

iii. **Diversifying sources of capital**: secured a US$500 million sustainability-linked club loan facility – the first of its kind in Asia – that would help us reduce financing costs as we improve our sustainability metrics

Transforming Group Finance

i. **Operational excellence**: designed and rolled-out a Finance process maturity framework to support and sustain operational excellence at scale

ii. **Digital**: launched a Digital@Finance initiative to enable faster decision making and drive process efficiency

iii. **Leadership & talent**: developed "Career Conversations" and continued our efforts in developing diverse talent and building leadership pipeline

iv. **Sustainability**: established Asia's first A4S chapter (Accounting for Sustainability, an HRH Price Charles foundation) and co-designed the Group's Integrated Impact Statement (IIS)

v. **Cross-functional collaboration**: worked closely with other central functions e.g. IT, OGBS, Internal Audit, HR, Risk Office, Legal, Group Tax and Market Compliance to drive joint-agenda and deliver on Group's key priorities

As we embark upon the Strategic Plan for FY 2019 – 24, Group Finance – as "co-strategists" – will partner with Business Units to strengthen, streamline & focus our portfolio, improve cost effectiveness and drive capital productivity, offer differentiated products & services and explore investments in new engines for growth.

With much to do over the coming months, we are looking forward to the journey!

Neelamani Muthukumar
Group Chief Financial Officer

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 2018.

1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements set out on pages 15 to 82 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 2018, 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
Yutaka Kyoya
Kazuo Ito (Appointed on 1 December 2018)
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 2018 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. 2018 or date of appointment, if later	**As at 31.12.2018**	**As at 21.1.2019**	As at 1.1.2018 or date of appointment, if later	**As at 31.12.2018**	**As at 21.1.2019**
The Company						
Olam International Limited						
(a) Ordinary shares						
Sunny George Verghese	111,748,977	**133,112,233**	**133,112,233**	–	**–**	**–**
Shekhar Anantharaman	12,677,672	**15,896,204**	**15,896,204**	–	**–**	**–**
Jean-Paul Pinard	806,761	**806,761**	**806,761**	–	**–**	**–**
(b) Euro Medium Term Note Programme						
Nihal Vijaya Devadas Kaviratne CBE [1]	US$200,000	**US$200,000**	**US$200,000**	–	**–**	**–**
(c) 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

	Held in the name of the director or nominee			Deemed interest		
Name of directors	As at 1.1. 2018 or date of appointment, if later	**As at 31.12.2018**	**As at 21.1.2019**	As at 1.1.2018 or date of appointment, if later	**As at 31.12.2018**	**As at 21.1.2019**
Subsidiaries of the Company's ultimate 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	42,600	**60,000**	**60,000**	–	**–**	**–**
(e) Starhub Ltd (Ordinary Shares)						
Nihal Vijaya Devadas Kaviratne CBE[3]	23,000	**46,800**	**46,800**	–	**67,600**	**67,600**
Sanjiv Misra[2]	60,000	**60,000**	**60,000**	–	**–**	**–**
(f) Mapletree Industrial Trust (Ordinary Shares)						
Marie Elaine Teo	11,800	**11,800**	**11,800**	–	**–**	**–**
Sanjiv Misra[2]	100,000	–	–	–	**–**	**–**
(g) Singapore Airlines Limited (3.035% Notes due 2025)						
Yap Chee Keong	$250,000	**$250,000**	**$250,000**	–	**–**	**–**
(h) Astrea IV Pte Ltd (4.35% bonds due 2028)						
Yap Chee Keong	–	**$250,000**	**$250,000**	–	**–**	**–**

1. 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, 23 November 2016 and 16 March 2018, comprising US$300,000,000 in principal amount of 4.50 per cent fixed rate notes due 2020.
2. Held in trust by Windsor Castle Holding Ltd for Sanjiv Misra and spouse.
3. Held by DBS Nominees Pte Ltd for Green Willow Worldwide Inc., a company wholly-owned by a trust in which Mr Nihal Kaviratne is a named beneficiary.

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

Kazuo Ito (Appointed on 1 December 2018)

Chan Wai Ching (Co-opted member appointed on 1 October 2018)

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 2018 are as follows:-

Expiry date	Exercise price ($)	Number of options
21 July 2019	2.28	31,195,000
17 February 2020	2.35	15,000,000
23 July 2020	2.64	2,885,000
17 December 2020	3.10	650,000
14 March 2021	2.70	1,195,000
30 December 2021	2.16	2,060,000
15 June 2022	1.76	15,967,000
Total		**68,952,000**

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	16 April 2018	12 April 2018	16 April 2018	12 April 2018
Number of Shares which are subject of the Awards granted	779,800	8,183,700	491,500	4,932,400
Number of employees receiving Shares Awards	2	712	2	712
Market Value of Olam Shares on the Date of Grant	$2.34	$2.36	$2.34	$2.36
Number of Shares awarded granted to directors of the Company	Sunny George Verghese 478,000	–	Sunny George Verghese 286,800	–
	Shekhar Anantharaman 301,800	–	Shekhar Anantharaman 204,700	–
Vesting Date of Shares awarded	April 2021	April 2021	Tranche 1 – 25%: 1 April 2019 Tranche 2 – 25%: 1 April 2020 Tranche 3 – 25%: 1 April 2021 Tranche 4 – 25%: 1 April 2022	Tranche 1 – 25%: 1 April 2019 Tranche 2 – 25%: 1 April 2020 Tranche 3 – 25%: 1 April 2021 Tranche 4 – 25%: 1 April 2022

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	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 Tranche 2 – 25%: 1 April 2019 Tranche 3 – 25%: 1 April 2020 Tranche 4 – 25%: 1 April 2021	Tranche 1 – 25%: 1 April 2018 Tranche 2 – 25%: 1 April 2019 Tranche 3 – 25%: 1 April 2020 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.

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 Tranche 2 – 25%: 1 April 2018 Tranche 3 – 25%: 1 April 2019 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.

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

Olam Share Grant Plan continued

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 cancelled since the commencement of the scheme to the end of the financial year under review	Aggregate share awards outstanding as at the end of financial year under review
Performance Share Awards:					
Sunny George Verghese	478,000	1,680,147	317,600	82,400	1,280,147
Shekhar Anantharaman	301,800	1,224,826	198,500	51,500	974,826
Restricted Share Awards:					
Sunny George Verghese	286,800	1,088,947	303,037	–	785,910
Shekhar Anantharaman	204,700	759,726	196,757	–	562,969

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, Marie Elaine Teo (appointed on 1 October 2018) and Yutaka Kyoya. 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 6 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 and information technology controls and risk management systems 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, internal 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 external 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 external auditor.

On behalf of the board of directors,

Lim Ah Doo
Director

Sunny George Verghese
Director
20 March 2019

Independent Auditor's Report

For the financial year ended 31 December 2018
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 15 - 82, which comprise the balance sheets of the Group and the Company as at 31 December 2018, 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 Singapore Financial Reporting Standards (International) in Singapore (SFRS(I)s) 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 2018 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 **Impairment assessment of goodwill, indefinite life intangible assets and property, plant and equipment**

The Group has significant investments in property, plant and equipment, goodwill and intangible assets as disclosed in Notes 10 and 11. Management performs periodic and annual impairment reviews of goodwill, intangible assets with indefinite life and impairment assessments for identified property, plant and equipment where there are indications of impairment. Recoverable values of the property, plant and equipment, 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. As these assessments require element of judgement exercised in forecasting and discounting future cash flows, we have considered this to be a key audit matter.

We have obtained the value-in-use assessment prepared by management and evaluated 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'). We also assessed the appropriateness of discount rates with the assistance of our internal valuation specialist where required and growth rates to historical and market trends to assess the reliability of management's forecast. To the extent where independent professional valuers are involved, we have reviewed the competence, capabilities and objectivity and evaluating the appropriateness of the impairment model prepared by independent professional valuers.

We have also reviewed the adequacy of the Group's disclosures in relation to goodwill, indefinite life intangible assets and property, plant and equipment as disclosed in Notes 10 and 11.

Key audit matters continued

2 Valuation of biological assets

The Group operates various farms and plantations for which the dairy cows, poultry, agricultural produce ('fruits on trees') and annual crops are subject to fair 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. As the measurement of fair value involves judgement on the assumptions and estimates used, we have considered this to be a key audit matter.

We had obtained the valuations of biological assets prepared by management and/or independent professional valuers engaged by the Group. The fair value reports are reviewed by us, together with our internal valuation specialists where required for appropriateness of the fair value methodology used and reasonableness of the assumptions used, including forecast cash flows, discount rates and yield rates for the plantations and market prices of the fruits or nuts/crop and livestock. To the extent where independent professional valuers are involved, we have reviewed the competence, capabilities and objectivity and evaluating the appropriateness of the valuation models prepared by independent professional valuers.

We have also reviewed the adequacy of the Group's disclosures in relation to biological assets as disclosed in Note 12.

3 Valuation of financial instruments

The Group enters into various financial instruments which are required to be carried at fair value as disclosed in Notes 34 and 35. This include fair value of financial assets and financial liabilities amounting to $74,556,000 and $5,316,000 respectively relating to Level 3 financial instruments. Estimation uncertainty is high for these financial instruments where significant valuation inputs are unobservable as it involves judgement on the assumptions and estimates used and therefore, considered a key audit matter.

We have reviewed and assessed the controls over identification, measurement and management of valuation risk, and evaluating the methodologies, inputs and assumptions used by the Group in determining fair values. We have also evaluated the assumptions and models used or performed an independent valuation to assess the reasonableness of the computed fair value with the help of our internal valuation specialist where required. The review also included comparisons of observable inputs against independent sources and externally available market data. Additionally, we reviewed the adequacy of disclosures of fair value risks and sensitivities in Note 34 and 35 to the financial statement 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 2018 comprises the information included in (i) Strategy Report, (ii) Governance Report and (iii) Directors' 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 SFRS(I)s, 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 Wilson Woo Siew Wah.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore

20 March 2019

Consolidated Profit and Loss Account

For the financial year ended 31 December 2018

		Group	
	Note	**2018 $'000**	2017 $'000
Sale of goods and services	4	**30,479,056**	26,272,529
Other income	5	**87,742**	207,531
Cost of goods sold	6	**(27,985,803)**	(23,757,685)
Net gain/(loss) from changes in fair value of biological assets	12	**61,270**	(15,250)
Depreciation and amortisation	10, 11	**(392,836)**	(380,680)
Other expenses	7	**(1,462,564)**	(1,297,602)
Finance income		**79,689**	65,597
Finance costs	8	**(548,464)**	(531,178)
Share of results from joint ventures and associates		**62,525**	67,631
Profit before taxation		**380,615**	630,893
Income tax expense	9	**(57,422)**	(79,248)
Profit for the financial year		**323,193**	551,645
Attributable to:			
Owners of the Company		**347,870**	580,743
Non-controlling interests		**(24,677)**	(29,098)
		323,193	551,645
Earnings per share attributable to owners of the Company (cents)			
Basic	25	**9.20**	18.62
Diluted	25	**9.08**	17.92

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 2018

	Group	
	2018 $'000	2017 $'000
Profit for the financial year	**323,193**	551,645
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net (loss)/gain on fair value changes during the financial year	**(72,544)**	214,878
Recognised in the profit and loss account on occurrence of hedged transactions	**(2,474)**	(68,037)
Foreign currency translation adjustments	**(43,473)**	(357,694)
Share of other comprehensive income of joint ventures and associates	**(33,940)**	65,520
	(152,431)	(145,333)
Items that will not be reclassified subsequently to profit or loss:		
Net fair value (loss)/gain on equity instrument at fair value through other comprehensive income	**(121,742)**	121,198
Other comprehensive income for the year, net of tax	**(274,173)**	(24,135)
Total comprehensive income for the year	**49,020**	527,510
Attributable to:		
Owners of the Company	**87,778**	560,419
Non-controlling interests	**(38,758)**	(32,909)
	49,020	527,510

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

Balance Sheets
As at 31 December 2018

		Group			Company		
	Note	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Non-current assets							
Property, plant and equipment	10	**5,809,948**	5,625,837	5,367,039	**10,722**	13,285	12,581
Intangible assets	11	**1,199,912**	1,207,283	1,313,608	**290,058**	280,547	304,573
Biological assets	12	**511,931**	471,656	450,564	**–**	–	–
Subsidiary companies	13	**–**	–	–	**7,001,031**	6,043,511	5,550,460
Deferred tax assets	9	**166,785**	95,871	95,735	**–**	–	–
Investments in joint ventures and associates	14	**691,692**	1,070,940	889,838	**439,099**	780,557	724,826
Long-term investments	15	**135,777**	257,519	148,492	**135,777**	257,519	136,321
Other non-current assets	21	**27,786**	25,852	30,400	**–**	–	–
		8,543,831	8,754,958	8,295,676	**7,876,687**	7,375,419	6,728,761
Current assets							
Amounts due from subsidiary companies	16	**–**	–	–	**3,988,713**	1,926,416	3,583,148
Trade receivables	17	**2,435,168**	1,901,925	1,656,457	**1,307,958**	965,592	385,620
Margin accounts with brokers	18	**–**	399,680	164,958	**–**	304,862	153,544
Inventories	19	**6,468,157**	6,044,681	7,414,311	**1,608,225**	1,405,000	1,144,986
Advance payments to suppliers	20	**805,472**	743,516	880,602	**44,457**	116,243	142,456
Advance payments to subsidiary companies	20	**–**	–	–	**1,816,605**	852,001	2,196,193
Cash and short-term deposits	33	**2,480,374**	1,986,351	2,144,051	**891,379**	1,137,011	1,274,672
Derivative financial instruments	34	**1,835,043**	1,619,249	1,926,151	**1,317,899**	1,098,147	1,118,686
Other current assets	21	**878,772**	848,187	986,678	**205,968**	168,061	151,116
		14,902,986	13,543,589	15,173,208	**11,181,204**	7,973,333	10,150,421
Current liabilities							
Trade payables and accruals	22	**(3,633,860)**	(2,184,352)	(2,201,494)	**(2,352,435)**	(1,087,350)	(949,283)
Margin accounts with brokers	18	**(121,017)**	–	–	**(168,499)**	–	–
Borrowings	24	**(4,777,121)**	(4,660,209)	(5,983,035)	**(2,891,457)**	(2,309,058)	(3,632,631)
Derivative financial instruments	34	**(928,631)**	(851,947)	(987,942)	**(688,823)**	(685,128)	(681,162)
Provision for taxation		**(151,994)**	(162,977)	(84,949)	**(26,954)**	(81,343)	(24,739)
Other current liabilities	23	**(456,399)**	(473,313)	(383,731)	**(100,003)**	(111,131)	(115,176)
		(10,069,022)	(8,332,798)	(9,641,151)	**(6,228,171)**	(4,274,010)	(5,402,991)
Net current assets		**4,833,964**	5,210,791	5,532,057	**4,953,033**	3,699,323	4,747,430
Non-current liabilities							
Deferred tax liabilities	9	**(422,625)**	(416,991)	(505,876)	**(2,957)**	(6,662)	(8,103)
Borrowings	24	**(6,491,114)**	(6,927,729)	(7,687,553)	**(4,478,115)**	(4,985,786)	(6,435,337)
		(6,913,739)	(7,344,720)	(8,193,429)	**(4,481,072)**	(4,992,448)	(6,443,440)
Net assets		**6,464,056**	6,621,029	5,634,304	**8,348,648**	6,082,294	5,032,751
Equity attributable to owners of the Company							
Share capital	26	**3,748,994**	3,674,206	3,087,894	**3,748,994**	3,674,206	3,087,894
Treasury shares	26	**(166,280)**	(187,276)	(190,465)	**(166,280)**	(187,276)	(190,465)
Capital securities	26	**1,046,406**	1,045,773	930,416	**1,046,406**	1,045,773	930,416
Reserves		**1,696,246**	1,910,878	1,570,498	**3,719,528**	1,549,591	1,204,906
		6,325,366	6,443,581	5,398,343	**8,348,648**	6,082,294	5,032,751
Non-controlling interests		**138,690**	177,448	235,961	**–**	–	–
Total equity		**6,464,056**	6,621,029	5,634,304	**8,348,648**	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 2018

31 December 2018 Group	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
	Attributable to owners of the Company											
At 1 January 2018	**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**
Profit for the financial year	–	–	–	–	–	–	–	347,870	347,870	347,870	(24,677)	323,193
Other comprehensive income												
Net loss on fair value changes during the financial year	–	–	–	–	–	(194,286)	–	–	(194,286)	(194,286)	–	(194,286)
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	–	–	(2,474)	–	–	(2,474)	(2,474)	–	(2,474)
Foreign currency translation adjustments	–	–	–	–	(29,392)	–	–	–	(29,392)	(29,392)	(14,081)	(43,473)
Share of other comprehensive income of joint ventures and associates	–	–	–	–	(33,940)	–	–	–	(33,940)	(33,940)	–	(33,940)
Other comprehensive income for the financial year, net of tax	–	–	–	–	(63,332)	(196,760)	–	–	(260,092)	(260,092)	(14,081)	(274,173)
Total comprehensive income for the year	–	–	–	–	(63,332)	(196,760)	–	347,870	87,778	87,778	(38,758)	49,020
Contributions by and distributions to owners												
Buy back of treasury shares (Note 26)	–	(2,636)	–	–	–	–	–	–	–	(2,636)	–	(2,636)
Issue of shares on exercise of warrants (Note 26)	71,782	–	–	–	–	–	–	–	–	71,782	–	71,782
Issue of shares on exercise of share options (Note 26)	3,006	2,887	–	–	–	–	(2,887)	–	(2,887)	3,006	–	3,006
Issue of treasury shares for Restricted Share Award (Note 26)	–	20,745	–	–	–	–	(20,745)	–	(20,745)	–	–	–
Share-based expense	–	–	–	–	–	–	14,432	–	14,432	14,432	–	14,432
Dividends on ordinary shares (Note 27)	–	–	–	–	–	–	–	(237,728)	(237,728)	(237,728)	–	(237,728)
Accrued capital securities distribution	–	–	55,482	–	–	–	–	(55,482)	(55,482)	–	–	–
Payment of capital securities distribution	–	–	(54,849)	–	–	–	–	–	–	(54,849)	–	(54,849)
Total contributions by and distributions to owners	74,788	20,996	633	–	–	–	(9,200)	(293,210)	(302,410)	(205,993)	–	(205,993)
Total transactions with owners in their capacity as owners	74,788	20,996	633	–	–	–	(9,200)	(293,210)	(302,410)	(205,993)	–	(205,993)
At 31 December 2018	3,748,994	(166,280)	1,046,406	295,563	(1,069,917)	(327,545)	127,315	2,670,830	1,696,246	6,325,366	138,690	6,464,056

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

31 December 2017 Group	Attributable to owners of the Company											
	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 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 joint ventures 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 2018

	Attributable to owners of the Company									
31 December 2018 Company	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
At 1 January 2018	**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**
Profit for the financial year	–	–	–	–	–	–	–	2,530,133	2,530,133	2,530,133
Other comprehensive income										
Net loss on fair value changes during the financial year	–	–	–	–	–	(194,286)	–	–	(194,286)	(194,286)
Recognised in the profit and loss account on occurrence of hedged transactions	–	–	–	–	–	(2,474)	–	–	(2,474)	(2,474)
Foreign currency translation adjustments	–	–	–	–	138,974	–	–	–	138,974	138,974
Other comprehensive income for the financial year, net of tax	–	–	–	–	138,974	(196,760)	–	–	(57,786)	(57,786)
Total comprehensive income for the year	–	–	–	–	138,974	(196,760)	–	2,530,133	2,472,347	2,472,347
Contributions by and distributions to owners										
Buy back of treasury shares (Note 26)	–	(2,636)	–	–	–	–	–	–	–	(2,636)
Issue of shares on exercise of warrants (Note 26)	71,782	–	–	–	–	–	–	–	–	71,782
Issue of shares on exercise of share options (Note 26)	3,006	2,887	–	–	–	–	(2,887)	–	(2,887)	3,006
Issue of treasury shares for Restricted Share Awards (Note 26)	–	20,745	–	–	–	–	(20,745)	–	(20,745)	–
Share-based expense	–	–	–	–	–	–	14,432	–	14,432	14,432
Dividends on ordinary shares (Note 27)	–	–	–	–	–	–	–	(237,728)	(237,728)	(237,728)
Accrued capital securities distribution	–	–	55,482	–	–	–	–	(55,482)	(55,482)	–
Payment of capital securities distribution	–	–	(54,849)	–	–	–	–	–	–	(54,849)
Total contributions by and distributions to owners	74,788	20,996	633	–	–	–	(9,200)	(293,210)	(302,410)	(205,993)
Total transactions with owners in their capacity as owners	74,788	20,996	633	–	–	–	(9,200)	(293,210)	(302,410)	(205,993)
At 31 December 2018	3,748,994	(166,280)	1,046,406	140,486	(2,053)	(327,539)	127,315	3,781,319	3,719,528	8,348,648

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

31 December 2017 Company	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
	Attributable to owners of the Company									
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

1 Capital reserves

Capital reserves represent the premium paid and discounts on acquisition of non-controlling interests, gain on partial disposal of subsidiary which did not result in loss of control, residual amount of convertible bonds net of proportionate share of transaction costs, after deducting the fair value of the debt and derivative component on the date of issuance, the share of capital reserve of a joint venture 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 joint ventures 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 2018

	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit before taxation	**380,615**	630,893
Adjustments for:-		
Allowance for doubtful debts	**32,699**	43,911
Amortisation of intangible assets and depreciation of property, plant and equipment	**392,836**	380,680
Share-based expense	**14,432**	20,184
Fair value of biological assets (Note 12)	**(61,270)**	15,250
Gain on disposal of subsidiary	**(5,831)**	(121,188)
Loss on disposal of joint venture and associate	**25,930**	–
Gain on disposal of property, plant and equipment and intangible assets	**(28,718)**	(29,205)
Interest income	**(79,689)**	(65,597)
Interest expense	**548,464**	531,178
Inventories (written back)/written down	**(2,265)**	30,718
Share of results from joint ventures and associates	**(62,525)**	(67,631)
Operating cash flows before reinvestment in working capital	**1,154,678**	1,369,193
(Increase)/decrease in inventories	**(339,985)**	856,220
Increase in receivables and other current assets	**(508,939)**	(35,655)
(Increase)/decrease in advance payments to suppliers	**(49,597)**	86,083
Decrease/(increase) in margin account with brokers	**502,716**	(196,761)
Increase in payables and other current liabilities	**1,326,433**	124,835
Cash flows from operations	**2,085,306**	2,203,915
Interest income received	**79,689**	65,597
Interest expense paid	**(543,811)**	(529,581)
Tax paid	**(137,929)**	(82,098)
Net cash flows generated from operating activities	**1,483,255**	1,657,833
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**77,323**	197,359
Purchase of property, plant and equipment (Note 10)	**(804,180)**	(951,086)
Purchase of intangibles (Note 11)	**(16,956)**	(7,163)
Acquisition of subsidiaries, net of cash acquired (Note 11)	**(10,359)**	–
Advance for acquisition of subsidiary	**(21,329)**	–
Net proceeds from associates and joint ventures	**142,470**	(12,374)
Dividends received from associate and joint venture	**1,009**	22,278
Proceeds on disposal of intangible asset	**2,642**	–
Proceeds from disposal of joint venture and associate	**195,162**	–
Proceeds from divestment of subsidiary (Note 13)	**17,228**	113,539
Net cash flows used in investing activities	**(416,990)**	(637,447)

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

	2018 $'000	2017 $'000
Cash flows from financing activities		
Dividends paid on ordinary shares by the Company	**(237,728)**	(180,399)
Repayment from borrowings, net	**(308,265)**	(1,385,209)
Proceeds from issuance of shares on exercise of share options	**3,006**	770
Proceeds from exercise of warrants	**71,782**	585,542
(Payment of)/Proceeds from capital securities, net of distribution	**(54,849)**	58,722
Purchase of treasury shares	**(2,636)**	–
Net cash flows used in financing activities	**(528,690)**	(920,574)
Net effect of exchange rate changes on cash and cash equivalents	**(26,236)**	(157,423)
Net increase/(decrease) in cash and cash equivalents	**511,339**	(57,611)
Cash and cash equivalents at beginning of period	**1,881,807**	1,939,418
Cash and cash equivalents at end of period (Note 33)	**2,393,146**	1,881,807

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 2018 were authorised for issue by the Board of Directors on 20 March 2019.

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 immediate holding company is Temasek Capital (Private) Limited and its ultimate holding company is Temasek Holdings (Private) Limited, both companies are 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 (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

2.2 First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemption:

- SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies continued

2.2 First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) continued

SFRS(I) 15 Revenue from contracts with customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017;
- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 December 2017.

Based on the assessment performed, there is no material impact to the Group adopting SFRS(I) 15, please refer to Note 2.20 for the accounting policy in relation to revenue from contracts with customers.

2.3 Standards issued but not yet effective

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

Description	Effective for financial year beginning on
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 17 Insurance Contracts	1 January 2021
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle (March 2018):	
Amendments to SFRS(I) 3 Business Combinations	1 January 2019
Amendments to SFRS(I) 11 Joint Arrangements	1 January 2019
Amendments to SFRS(I) 1-12 Income Taxes	1 January 2019
Amendments to SFRS(I) 1-23 Borrowing Costs	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Except for SFRS(I) 16 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 SFRS(I) 16 Leases is described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019. On the adoption of SFRS(I) 16, the Group expects to measure the right-of-use asset on a lease-by-lease basis as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

2. Summary of significant accounting policies continued

2.3 Standards issued but not yet effective continued

SFRS(I) 16 Leases continued

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of $605,799,000 and lease liabilities of $605,799,000 for its leases previously classified as operating leases and to be adjusted for prepaid lease payments of $24,200,000 as of 1 January 2019.

2.4 Functional and foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars as the Company is domiciled in Singapore.

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 as most of the Company's transactions are denominated in USD. 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.

(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 joint ventures 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 and goodwill

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.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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).

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.

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 profit and loss 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 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.8.

2.8 Joint ventures and 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 account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

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

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 2.16. 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.

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. 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.

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.

2.11 Biological assets

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

The agricultural produce ('fruits on trees') are valued at fair value less costs to sell, with any changes recognised in the profit or loss. 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 value 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 costs to sell, with any resultant gain or loss recognised in the profit or loss. Costs to sell 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.

(c) Poultry

Poultry are stated at fair value less estimated costs to sell, with any resultant gain or loss recognised in the profit or loss. Costs to sell include all costs that would be necessary to sell the assets. The fair value of poultry is determined based on estimated market price of livestock of similar age, breed and generic merit.

Breeding chickens are carried at fair value, which approximates cost and are amortised over the economic egg-laying lives of the breeding chickens after it starts producing eggs.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. 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. 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 are recognised in profit or loss. 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 profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

2. Summary of significant accounting policies continued

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.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments – amortised costs

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.

Equity instruments

On initial recognition of an equity instrument 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 FVOCI are recognised in OCI and are not reclassified to profit or loss. Consequently, there is no need to review such instruments for impairment.

On derecognition of the equity instrument 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 may however be transferred to another component of equity.

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.

Impairment

For trade receivables, the Group applies a simplified approach in calculating expected credit losses ('ECLs'). The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This is similar for other financial assets on the balance sheet. Impairment losses are reflected in the allowance account of the respective financial asset class on the balance sheet:

- Trade receivables (Note 17)
- Loans to joint ventures and associates (Note 14)
- Other current assets – Sundry receivables, export incentives and subsidies receivable, deposits, staff advances, insurance receivables, amount due from joint venture, associates and a shareholder related company (Note 21)
- Amount due from subsidiary companies (Note 16)

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 for debt instruments, is recognised in profit or loss.

2. Summary of significant accounting policies continued

2.13 Financial instruments continued

(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, financial liabilities that are not carried at fair value through profit or loss 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. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss. 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 SFRS(I) 9. The accounting policy for this category of financial assets is stated in Note 2.13.

2.15 Inventories

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.

Other inventories are stated at the lower of cost and net realisable value and are valued on a first-in-first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated cost of disposal and after making allowance for 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.

2.16 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.

2.17 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

2.18 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 options or shares as consideration 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.

2.19 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. Summary of significant accounting policies continued

2.20 Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods as performance obligation is judged to have been satisfied and revenue is therefore recognised.

Revenue is measured at the consideration promised in the contract with a customer, less discounts and rebates.

(b) Sale of services

Revenue from services rendered is recognised in the accounting period in which services are rendered.

2.21 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.

(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.

2. Summary of significant accounting policies continued

2.23 Taxes continued

(b) Deferred tax continued

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.

2.24 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 terms 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. Summary of significant accounting policies continued

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, interest rate swap contracts and power purchase agreements. 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.

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 SFRS(I) 9, 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.

2. Summary of significant accounting policies continued

2.29 Derivative financial instruments and hedging activities continued

Hedge accounting continued

(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.

2.31 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 forecasted EBITDA, 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.

(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 impairment tests are sensitive to forecasted EBITDA, growth rates and discount rates. Changes in these assumptions may result in changes in recoverable values. 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, livestock and poultry) 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 (Level 3). 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.

(e) Taxation

The Group establishes provisions, based on reasonable estimates, of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of the Group's income tax payables, deferred tax assets and deferred tax liabilities as at 31 December 2018 is disclosed in Note 9 to the financial statements.

4. Revenue from contracts with customers – disaggregation of revenue

	Group	
	2018 $'000	2017 $'000
Types of goods or services		
Sale of goods	**30,221,716**	26,068,654
Sale of services	**257,340**	203,875
Total revenue from contracts with customers	**30,479,056**	26,272,529
Timing of revenue recognition		
Goods transferred at point in time	**30,221,716**	26,068,654
Services transferred at point in time	**253,153**	191,381
Others	**4,187**	12,494
Total revenue from contracts with customers	**30,479,056**	26,272,529

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

For further disaggregation disclosure of revenue from contracts with customers by business and geographical segments – refer to Note 38.

5. Other income

Other income included the following:-

	Group	
	2018 $'000	2017 $'000
Gain on disposal of subsidiary (Note 13)	**5,831**	121,188
Gain on disposal of property, plant and equipment and intangible assets, net [1]	**28,718**	29,205
Commissions and claims, sale of packaging materials, sales of scrap and others	**53,193**	57,138
	87,742	207,531

1. Net gain on disposal of property, plant and equipment in the current financial year includes gain on sale of spices, vegetable & dehydrates facility and almonds farmland in USA amounting to $23,772,000. In the previous financial year, net gain on disposal of property, plant and equipment includes 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	
	2018 $'000	2017 $'000
Shipping, logistics, commission and claims	**(3,025,881)**	(2,832,574)
Foreign exchange on cost of goods sold [1]	**(157,466)**	247,008
Gains on derivatives net of fair value changes	**203,480**	246,472
Inventories written back/(written down), net (Note 19)	**2,265**	(30,718)
Export incentives, subsidies and grant income received [2]	**21,276**	27,789

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 2018 $'000	2017 $'000
Loss on disposal of associate and joint venture	**(25,930)**	–
Employee benefits expenses (Note 30)	**(753,660)**	(704,252)
(Loss)/gain on foreign exchange, net	**(30,470)**	31,518
Bank charges	**(88,608)**	(74,416)
Travelling expenses	**(66,452)**	(67,867)
Impairment loss on financial assets – Trade receivables (Note 17)	**(27,087)**	(41,207)
Allowance for doubtful debts – Advance payments to suppliers (Note 20)	**(5,612)**	(2,704)
Auditor's remuneration:		
• Ernst & Young LLP, Singapore	**(1,772)**	(1,518)
• Other member firms of Ernst & Young Global	**(5,858)**	(8,458)
• Other auditors	**(1,174)**	(920)
Non-audit fees:		
• Ernst & Young LLP, Singapore	**(1,901)**	(776)
• Other member firms of Ernst & Young Global	**(781)**	(1,983)
• Other auditors	**(5,332)**	(629)

8. Finance costs

Finance costs include the following:-

	Group 2018 $'000	2017 $'000
Interest expense:		
• On bank overdrafts	**17,108**	36,670
• On bank loans	**372,380**	298,195
• On medium-term notes	**167,790**	204,154
• On bonds	**24,705**	25,950
• Others	**38,458**	37,249
	620,441	602,218
Less: interest expense capitalised in:		
• Property, plant and equipment and biological assets	**(71,977)**	(71,040)
	548,464	531,178

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 3.50% to 7.50% (31 December 2017: from 5.50% to 7.50%) per annum.

9. Income tax

(a) Major components of income tax expense

	Group 2018 $'000	Group 2017 $'000
Profit and loss account		
Current income tax:		
• Singapore	**27,841**	81,210
• Foreign	**82,940**	73,742
Under/(over) provision in respect of prior years	**1,965**	(900)
	112,746	154,052
Deferred income tax:		
• Singapore	**1,296**	(9,311)
• Foreign	**(56,620)**	(65,493)
Income tax expense	**57,422**	79,248

	Group 2018 $'000	Group 2017 $'000
Statement of comprehensive income:		
Deferred income tax related to items charged/(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	**3,324**	(7,179)
Deferred tax recorded in other comprehensive income	**3,324**	(7,179)

(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 2018 %	Group 2017 %
Tax using Singapore tax rate 17% (2017: 17%)	**17.0**	17.0
Tax effect of non-deductible expenses	**4.3**	2.3
Higher statutory tax rates of other countries[1]	**9.9**	3.3
Tax effect on under/(over) provision in respect of prior years	**0.5**	(0.3)
Tax effect of income taxed at concessionary rate[2]	**(3.2)**	(0.2)
Tax effect on non-taxable/exempt income[3]	**(12.5)**	(6.2)
Tax effect of joint ventures/associates	**(2.7)**	(1.8)
Tax effect of deferred tax assets not recognised	**3.3**	2.1
Tax effect of others, net	**(1.5)**	(3.6)
	15.1	12.6

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 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% and 5.5% respectively for a period of 5 years from 1 July 2018 until and including 31 December 2022 on qualifying activities, products and income.
3. There are six (31 December 2017: 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 30%) by the local tax authorities for periods ranging from 1 to 5 years (31 December 2017: 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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Deferred tax assets	**166,785**	95,871	95,735	**–**	–	–
Deferred tax liabilities	**(422,625)**	(416,991)	(505,876)	**(2,957)**	(6,662)	(8,103)
Net deferred tax liabilities	**(255,840)**	(321,120)	(410,141)	**(2,957)**	(6,662)	(8,103)

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

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Deferred tax liabilities on:						
Property, plant and equipment	**221,717**	228,577	294,559	**509**	626	680
Intangible assets	**6,073**	3,742	3,660	**–**	–	–
Fair value adjustment on business combinations	**125,203**	128,037	198,461	**1,974**	1,417	9,634
Biological assets	**75,132**	69,895	63,814	**–**	–	–
Revaluation of financial instruments to fair value	**16,014**	9,264	350	**1,079**	4,762	–
Convertible bonds	**–**	446	483	**–**	446	483
Others	**25,314**	29,186	33,775	**–**	–	(76)
	469,453	469,147	595,102	**3,562**	7,251	10,721
Amount offset against deferred tax assets	**(46,828)**	(52,156)	(89,226)	**(605)**	(589)	(2,618)
	422,625	416,991	505,876	**2,957**	6,662	8,103
Deferred tax assets on:						
Property, plant and equipment	**46,971**	46,128	90,577	**–**	–	–
Intangible assets	**83,777**	45,776	21	**–**	–	–
Allowance for impairment	**2,462**	(1,040)	(3,467)	**–**	–	–
Inventories written down	**3,120**	4,731	2,364	**605**	589	–
Revaluation of financial instruments to fair value	**8,706**	–	2,618	**–**	–	2,618
Unabsorbed losses	**6,738**	7,884	43,912	**–**	–	–
Others	**61,839**	44,548	48,936	**–**	–	–
	213,613	148,027	184,961	**605**	589	2,618
Amount offset against deferred tax liabilities	**(46,828)**	(52,156)	(89,226)	**(605)**	(589)	(2,618)
	166,785	95,871	95,735	**–**	–	–
Net deferred tax assets/(liabilities)	**(255,840)**	(321,120)	(410,141)	**(2,957)**	(6,662)	(8,103)

9. Income tax continued

(c) Deferred income tax continued

Movements in deferred tax during the financial year is as follows:-

	Group	
	31 December 2018 $'000	31 December 2017 $'000
As at beginning of year	**(321,120)**	(410,141)
Business combination (Note 11)	**(2,530)**	–
Tax expenses recognised in profit and loss	**55,324**	74,804
Tax income/(expense) recognised in equity	**3,324**	(7,179)
Foreign currency translation adjustments	**9,162**	21,396
	(255,840)	(321,120)

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

The Group has tax losses of $464,116,000 (31 December 2017: $372,978,000; 1 January 2017: $320,957,000) and capital allowances of $102,636,000 (31 December 2017: $93,864,000; 1 January 2017: $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 $326,929,000 (31 December 2017: $284,965,000; 1 January 2017: $272,996,000) which will expire over financial years 2019 to 2027.

Unrecognised temporary differences relating to investments in subsidiaries and joint ventures

At the end of the financial years ended 31 December 2017 and 31 December 2018, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint ventures as:-

- The Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future; and
- The joint ventures of the Group cannot distribute its earnings until it obtains the consent of both parties. At the end of the reporting period, the Group does not foresee giving such consent.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $173,110,000 (31 December 2017: $158,785,000; 1 January 2017: $163,009,000). The deferred tax liability is estimated to be $29,429,000 (31 December 2017: $26,993,000; 1 January 2017: $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 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	–	(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 and 1 January 2018	292,978	2,050,265	2,224,203	288,986	653,815	1,530,477	7,040,724
Additions in relation to business combinations (Note 11)	–	3,739	2,947	267	610	–	7,563
Additions	8,712	130,732	131,305	44,235	148,620	340,576	804,180
Disposals	(8,204)	(24,543)	(43,179)	(34,059)	(6,950)	–	(116,935)
Reclassification	59,522	96,490	204,966	2,148	(380,988)	17,862	–
Sale of subsidiary	–	(12,292)	–	–	–	–	(12,292)
Foreign currency translation adjustments	(3,300)	(72,113)	(58,495)	(2,597)	(18,585)	(60,560)	(215,650)
As at 31 December 2018	**349,708**	**2,172,278**	**2,461,747**	**298,980**	**396,522**	**1,828,355**	**7,507,590**
Accumulated depreciation and impairment loss							
As at 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	–	(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 and 1 January 2018	–	323,905	761,523	173,234	–	156,225	1,414,887
Charge for the year	–	80,353	175,873	43,180	–	61,008	360,414
Disposals	–	(6,117)	(19,185)	(29,163)	–	–	(54,465)
Reclassification	–	1,038	(205)	(892)	–	59	–
Sale of subsidiary	–	(872)	–	–	–	–	(872)
Foreign currency translation adjustments	–	(7,246)	(14,249)	1,804	–	(2,631)	(22,322)
As at 31 December 2018	**–**	**391,061**	**903,757**	**188,163**	**–**	**214,661**	**1,697,642**
Net carrying value							
As at 31 December 2018	**349,708**	**1,781,217**	**1,557,990**	**110,817**	**396,522**	**1,613,694**	**5,809,948**
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 1 January 2017	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 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 and 1 January 2018	552	879	1,178	9,123	1,751	28,091	41,574
Additions	–	–	878	1,868	3	2,263	5,012
Disposals	–	–	(476)	(1,756)	(651)	(5,422)	(8,305)
Foreign currency translation adjustments	11	18	27	185	30	541	812
As at 31 December 2018	**563**	**897**	**1,607**	**9,420**	**1,133**	**25,473**	**39,093**
Accumulated depreciation							
As at 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 and 1 January 2018	375	499	955	2,713	1,093	22,654	28,289
Charge for the year	48	76	155	2,000	133	5,283	7,695
Disposals	–	–	(371)	(1,756)	(630)	(5,422)	(8,179)
Foreign currency translation adjustments	8	11	18	56	18	455	566
As at 31 December 2018	**431**	**586**	**757**	**3,013**	**614**	**22,970**	**28,371**
Net carrying value							
As at 31 December 2018	**132**	**311**	**850**	**6,407**	**519**	**2,503**	**10,722**
As at 31 December 2017	177	380	223	6,410	658	5,437	13,285
As at 1 January 2017	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 $95,673,000 (31 December 2017: $81,072,000; 1 January 2017: $124,600,000). The Group's land, buildings, plant and machinery with a carrying amount of $150,356,000 (31 December 2017: $230,053,000; 1 January 2017: $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 29 years and 1 and 17 years respectively (31 December 2017: 1 and 28 years and 1 and 16 years respectively). The cocoa plantations presently consist of trees aged between 1 and 18 years (31 December 2017: 1 and 17 years).

Immature plantations mainly consist of almond, palm and rubber trees aged between 1 and 6 years (31 December 2017: 1 and 5 years) amounting to $878,649,000 (31 December 2017: $707,317,000; 1 January 2017: $509,965,000).

At the end of the financial year, the Group's total planted area of plantations is approximately 105,467 (31 December 2017: 96,786) 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 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 and 1 January 2018	642,781	126,513	144,632	79,212	185,877	80,113	130,900	1,390,028
Additions in relation to business combinations (Note 11)	–	5,681	–	23	–	–	–	5,704
Additions	–	–	183	12,327	–	4,214	232	16,956
Disposals	–	–	–	(21)	–	–	(2,316)	(2,337)
Re-classification	–	–	34	178	–	–	(212)	–
Foreign currency translation adjustments	11,416	2,496	2,914	376	(14,704)	288	968	3,754
As at 31 December 2018	**654,197**	**134,690**	**147,763**	**92,095**	**171,173**	**84,615**	**129,572**	**1,414,105**
Accumulated amortisation and impairment								
As at 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 and 1 January 2018	3,921	55,996	–	39,730	–	42,673	40,425	182,745
Amortisation	–	11,620	–	7,759	–	4,527	8,516	32,422
Disposals	–	–	–	(19)	–	–	(2,316)	(2,335)
Re-classification	–	(889)	–	1	–	–	888	–
Foreign currency translation adjustments	(204)	1,065	–	(197)	–	619	78	1,361
As at 31 December 2018	**3,717**	**67,792**	**–**	**47,274**	**–**	**47,819**	**47,591**	**214,193**
Net carrying value								
As at 31 December 2018	**650,480**	**66,898**	**147,763**	**44,821**	**171,173**	**36,796**	**81,981**	**1,199,912**
As at 31 December 2017	638,860	70,517	144,632	39,482	185,877	37,440	90,475	1,207,283
As at 1 January 2017	690,844	89,459	156,627	42,787	185,811	39,922	108,158	1,313,608
Average remaining amortisation period (years) – 31 December 2018	**–**	**1–13**	**–**	**1–14**	**–**	**8–18**	**1–47**	
Average remaining amortisation period (years) – 31 December 2017	–	1–14	–	1–10	–	9–19	1–48	

11. Intangible assets continued

Company	Goodwill $'000	Brands and trademarks $'000	Software $'000	Others[4] $'000	Total $'000
Cost					
As at 1 January 2017	210,488	915	44,468	71,291	327,162
Additions	–	–	5,993	–	5,993
Disposal	–	–	(726)	–	(726)
Foreign currency translation adjustments	(16,120)	(70)	(3,536)	(5,460)	(25,186)
As at 31 December 2017 and 1 January 2018	194,368	845	46,199	65,831	307,243
Additions	–	–	10,880	–	10,880
Foreign currency translation adjustments	3,914	17	1,013	1,325	6,269
As at 31 December 2018	**198,282**	**862**	**58,092**	**67,156**	**324,392**
Accumulated amortisation					
As at 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 and 1 January 2018	–	–	15,394	11,302	26,696
Amortisation	–	–	4,836	2,211	7,047
Foreign currency translation adjustments	–	–	347	244	591
As at 31 December 2018	**–**	**–**	**20,577**	**13,757**	**34,334**
Net carrying amount					
As at 31 December 2018	**198,282**	**862**	**37,515**	**53,399**	**290,058**
As at 31 December 2017	194,368	845	30,805	54,529	280,547
As at 1 January 2017	210,488	915	31,753	61,417	304,573
Average remaining amortisation period (years)					
– 31 December 2018	**–**	**–**	**2–10**	**1–47**	
– 31 December 2017	–	–	1–10	2–48	

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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Olam Orchards Australia Pty Ltd	**–**	–	–	**–**	–	–	**171,173**	185,877	185,811
Cocoa Processing Business	**236,503**	231,835	251,062	**–**	–	–	**–**	–	–
Quintessential Foods Nigeria Limited	**76,253**	74,748	80,947	**–**	–	–	**–**	–	–
McCleskey Mills Inc.	**76,174**	74,671	80,864	**–**	–	–	**–**	–	–
Universal Blanchers	**67,526**	66,193	71,684	**–**	–	–	**–**	–	–
Brooks Peanuts Company	**49,638**	48,659	52,694	**–**	–	–	**–**	–	–
Packaged Foods brands	**32,128**	31,494	34,108	**122,768**	120,164	130,130	**–**	–	–
Caraway Africa Nigeria Limited (Formerly known as 'Ranona Limited')	**43,898**	43,032	46,599	**–**	–	–	**–**	–	–
Progida Group	**12,750**	12,499	13,535	**–**	–	–	**–**	–	–
Acacia Investment Limited	**11,834**	11,600	12,562	**24,132**	23,648	25,608	**–**	–	–
Olam Spices & Vegetables Ingredients	**9,316**	9,134	9,965	**863**	820	889	**–**	–	–
Olam Food Ingredients Holdings UK Limited	**7,789**	7,708	8,226	**–**	–	–	**–**	–	–
Others	**26,671**	27,287	28,598						
	650,480	638,860	690,844	**147,763**	144,632	156,627	**171,173**	185,877	185,811

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 2018 %	31 December 2017 %	1 January 2017 %	**31 December 2018 %**	31 December 2017 %	1 January 2017 %
Olam Orchards Australia Pty Ltd	**–**	–	–	**13.00**	13.00	13.00
Cocoa Processing Business	**2.00**	2.00	2.00	**10.00**	10.00	10.00
Quintessential Foods Nigeria Limited	**–**	–	–	**11.40**	11.40	11.40
McCleskey Mills Inc.	**1.50**	1.50	1.50	**8.00**	8.00	8.00
Universal Blanchers	**2.00**	2.00	2.00	**8.00**	8.00	8.00
Brooks Peanuts Company	**1.50**	1.50	1.50	**8.00**	8.00	8.00
Packaged Foods brands	**3.00**	3.00	3.00	**12.50**	12.50	12.50
Caraway Africa Nigeria Limited (Formerly known as 'Ranona Limited')	**3.00**	3.00	3.00	**12.50**	12.50	12.50
Progida Group	**2.00**	2.00	2.00	**12.50**	12.50	12.50
Acacia Investment Limited	**3.00**	3.00	3.00	**17.70**	17.70	17.70
Olam Spices & Vegetables Ingredients	**2.00**	2.00	2.00	**12.00**	12.00	12.00
Olam Food Ingredients Holdings UK Limited	**–**	–	–	**12.50**	12.50	12.50
Others	**Range from 0.00 – 2.00**			**Range from 11.50 – 13.00**		

The calculations of value in use for the CGUs are most sensitive to the following assumptions:-

Forecasted EBITDA – Forecasted EBITDA 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.

11. Intangible assets continued

Business combinations

During the current financial year, the Group entered into the following business combinations:-

	Total other acquisitions $'000
Fair value of assets and liabilities	
Property, plant and equipment (Note 10)	7,563
Intangible assets (Note 11)	5,704
Current assets	2,452
Cash and bank balances	329
	16,048
Current liabilities	2,123
Provision for taxation	158
Deferred tax liability (Note 9)	2,530
	4,811
Total identifiable net assets at fair value	11,237
Consideration transferred for the acquisitions	
Cash paid	11,237
Total consideration	11,237
Less: Cash and cash equivalents acquired	(329)
Less: Deferred consideration	(549)
Net cash outflow on acquisition of subsidiaries	**10,359**

Other acquisitions

(i) Inversiones Andinas J&V S.A.C ("Andinas")

On 3 May 2018, the Company acquired 100% equity stake in Andinas. Andinas is incorporated in Peru with principal activities in origination, processing, packaging and marketing of quinoa and chia.

(ii) Ruyat Oil Limited ("Ruyat")

On 4 June 2018, the Company acquired 100% equity stake in Ruyat. Ruyat is incorporated in Nigeria with principal activities in sourcing of crude vegetable oil, refining and marketing of refined, bleached and deodorised Olein.

Trade and other receivables acquired

Trade and other receivables acquired comprise gross trade and other receivables amounting to $556,000, which approximates fair value. It is expected that the full contractual amount of the receivables can be collected.

Transaction costs

Total transaction costs related to all acquisitions of $192,000 have been recognised in the 'Other operating expenses' line item in the Group's profit and loss account for the financial year from 1 January 2018 to 31 December 2018.

Impact of the acquisitions on profit and loss

From acquisition date, subsidiaries acquired during the financial year have increased by 0.07% to the Group's sales of goods and increased the Group's profits by 0.08% for the financial year. Had the acquisitions taken place at the beginning of the financial year, the sales of goods for the financial year would have increased by 0.11% and the Group's profit for the financial year, net of tax would have increased by 0.07%.

12. Biological assets

Group	Fruits on trees and annual crops $'000	Livestock $'000	Poultry $'000	Total $'000
As at 1 January 2017	324,199	126,365	–	450,564
Net additions/ (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 and 1 January 2018	328,415	143,241	–	471,656
Net additions/ (reductions)	(55,406)	(43,203)	11,192	(87,417)
Capitalisation of expenses	51,619	61,371	–	112,990
Net change in fair value less estimated costs to sell	52,759	8,511	–	61,270
Foreign currency translation adjustments	(36,941)	(9,549)	(78)	(46,568)
As at 31 December 2018	**340,446**	**160,371**	**11,114**	**511,931**

Fruits on trees

During the financial year, the Group harvested approximately 41,165 metric tonnes (31 December 2017: 43,429 metric tonnes) of almonds, which had a fair value less estimated point-of-sale costs of approximately $361,031,000 (31 December 2017: $262,904,000). The fair value of almonds was determined with reference to the market prices at the date of harvest.

The fair value of fruits on trees (almonds) is estimated 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 2017: 14.6%) per annum	The estimated fair value increases as the estimated discount rate per annum decreases, and vice versa.
Market prices approximating $10,158 (31 December 2017: $9,993) per metric tonne	The estimated fair value increases as the respective inputs increase, and vice versa.

Annual crops

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 114,838 (31 December 2017: 99,310) hectares, excluding for those commodities where farms are not managed by the Group.

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 44,925 (31 December 2017: 42,297) cows, which are able to produce milk (mature assets) and 41,814 (31 December 2017: 38,321) heifers and calves, being raised to produce milk in the future (immature assets). The cows produced 291 million litres (31 December 2017: 245 million litres) of milk with a fair value less estimated point-of-sale costs of $169,776,000 (31 December 2017: $146,978,000) during the financial year.

The fair value of livestock is determined based on valuations by an independent professional valuer using market prices ranging from $81 to $4,526 (31 December 2017: $69 to $5,132) of livestock of similar age, breed and generic merit.

Poultry

Poultry relates mainly to breeding chickens for meat and laying eggs in Nigeria. At the end of the financial year, the Group held 2,425,000 (31 December 2017: Nil) chickens.

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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Unquoted equity shares at cost	**5,491,404**	4,982,916	3,101,835
Less: Impairment loss	**(76,131)**	(16,130)	(16,130)
Foreign currency translation adjustments	**110,982**	7,380	314,602
	5,526,255	4,974,166	3,400,307
Loans to subsidiary companies	**1,474,776**	1,069,345	2,150,153
	7,001,031	6,043,511	5,550,460

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

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Euro	**226,234**	96,945	513,596

The Company has recognised impairment loss during the current financial year of $60,001,000 (31 December 2017 and 1 January 2017: $Nil) as the recoverable value is less than carrying value of the investment cost.

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 $126,337,000 (31 December 2017: $74,131,000; 1 January 2017: $722,690,000) which bear interest ranging from 0.1% to 7.0% (31 December 2017: 3.3% to 7.0%; 1 January 2017: 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 2018 %**	31 December 2017 %
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 31 December 2018 %	31 December 2017 %
Caraway Pte Ltd [1]	Singapore	(a)	**75**	75
OK Foods Limited [1]	Nigeria	(a) & (b)	**75**	75
Caraway Africa Nigeria 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]	The United States of America	(a), (b) & (c)	**100**	100
Progida Tarim űrűnleri 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.

All information as disclosed in the table above including effective percentage of equity held by the Group as at 1 January 2017 is the same as that at 31 December 2017.

Disposal of ownership interest in subsidiary resulting in loss of control

In the current financial year, the Group sold its 100% equity interest in wholly owned subsidiary, PT ACE Dalle Kokoa Manufaktur, a company incorporated in Indonesia which held land as primary asset. Net assets amounting to $12,670,000 (including cash and cash equivalent of $1,255,000) was disposed against cash consideration of $18,483,000, resulting in a gain on disposal of $5,831,000 that has been recognised in 'Other income' in the profit and loss account.

14. Investments in joint ventures and associates

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Joint ventures (Note 14(a))	**129,507**	281,001	247,748	**116,010**	198,815	124,256
Associates (Note 14(b))	**562,185**	789,939	642,090	**323,089**	581,742	600,570
	691,692	1,070,940	889,838	**439,099**	780,557	724,826

(a) Investments in joint ventures

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Unquoted equity shares at cost [1, 2]	**90,864**	57,818	1,551	**75,305**	45,936	–
Share of post-acquisition reserves	**(8,245)**	63,830	102,376	**–**	–	–
Loans to joint ventures [3]	**40,720**	154,022	124,256	**40,720**	154,022	124,256
Foreign currency translation adjustments	**6,168**	5,331	19,565	**(15)**	(1,143)	–
	129,507	281,001	247,748	**116,010**	198,815	124,256

1. In the current financial year, the Group made the following investments and divestment:
   - Acquired a 30% stake in Long Son Joint Stock Company, cashew processing facility in Vietnam for purchase consideration of $22,851,000 and a 29% stake in Guzman Coffee & Nuts, SL. in Spain for a purchase consideration of $3,136,000; and
   - Divested the 50% stake in Nauvu Investment Pte Ltd for sales consideration of $195,049,000 and net loss of $24,597,000 was recorded in 'Other expenses' in the profit and loss account.
2. In the previous financial year, the Group had divested 50% stake in Far East Agri Pte Ltd and its subsidiary and has been accounted for as a joint venture since then.
3. Loans to joint ventures are unsecured, not expected to be repayable within the next 12 months and are interest free, except for loan balances amounting to $40,067,000 (31 December 2017: $39,277,000; 1 January 2017: $Nil) that bears interest ranging from 3.25% to 4.00% (31 December 2017: 3.25% to 4.00%; 1 January 2017: Nil).

List of key joint ventures of the Group are as follows:-

			Percentage of equity held		
Name of company	Country of incorporation	Principal activities	**31 December 2018 %**	31 December 2017 %	1 January 2017 %
Held by the Company					
Nauvu Investments Pte Ltd	Singapore	Sourcing, processing and trading of agricultural commodities and technical services	**–**	50	50
Far East Agri Pte Ltd [1]	Singapore	Processing and trading of agricultural commodities	**50**	50	–

1. Audited by Ernst & Young LLP, Singapore.

14. Investments in joint ventures and associates continued

(a) Investments in joint ventures continued

As of 1 January 2017, 31 December 2017 and 31 December 2018, no joint venture was individually material to the Group. The summarised financial information in respect of the joint ventures, based on its SFRS(I) financial statements and reconciliation with the carrying amount of the investments in the combined financial statements are as follows:-

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Summarised balance sheet			
Non-current assets	**122,900**	414,953	563,044
Current assets	**270,117**	115,238	62,261
Total assets	**393,017**	530,191	625,305
Non-current liabilities	**13,417**	262,479	368,685
Current liabilities	**232,851**	51,460	7,387
Total liabilities	**246,268**	313,939	376,072
Net assets	**146,749**	216,252	249,233
Proportion of the Group's ownership:			
Group's share of net assets	**60,336**	106,910	123,492
Goodwill on acquisition	**28,451**	20,069	–
Loan to joint ventures	**40,720**	154,022	124,256
Carrying amount of the investments	**129,507**	281,001	247,748
Summarised statement of comprehensive income			
Revenue	**534,734**	21,167	13,535
Profit after tax	**2,608**	455	10,026
Total comprehensive income	**2,608**	455	10,026

14. Investments in joint ventures and associates continued

(b) Investments in associates

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Unquoted equity shares at cost	**333,780**	328,957	350,714	**372,615**	373,962	373,424
Share of post-acquisition reserves	**242,417**	214,353	42,797	**–**	–	–
Loans to associates [1]	**18,965**	289,927	258,794	**–**	263,682	256,683
Less: Impairment loss	**(35,596)**	(35,596)	(35,596)	**(35,596)**	(35,596)	(35,596)
Foreign currency translation adjustments	**2,619**	(7,702)	25,381	**(13,930)**	(20,306)	6,059
	562,185	789,939	642,090	**323,089**	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 $Nil (31 December 2017: $265,073,000; 1 January 2017: $256,683,000) that bears interest of Nil% (31 December 2017: 7.50%; 1 January 2017: 5.00% to 7.50%) per annum.

List of key associates of the Group are as follows:-

			Percentage of equity held		
Name of company	Country of incorporation	Principal activities	**31 December 2018 %**	31 December 2017 %	1 January 2017 $'000
Held by the Company					
Gabon Special Economic Zone SA [1]	Gabon	Infrastructure development	**40.49**	40.49	40.49
Open Country Dairy Limited [2]	New Zealand	Processing and trading of agricultural commodities	**15.19**	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.

As of 1 January 2017, 31 December 2017 and 31 December 2018, no associate was individually material to the Group. The summarised financial information in respect of the associates based on its SFRS(I) financial statements and reconciliation with the carrying amount of the investment in the combined financial statements are as follows:-

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Summarised balance sheet			
Non-current assets	**1,692,364**	1,727,544	1,335,418
Current assets	**1,395,487**	1,238,213	1,026,082
Total assets	**3,087,851**	2,965,757	2,361,500
Non-current liabilities	**902,220**	645,563	838,299
Current liabilities	**553,942**	814,339	377,695
Total liabilities	**1,456,162**	1,459,902	1,215,994
Net assets	**1,631,689**	1,505,855	1,145,506
Proportion of the Group's ownership:			
Group's share of net assets	**547,724**	511,797	364,688
Goodwill on acquisition	**14,461**	14,461	18,608
Loan to associates	**–**	263,682	258,794
Carrying amount of the investments	**562,185**	789,940	642,090
Summarised statement of comprehensive income			
Revenue	**2,103,253**	1,908,573	1,072,362
Profit after tax	**163,616**	179,916	87,785
Other comprehensive income	**(99,375)**	37,780	(19,616)
Total comprehensive income	**64,241**	217,696	68,169

15. Long-term investments

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Quoted equity shares	**135,777**	257,519	136,321	**135,777**	257,519	136,321
Unquoted equity shares	**–**	–	12,171	**–**	–	–
	135,777	257,519	148,492	**135,777**	257,519	136,321

The Group's investment in quoted equity shares relates to a 18.56% (31 December 2017 and 1 January 2017: 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 previous financial year 2017.

16. Amounts due from subsidiary companies

	Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Trade receivables	**2,150,769**	1,906,156	1,886,313
Loans to subsidiaries	**1,822,058**	1,877,382	1,790,805
Non-trade receivables/(payables)	**15,886**	(1,857,122)	(93,970)
	3,988,713	1,926,416	3,583,148

Loans to subsidiaries include amounts totalling $1,362,516,000 (31 December 2017: $1,112,709,000; 1 January 2017: $1,479,030,000) which are unsecured and bear interest ranging from 2.00% to 7.50% (31 December 2017: 2.00% to 7.50%; 1 January 2017: 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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Euro	**1,384,079**	1,200,445	1,504,480
Indian Rupee	**(493,869)**	1,275,453	877,662
Great Britain Pounds	**(37,604)**	154,531	508,675
Australian Dollar	**(809)**	(1,892,055)	(2,227)

The movement in the allowance accounts for amounts due from subsidiary companies is as follows:-

	Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Movement in allowance accounts:-			
As at beginning of year	**30,422**	32,767	32,167
Charge for the year	**–**	–	–
Written off	**(1,340)**	–	–
Written back	**(16,230)**	–	–
Foreign currency translation adjustments	**479**	(2,345)	600
As at end of year	**13,331**	30,422	32,767

17. Trade receivables

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Trade receivables	**2,148,087**	1,635,078	1,407,854	**1,307,349**	963,987	385,144
Indirect tax receivables	**287,081**	266,847	248,603	**609**	1,605	476
	2,435,168	1,901,925	1,656,457	**1,307,958**	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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Euro	**220,732**	298,090	24,619	**181,417**	278,043	12,337
United States Dollar	**186,022**	144,301	165,922	**–**	–	–
Great Britain Pounds	**30,919**	56,791	87,844	**14,416**	36,734	–

Trade receivables include amounts due from associates of $13,944,000 (31 December 2017: $8,559,000; 1 January 2017: $295,000), due from joint ventures of $13,136,000 (31 December 2017: $21,836,000; 1 January 2017: $Nil) and due from a shareholder related company of $Nil (31 December 2017: $Nil; 1 January 2017: $2,318,000) respectively.

The expected credit loss provision as at 31 December 2018 is determined as follows:-

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Trade receivables measured at amortised cost	**2,247,884**	1,716,289	1,458,774	**1,369,573**	1,014,215	414,387
Less: Lifetime expected credit loss for trade receivables	**(99,797)**	(81,211)	(50,920)	**(62,224)**	(50,228)	(29,243)
Total trade receivables measured at amortised cost	**2,148,087**	1,635,078	1,407,854	**1,307,349**	963,987	385,144
Movement in allowance accounts:-						
As at beginning of year	**81,211**	50,920	60,721	**50,228**	29,243	42,440
Charge for the year	**27,087**	41,207	37,016	**12,141**	23,818	27,972
Written off	**(4,392)**	(6,102)	(542)	**(1,241)**	–	–
Written back	**(4,155)**	(1,272)	(44,319)	**–**	–	(41,405)
Foreign currency translation adjustments	**46**	(3,542)	(1,956)	**1,096**	(2,833)	236
As at end of year	**99,797**	81,211	50,920	**62,224**	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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Trade receivables past due but not impaired:-						
Less than 30 days	**488,334**	384,032	346,694	**187,402**	145,240	56,932
30 to 60 days	**232,124**	125,057	194,829	**14,451**	31,091	9,584
61 to 90 days	**78,597**	75,642	38,006	**32,042**	47,148	10,832
91 to 120 days	**27,802**	69,142	20,578	**12,427**	19,771	813
121 to 180 days	**20,714**	18,090	8,459	**3,679**	5,288	1,880
More than 180 days	**42,296**	39,079	39,961	**8,688**	22,787	6,234
Total trade receivables measured at amortised cost	**889,867**	711,042	648,527	**258,689**	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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Margin deposits with brokers	**260,704**	583,925	1,037,352	**212,756**	488,250	970,574
Amounts due to brokers	**(381,721)**	(184,245)	(872,394)	**(381,255)**	(183,388)	(817,030)
	(121,017)	399,680	164,958	**(168,499)**	304,862	153,544

19. Inventories

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Balance sheets:						
Commodity inventories at fair value	**4,318,954**	4,096,968	5,365,835	**1,438,660**	1,267,257	1,038,380
Commodity inventories at the lower of cost and net realisable value	**2,149,203**	1,947,713	2,048,476	**169,565**	137,743	106,606
	6,468,157	6,044,681	7,414,311	**1,608,225**	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	**(24,951,944)**	(21,442,547)	(15,940,068)	**(21,639,076)**	(17,535,130)	(11,875,179)
• Inventories written down	**(49,410)**	(46,757)	(38,664)	**(19,877)**	(25,397)	(11,435)
• Reversal of write-down of inventories [1]	**51,675**	16,039	19,754	**25,071**	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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Third parties	**805,472**	743,516	880,602	**44,457**	116,243	142,456
Subsidiary companies	**–**	–	–	**1,816,605**	852,001	2,196,193
	805,472	743,516	880,602	**1,861,062**	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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
United States Dollar	**19,616**	37,193	67,803	**–**	–	–
Euro	**10,550**	36,968	30,269	**917,787**	455,950	613,857
Great Britain Pounds	**186**	126	168	**(71,809)**	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 $42,655,000 (31 December 2017: $40,773,000; 1 January 2017: $43,483,000).

Advance payments to suppliers (third parties) for the Group and Company are stated after deducting allowance for doubtful debts of $13,474,000 and $852,000 (31 December 2017: $11,423,000 and $769,000; 1 January 2017: $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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Movement in allowance accounts:-						
As at beginning of year	**11,423**	12,450	17,337	**769**	472	6,561
Charge for the year	**5,612**	2,704	2,387	**67**	354	452
Written off	**(1,252)**	(2,093)	(7,285)	**–**	(13)	(5,956)
Written back	**(1,537)**	(998)	(756)	**–**	–	(446)
Foreign currency translation adjustments	**(772)**	(640)	767	**16**	(44)	(139)
As at end of year	**13,474**	11,423	12,450	**852**	769	472

21. Other current/non-current assets

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Current:						
Sundry receivables	**253,076**	216,485	362,123	**21,264**	21,172	1,189
Export incentives and subsidies receivable [1]	**72,873**	70,479	69,983	**–**	–	–
Amounts due from joint venture, associates and a shareholder related company [2]	**3,373**	64,295	29,425	**1,275**	20,046	23,314
Deposits	**42,211**	61,168	59,772	**1,870**	2,121	2,565
Option premium receivable	**5,907**	5,843	3,632	**5,907**	4,798	3,632
Staff advances [3]	**9,941**	9,466	8,182	**161**	369	492
Insurance receivables [4]	**23,808**	17,679	32,493	**8,077**	6,858	3,548
Short-term investment	**6,056**	11,600	4,478	**–**	–	–
	417,245	457,015	570,088	**38,554**	55,364	34,740
Prepayments [5]	**377,291**	317,291	356,819	**167,414**	112,697	116,376
Advance corporate tax paid	**80,325**	67,351	35,633	**–**	–	–
Taxes recoverable	**3,911**	6,530	24,138	**–**	–	–
	878,772	848,187	986,678	**205,968**	168,061	151,116
Non-current:						
Other non-current assets	**27,786**	25,852	30,400	**–**	–	–

1. 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.
2. Amounts due from joint venture, associates and a shareholder related company are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.
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 shipping and logistics related expenses incurred for sourcing, processing, packaging and merchandising of agricultural products and inputs.

22. Trade payables and accruals

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Trade payables	**3,017,911**	1,637,565	1,538,786	**2,211,402**	923,272	799,160
Accruals	**517,459**	457,244	567,802	**138,383**	159,053	150,123
Advances received from customers	**56,986**	43,732	51,459	**–**	–	–
GST payable and equivalent	**41,504**	45,811	43,447	**2,650**	5,025	–
	3,633,860	2,184,352	2,201,494	**2,352,435**	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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Euro	**431,343**	178,813	124,705	**424,226**	173,627	121,564
Australian Dollar	**179,846**	47,544	27,012	**179,846**	47,544	27,012
Great Britain Pounds	**163,250**	140,042	340,044	**150,181**	124,962	293,772
United States Dollar	**98,010**	31,391	37,336	**–**	–	–

Trade payables include amounts of $33,560,000 (31 December 2017: $19,471,000; 1 January 2017: $Nil) and $5,218,000 (31 December 2017: $Nil and 1 January 2017: $18,000) due to an associate and a joint venture respectively.

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

23. Other current liabilities

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Interest payable on bank loans	**87,604**	82,951	81,355	**74,814**	74,526	75,110
Sundry payables	**332,664**	339,816	261,081	**3,215**	–	6,647
Option premium payable	**19,587**	18,450	33,419	**19,587**	18,450	33,419
Amount due to joint ventures [1]	**6,210**	19,626	–	**2,387**	18,155	–
	446,065	460,843	375,855	**100,003**	111,131	115,176
Withholding tax payable	**10,334**	12,470	7,876	**–**	–	–
	456,399	473,313	383,731	**100,003**	111,131	115,176

1. Amount due to joint ventures are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.

24.Borrowings

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Current:						
Bank overdrafts (Note 33)	**84,161**	104,544	190,165	**–**	–	–
Bank loans	**2,220,091**	2,644,191	3,220,351	**1,064,933**	1,259,505	1,694,362
Term loans from banks	**1,712,692**	1,643,678	1,842,830	**1,077,057**	799,690	1,218,610
Medium-term notes	**749,467**	249,863	719,659	**749,467**	249,863	719,659
Obligation under finance leases (Note 28(c))	**10,710**	17,933	10,030	**–**	–	–
	4,777,121	4,660,209	5,983,035	**2,891,457**	2,309,058	3,632,631
Non-current:						
Term loans from banks	**2,848,187**	2,750,543	4,232,530	**1,525,075**	1,335,932	3,092,015
Medium-term notes	**3,220,467**	3,778,652	2,983,926	**2,613,976**	3,317,732	2,983,926
Obligation under finance leases (Note 28(c))	**83,396**	66,412	111,701	**–**	–	–
Other bonds	**339,064**	332,122	359,396	**339,064**	332,122	359,396
	6,491,114	6,927,729	7,687,553	**4,478,115**	4,985,786	6,435,337
	11,268,235	11,587,938	13,670,588	**7,369,572**	7,294,844	10,067,968

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

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Singapore Dollar	**1,233,174**	1,482,143	1,480,199	**1,233,174**	1,481,730	1,480,199
Japanese Yen	**378,941**	371,332	146,690	**378,941**	371,332	146,690
Euro	**329,883**	420,271	–	**–**	–	–
United States Dollar	**296,746**	341,014	253,992	**–**	–	–
Chinese Yuan	**204,319**	–	–	**204,319**	–	–
Australian Dollar	**189,023**	185,096	200,279	**189,023**	185,082	200,279
Great Britain Pounds	**–**	20,289	18,703	**–**	–	–

Bank overdrafts and bank loans

The bank loans to the Company are repayable within 12 months and bear interest in a range from 2.74% to 2.85% (31 December 2017: 1.95% to 3.65%; 1 January 2017: 1.26% to 1.61%) per annum.

The bank loans and bank overdrafts of the subsidiary companies are repayable within 12 months and bear interest in a range from 0.70% to 27.00% (31 December 2017: 0.65% to 22.00%; 1 January 2017: 0.80% to 26.00%) per annum.

Bank loans include an amount of $74,627,000 (31 December 2017: $17,885,000; 1 January 2017: $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 3.16% to 4.16% (31 December 2017: 2.47% to 3.20%; 1 January 2017: 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 2017: 0.91% to 12.00%: 1 January 2017; 1.20% to 12.00%) per annum. Term loans from banks to the subsidiary companies are repayable between two to ten years (31 December 2017: two to fifteen years; 1 January 2017: two and seven years).

Term loans from banks include an amount of $88,632,000 (31 December 2017: $101,141,000; 1 January 2017: $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 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'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	–
Euro medium-term note programme:							
• 4.25% fixed rate notes	2019	**399,670**	–	–	**399,670**	–	–
• 5.80% fixed rate notes	2019	**349,797**	–	–	**349,797**	–	–
		749,467	249,863	719,659	**749,467**	249,863	719,659
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	**407,770**	398,741	430,748	**407,770**	398,741	430,748
• 4.875% fixed rate notes	2020	**189,022**	185,082	200,279	**189,022**	185,082	200,279
• 1.375% fixed rate notes	2020	**69,716**	68,272	73,860	**69,716**	68,272	73,860
• 4.00% fixed rate notes	2020	**68,073**	66,662	72,119	**68,073**	66,662	72,119
• 6.00% fixed rate notes	2022	**483,707**	483,369	483,030	**483,707**	483,369	483,030
• 4.50% fixed rate notes	2021	**613,137**	600,963	653,891	**613,137**	600,963	653,891
• 1.427% fixed rate notes	2021	**68,600**	67,241	72,830	**68,600**	67,241	72,830
• 0.47% fixed rate notes	2022	**69,248**	67,848	–	**69,248**	67,848	–
• 0.9725% fixed rate notes	2022	**73,562**	72,089	–	**73,562**	72,089	–
• 3.65% fixed rate notes	2022	**68,073**	66,706	–	**68,073**	66,706	–
• 0.9825% fixed rate notes	2022	**97,812**	95,882	–	**97,812**	95,882	–
• 4.375% fixed rate notes	2023	**405,256**	396,378	–	**405,256**	396,378	–
Other medium-term notes:							
• 3.90% fixed rate notes	2022	**238,508**	233,800	–	**–**	–	–
• 3.73% fixed rate notes	2022	**231,693**	227,120	–	**–**	–	–
• 4.35% fixed rate notes	2023	**136,290**	–	–	**–**	–	–
		3,220,467	3,778,652	2,983,926	**2,613,976**	3,317,732	2,983,926

Obligations under finance leases

Obligations under finance leases amounting to $12,127,000 (31 December 2017: $18,101,000; 1 January 2017: $19,602,000) are guaranteed by a subsidiary company.

Obligations under finance leases bear interest ranging from 3.49% to 9.50% (31 December 2017: 8.05% to 25.00%; 1 January 2017: 0.96% to 9.22%) per annum and are repayable between 1 and 20 years (31 December 2017: 1 and 25 years; 1 January 2017: 1 and 20 years).

Other bonds

	Group and Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current:			
7.50% unsecured senior bonds [1]	**339,064**	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 2017 $'000	Cash Flows $'000	Non-cash changes	**31 December 2018 $'000**
			Foreign exchange movement $'000	
Bank borrowings and obligations under finance leases (exclude bank overdrafts)	7,122,757	(237,607)	(10,074)	**6,875,076**
Medium-term notes	4,028,515	(70,658)	12,077	**3,969,934**
Other bonds	332,122	–	6,942	**339,064**

	Group				
	1 January 2017 $'000	Cash Flows $'000	Non-cash changes		31 December 2017 $'000
			Foreign exchange movement $'000	Disposal of subsidiary $'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 2018 $'000	31 December 2017 $'000
Net profit attributable to owners of the Company	**347,870**	580,743
Less: Accrued capital securities distribution	**(55,482)**	(56,635)
Adjusted net profit attributable to owners of the Company for basic and dilutive earnings per share	**292,388**	524,108

	No. of shares	No. of shares
Weighted average number of ordinary shares on issue applicable to basic earnings per share	**3,178,664,663**	2,814,058,047
Dilutive effect of share options	**2,458,849**	2,314,339
Dilutive effect of performance share plan	**669,719**	35,528,711
Dilutive effect of warrants	**39,009,951**	72,287,589
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	**3,220,803,182**	2,924,188,686

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 2018		31 December 2017	
	No. of shares	$'000	No. of shares	$'000
Ordinary shares issued and fully paid [1]				
Balance at beginning of year	**3,221,044,910**	**3,674,206**	2,829,036,837	3,087,894
Issue of shares on exercise of warrants	**49,973,747**	**71,782**	391,928,073	585,542
Issue of shares on exercise of share options	**–**	**3,006**	80,000	770
Balance at end of year	**3,271,018,657**	**3,748,994**	3,221,044,910	3,674,206

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 2018		31 December 2017	
	No. of shares	$'000	No. of shares	$'000
Ordinary shares issued and fully paid [1]				
Balance at beginning of year	**99,533,600**	**187,276**	101,165,100	190,465
Use of treasury shares for share awards/options [2]	**(12,564,277)**	**(23,632)**	(1,631,500)	(3,189)
Share buyback during the year	**1,620,000**	**2,636**	–	–
Balance at end of year	**88,589,323**	**166,280**	99,533,600	187,276

2. The Company used 12,564,277 treasury shares during the current financial period towards the release of 11,039,277 restricted share grants and issuance of 1,525,000 shares on exercise of share options.

(c) Capital securities

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.

(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.

As at 29 January 2018, a total of 49,973,747 Warrants were exercised at a price of US$1.09 and new ordinary shares were issued. Post 29 January 2018, all remaining subscription rights under the Warrants which have not been exercised have lapsed and ceased to be valid.

27. Dividends

	Group and Company	
	31 December 2018 $'000	31 December 2017 $'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 2018: $0.035 (31 December 2017: $0.035) per share	**111,061**	97,740
• One tier tax exempted second and final dividend for financial year ended 31 December 2017: $0.040 (31 December 2016: $0.030) per share	**126,667**	82,659
	237,728	180,399
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 2018: $0.040 (31 December 2017: $0.040) per share	**127,297**	124,860

28. Commitments

(a) Operating lease commitments

Operating lease expenses of the Group and Company (principally for land, offices, warehouses, employees' residences and vessels) were $291,722,000 (31 December 2017: $162,948,000) and $150,473,000 (31 December 2017: $68,406,000), respectively. These leases have an average tenure of between 1.0 and 18.0 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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Not later than one year	**148,047**	136,750	98,816	**43,236**	43,955	26,511
Later than one year but not later than five years	**306,131**	284,703	229,080	**20,133**	37,363	21,477
Later than five years	**510,757**	467,117	581,424	**–**	774	1,398
	964,935	888,570	909,320	**63,369**	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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Capital commitments in respect of property, plant and equipment	**71,214**	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 2018 $'000	**31 December 2018 $'000**	31 December 2017 $'000	31 December 2017 $'000	1 January 2017 $'000	1 January 2017 $'000
	Minimum lease payments	**Present value of payments (Note 24)**	Minimum lease payments	Present value of payments (Note 24)	Minimum lease payments	Present value of payments (Note 24)
Not later than one year	**11,915**	**10,710**	19,322	17,933	14,812	10,030
Later than one year but not later than five years	**42,725**	**34,781**	32,301	25,623	65,743	40,740
Later than five years	**93,964**	**48,615**	83,363	40,789	132,860	70,961
Total minimum lease payments	**148,604**	**94,106**	134,986	84,345	213,415	121,731
Less: Amounts representing finance charges	**(54,498)**	**–**	(50,641)	–	(91,684)	–
Present value of minimum lease payments	**94,106**	**94,106**	84,345	84,345	121,731	121,731

29. Contingent liabilities

	Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Contingent liabilities not provided for in the accounts:			
Financial guarantee contracts given on behalf of subsidiary companies[1]	**15,259,742**	9,776,482	6,954,277

1. Amounts utilised by subsidiary companies on the bank facilities secured by corporate guarantees amounted to $3,794,986,000 (31 December 2017: $2,046,030,000; 1 January 2017: $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 2018 $'000	31 December 2017 $'000
Salaries and employee benefits	**706,149**	652,171
Central Provident Fund contributions and equivalents	**32,067**	30,290
Retrenchment benefits	**1,012**	1,607
Share-based expense (relates to OSGP only)	**14,432**	20,184
	753,660	704,252

(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 2018		31 December 2017	
	Number of share options	**Weighted average exercise price $**	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	**71,267,000**	**2.20**	72,742,000	2.20
Forfeited during the year	**(790,000)**	**2.38**	(1,085,000)	2.38
Exercised during the year [1]	**(1,525,000)**	**2.09**	(390,000)	1.97
Outstanding at the end of the year [2]	**68,952,000**	**2.20**	71,267,000	2.20
Exercisable at end of year	**68,952,000**	**2.20**	71,267,000	2.20

1. The weighted average share price when the options were exercised in the current financial year was $2.09 (31 December 2017: $1.97).
2. The range of exercise prices for options outstanding at the end of the financial year was $1.76 to $3.10 (31 December 2017: $1.76 to $3.10). The weighted average remaining contractual life for these options is 1.50 years (31 December 2017: 2.52 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') • Relative Total Shareholder Return • Return on Equity ('ROE') • 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	RSA and PSA	PSA
Grant date:	12 April 2018	24 April 2017	15 April 2016	7 April 2015
Dividend yield (%)	2.507	2.333	2.753	2.87
Expected volatility (%)	22.015	22.035	22.747	7.82
Risk-free interest rate (%)	1.980	1.394	1.197	1.33
Expected term (years)	2.97	2.94	2.72	2.74
Index (for Relative TSR)	Not applicable	Not applicable	FTSE Straits Times Index	FTSE Straits Times Index
Index volatility (%)	Not applicable	Not applicable	14.081	7.82
Correlation with Index (%)	Not applicable	Not applicable	35.4	38.8
Share price at date of grant ($)	2.360	1.910	1.720	1.985
Fair value at date of grant ($)	2.218	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 2018 was 37,601,452 (31 December 2017: 38,897,596).

Based on the achievement factor, the actual release of the PSA awards could range from zero to maximum of 52,957,796 (31 December 2017: 59,553,509) 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 Group and Company in the ordinary course of business on terms agreed between the parties:-

	Group		Company	
	31 December 2018 $'000	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000
Subsidiary companies:				
• Sales of goods	**–**	–	**3,112,460**	3,549,093
• Sales of services, net	**–**	–	**418,245**	1,539
• Purchases	**–**	–	**12,261,889**	11,002,794
• Insurance premiums paid	**–**	–	**17,961**	14,365
• Commissions paid	**–**	–	**48,237**	30,475
• Interest received on loans, net	**–**	–	**88,287**	60,355
• Consultancy fee paid	**–**	–	**81,333**	85,885
• Management fee received	**–**	–	**57,387**	46,688
• Trademark income	**–**	–	**449,502**	–
• Dividend received	**–**	–	**1,875,603**	12,997
• Toll processing charges paid	**–**	–	**565,347**	120,672
• Warehouse rental paid	**–**	–	**129**	383
• Corporate guarantee received	**–**	–	**21,889**	–
Joint ventures:				
• Sales of goods	**897**	2,844	**–**	–
• Purchases	**1,339**	–	**–**	–
• Management fee received	**402**	383	**–**	–
• Interest received on loans	**–**	8	**–**	8
Associates:				
• Sales of goods	**133,217**	81,070	**130,324**	79,266
• Purchases	**271,449**	316,421	**271,449**	316,417
• Finance income	**17,415**	22,758	**17,415**	22,758
• Dividend received	**738**	22,325	**738**	22,325
• Management fee received	**2,799**	2,351	**2,799**	2,351
• Director Fees received	**36**	38	**36**	38
• Miscellaneous income	**–**	131	**–**	131
Shareholder related companies:				
• Sale of goods	**44,958**	54,751	**427**	19,466
• Purchases	**–**	123	**–**	–
• Finance cost	**2**	–	**–**	–

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 2018 $'000	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000
Directors' fees	**1,855**	1,755	**1,780**	1,698
Salaries and employee benefits	**22,524**	20,511	**19,982**	16,796
Central Provident Fund contributions and equivalents	**406**	557	**117**	126
Share-based expense	**4,924**	4,543	**4,366**	3,688
	29,709	27,366	**26,245**	22,308
Comprising amounts paid to:-				
Directors of the Company	**14,049**	11,389	**13,974**	11,332
Key management personnel	**15,660**	15,977	**12,271**	10,976
	29,709	27,366	**26,245**	22,308

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 2018 Options/shares	31 December 2017 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	**3,603,852**	3,321,846
Key management personnel	**4,795,800**	5,750,000

33. Cash and short-term deposits

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Cash and bank balances	**1,582,654**	1,174,552	1,556,636	**796,792**	601,561	723,680
Deposits	**897,720**	811,799	587,415	**94,587**	535,450	550,992
	2,480,374	1,986,351	2,144,051	**891,379**	1,137,011	1,274,672

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.01% to 20.90% (31 December 2017: 0.10% to 21.00%; 1 January 2017: 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 90 days (31 December 2017: 1 and 90 days) depending on the immediate cash requirements of the Group, and interest earned at floating rates ranging from 0.50% to 16.00% (31 December 2017: from 0.80% to 19.50%; 1 January 2017: 0.00% to 9.96%) per annum and may be withdrawn on demand.

Deposits amounting to $Nil (31 December 2017: $1,119,000; 1 January 2017: $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 $3,067,000 (31 December 2017: $Nil; 1 January 2017: $14,468,000) 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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Euro	**367,485**	876,917	294,709	**265,825**	865,456	290,061
United States Dollar	**191,872**	68,335	86,235	**–**	–	–
Great Britain Pounds	**42,274**	17,214	103,304	**42,079**	14,039	102,285
Singapore Dollar	**17,604**	17,075	49,808	**16,558**	16,798	49,806
Swiss Franc	**13,725**	1,359	210,833	**13,703**	1,284	210,015
Japanese Yen	**11,808**	10,881	267,271	**11,802**	10,881	267,208
Australian Dollar	**4,773**	579	3,625	**4,772**	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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Cash and bank balances	**1,582,654**	1,174,552	1,556,636
Deposits	**897,720**	811,799	587,415
Structured deposits	**(3,067)**	–	(14,468)
Bank overdrafts (Note 24)	**(84,161)**	(104,544)	(190,165)
	2,393,146	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 Board Risk 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 $16,851,000 (31 December 2017: $30,287,000) 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) Loans to joint ventures and associates (Note 14) Other current assets – Sundry receivables, export incentives and subsidies receivable, deposits, staff advances, insurance receivables, amount due from joint venture, associates and a shareholder related company (Note 21) Amount due from subsidiary companies (Note 16)	Expected credit loss is calculated by applying the default sovereign risk rating of the counterparties' country of domicile 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. Cash and bank balances and deposits 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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
By operating segments:						
Edible nuts and spices	**329,558**	337,909	253,620	**207,732**	219,463	68,467
Confectionery and beverage ingredients	**566,697**	675,624	556,669	**243,984**	444,534	77,805
Industrial raw materials, infrastructure and logistics	**213,564**	178,959	79,105	**158,761**	156,962	47,890
Food staples and packaged food	**1,038,262**	442,381	518,460	**696,872**	143,028	190,982
Commodity financial services	**6**	205	–	**–**	–	–
	2,148,087	1,635,078	1,407,854	**1,307,349**	963,987	385,144

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

(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 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 2018		31 December 2017	
	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%	**(5,892)**	**5,234**	(7,217)	5,629
GBP – strengthened 0.5%	**(1,371)**	**(4,212)**	(673)	(5,287)
USD – strengthened 0.5%	**(63)**	**–**	(380)	–
AUD – strengthened 0.5%	**(820)**	**3,012**	(225)	4,439
EUR – strengthened 0.5%	**(664)**	**(8,233)**	1,615	(6,103)

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 2018 $'000				31 December 2017 $'000				1 January 2017 $'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	One year or less	One to five years	Over five years	Total
Group												
Financial liabilities:												
Trade payables and accruals (Note 22)	**3,535,370**	**–**	**–**	**3,535,370**	2,094,809	–	–	2,094,809	2,201,494	–	–	2,201,494
Other current liabilities (Note 23)	**358,461**	**–**	**–**	**358,461**	377,892	–	–	377,892	294,500	–	–	294,500
Borrowings	**5,179,150**	**6,827,176**	**128,109**	**12,134,435**	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))	**928,631**	**–**	**–**	**928,631**	851,947	–	–	851,947	987,942	–	–	987,942
Margin accounts with brokers (Note 18)	**121,017**	**–**	**–**	**121,017**	–	–	–	–	–	–	–	–
Total undiscounted financial liabilities	**10,122,629**	**6,827,176**	**128,109**	**17,077,914**	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)	**2,349,785**	**–**	**–**	**2,349,785**	1,082,325	–	–	1,082,325	949,283	–	–	949,283
Other current liabilities (Note 23)	**25,189**	**–**	**–**	**25,189**	36,605	–	–	36,605	40,066	–	–	40,066
Borrowings	**3,205,998**	**4,793,310**	**–**	**7,999,308**	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))	**688,823**	**–**	**–**	**688,823**	685,128	–	–	685,128	681,162	–	–	681,162
Margin accounts with brokers (Note 18)	**168,499**	**–**	**–**	**168,499**	–	–	–	–	–	–	–	–
Total undiscounted financial liabilities	**6,438,294**	**4,793,310**	**–**	**11,231,604**	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's 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 2018 $'000				31 December 2017 $'000				1 January 2017 $'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	One year or less	One to five years	Over five years	Total
Group and Company												
Financial guarantees	**3,794,986**	**–**	**–**	**3,794,986**	2,046,030	–	–	2,046,030	1,089,198	–	–	1,089,198

(e) Interest rate risk

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 $24,260,000 (31 December 2017: $27,607,000).

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 2018, the settlement dates on open foreign exchange derivatives and commodity derivatives ranged between 1 and 24 months (31 December 2017: 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:-

	31 December 2018				31 December 2017				1 January 2017			
	Fair value				Fair value				Fair value			
	Group		**Company**		Group		Company		Group		Company	
	Assets $'000	**Liabilities $'000**	**Assets $'000**	**Liabilities $'000**	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Derivatives held for hedging:												
Foreign exchange contracts	**260,197**	**(251,156)**	**213,363**	**(189,569)**	257,385	(176,798)	143,026	(164,497)	231,380	(195,339)	206,572	(154,642)
Foreign exchange contracts – Cash flow hedge	**4,965**	**–**	**4,965**	**–**	–	(11,619)	–	(11,619)	–	(41,305)	–	(41,305)
Commodity contracts	**3,200,199**	**(2,372,951)**	**2,711,387**	**(2,165,790)**	2,603,631	(1,956,800)	2,163,097	(1,754,690)	5,739,831	(4,846,050)	4,840,466	(4,463,259)
Power purchase agreement	**10,438**	**–**	**–**	**–**	13,801	–	–	–	–	–	–	–
Interest rate swaps	**–**	**(135)**	**–**	**(135)**	–	(1,199)	–	(1,199)	–	–	–	–
Total derivatives held for hedging	**3,475,799**	**(2,624,242)**	**2,929,715**	**(2,355,494)**	2,874,817	(2,146,416)	2,306,123	(1,932,005)	5,971,211	(5,082,694)	5,047,038	(4,659,206)
Derivatives held for trading:												
Foreign exchange contracts	**10,506**	**(6,765)**	**10,506**	**(6,765)**	3,806	(2,388)	3,806	(2,388)	6,224	(9,768)	6,224	(9,768)
Commodity contracts	**103,574**	**(52,460)**	**103,574**	**(52,460)**	124,791	(87,308)	124,791	(87,308)	305,170	(251,933)	305,170	(251,934)
Total derivatives held for trading	**114,080**	**(59,225)**	**114,080**	**(59,225)**	128,597	(89,696)	128,597	(89,696)	311,394	(261,701)	311,394	(261,702)
Total derivatives, gross	**3,589,879**	**(2,683,467)**	**3,043,795**	**(2,414,719)**	3,003,414	(2,236,112)	2,434,720	(2,021,701)	6,282,605	(5,344,395)	5,358,432	(4,920,908)
Gross amounts offset in the balance sheet	**(1,754,836)**	**1,754,836**	**(1,725,896)**	**1,725,896**	(1,384,165)	1,384,165	(1,336,573)	1,336,573	(4,356,454)	4,356,453	(4,239,746)	4,239,746
Net amounts in the balance sheet	**1,835,043**	**(928,631)**	**1,317,899**	**(688,823)**	1,619,249	(851,947)	1,098,147	(685,128)	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 SFRS(I) 9 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:-

		Group 31 December 2018		Group 31 December 2017		Group 1 January 2017	
	Line item in the Balance Sheets where the hedging instrument is reported:	**Assets $'000**	**Liabilities $'000**	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Fair value hedge							
Hedged item:							
Inventories	Inventories	**1,070,045**	**–**	1,135,411	–	767,870	–
Sales and purchase contracts	Derivative assets/ (liabilities)	**190,151**	**–**	67,384	–	274,192	–
Hedging instruments:							
Commodity contracts	Derivative assets/ (liabilities)	**5,328**	**(4,747)**	55,832	–	–	(225,817)
Cash flow hedge							
Hedged item:							
Forecasted transactions denominated in foreign currency	Fair value adjustment reserves	**–**	**(72,544)**	214,878	–	76,655	–
Hedging instruments:							
Foreign exchange contracts	Derivative assets/ (liabilities)	**4,965**	**–**	–	(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 the relevant commodity derivatives used for above hedging accounting purposes, the forecasted transactions are expected to occur within 3 to 24 months (31 December 2017 and 1 January 2017: 3 to 24 months). These commodity derivatives held for hedging accounting 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 $361,001,000 (31 December 2017: $178,271,000; 1 January 2017: $276,553,000).

Cash flow hedge

For the relevant foreign exchange derivatives used for above hedging accounting purposes, the forecasted transactions are expected to occur within 24 months (31 December 2017 and 1 January 2017: 24 months). The fair value of these derivatives recorded in the 'Other Comprehensive Income' are reclassified through the profit and loss account upon occurrence of the forecasted transactions and this amounts to $2,474,000 (31 December 2017: $68,037,000; 1 January 2017: $54,111,000) for the current financial year. The net hedging gain recognised in the 'Other Comprehensive Income' in relation to such transactions amounts to $4,965,000 (31 December 2017: hedging loss $11,619,000; 1 January 2017: hedging loss $41,305,000) in 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 2018				Group 31 December 2017				Group 1 January 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	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	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)	135,777	–	–	135,777	257,519	–	–	257,519	136,321	–	12,171	148,492
Derivative financial instruments												
Foreign exchange contracts	–	270,703	–	270,703	–	261,191	–	261,191	–	237,604	–	237,604
Foreign exchange contracts – Cash flow hedge	–	4,965	–	4,965	–	–	–	–	–	–	–	–
Commodity contracts	328,582	1,156,237	64,118	1,548,937	107,212	1,166,466	70,579	1,344,257	492,907	1,073,034	122,606	1,688,547
Power purchase agreement	–	–	10,438	10,438	–	–	13,801	13,801	–	–	–	–
	464,359	1,431,905	74,556	1,970,820	364,731	1,427,657	84,380	1,876,768	629,228	1,310,638	134,777	2,074,643
Financial liabilities:												
Derivative financial instruments												
Foreign exchange contracts	–	257,920	–	257,920	–	179,186	–	179,186	–	205,108	–	205,108
Foreign exchange contracts – Cash flow hedge	–	–	–	–	–	11,619	–	11,619	–	41,305	–	41,305
Commodity contracts	39,874	625,386	5,316	670,576	223,277	435,004	1,662	659,943	129,122	599,632	12,775	741,529
Interest rate swaps	–	135	–	135	–	1,199	–	1,199	–	–	–	–
	39,874	883,441	5,316	928,631	223,277	627,008	1,662	851,947	129,122	846,045	12,775	987,942
Non-financial assets:												
Biological assets (Note 12)	–	–	511,931	511,931	–	–	471,656	471,656	–	–	450,564	450,564
Inventories (Note 19)	–	4,027,034	291,920	4,318,954	–	3,707,281	389,687	4,096,968	–	4,550,262	815,573	5,365,835
	–	4,027,034	803,851	4,830,885	–	3,707,281	861,343	4,568,624	–	4,550,262	1,266,137	5,816,399

Determination of fair value

Long-term investment (Note 15) 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.

The fair value of biological assets has been determined through various methods and assumptions. Please refer to Note 12 for more details.

35. Fair values of assets and liabilities continued

(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 2017: Nil, 1 January 2017: 14.6%)
Commodity contracts	Comparable market approach	Premium on quality per metric tonne	0% to 35% (31 December 2017: 0% to 33%, 1 January 2017: 0% to 17%)
Commodity contracts	Comparable market approach	Discount on quality per metric tonne	0% to 37% (31 December 2017: 0% to 25%, 1 January 2017: 0% to 21%)
Power purchase agreement	Discounted Cash Flow	Electricity Pricing per megawatt hour	0% to 8% (31 December 2017: 0% to 21%, 1 January 2017: Nil)
Non-financial assets:			
Inventories	Comparable market approach	Premium on quality per metric tonne	0% to 29% (31 December 2017: 0% to 23%, 1 January 2017: 0% to 20%)
Inventories	Comparable market approach	Discount on quality per metric tonne	0% to 29% (31 December 2017: 0% to 23%, 1 January 2017: 0% to 20%)

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 2018			31 December 2017			1 January 2017		
		Effect of reasonably possible alternative assumptions			Effect of reasonably possible alternative assumptions			Effect of reasonably possible alternative assumptions	
	Carrying amount $'000	**Profit/(loss) $'000**	**Other comprehensive income $'000**	Carrying amount $'000	Profit/(loss) $'000	Other comprehensive income $'000	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	**64,118**	**(1,377)**	**–**	70,579	(621)	–	122,606	6,666	–
Power purchase agreement	**10,438**	**355**	**–**	13,801	381	–	–	–	–
Financial liabilities:									
Commodity contracts	**(5,316)**	**603**	**–**	(1,662)	182	–	(12,775)	612	–
Non-financial assets:									
Biological assets – increased by 0.5%	**511,931**	**(2,184)**	**–**	471,656	(1,863)	–	450,565	(1,853)	–
Biological assets – decreased by 0.5%	**511,931**	**2,195**	**–**	471,656	1,874	–	450,565	1,864	–
Inventories	**291,920**	**2,897**	**–**	389,687	3,996	–	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 biological assets, the Group adjusted the key assumptions (discount rate/ pricing) applied to fair values by 0.5%.
- For long-term investment (unquoted), the Group adjusted the assumptions to the model inputs of the valuation 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 2017	122,606	(12,775)	–	12,171	815,573
Total gain/(loss) recognised in the profit and loss account					
• Net gain/(loss) on fair value changes	(52,027)	11,113	13,801	–	(12,226)
• Purchases and sales, net	–	–	–	(12,171)	(413,660)
At 31 December 2017 and 1 January 2018	**70,579**	**(1,662)**	**13,801**	**–**	**389,687**
Total gain/(loss) recognised in the profit and loss account					
• Net gain/(loss) on fair value changes	**(6,461)**	**(3,654)**	**(3,363)**	**–**	**33,167**
• Purchases and sales, net	**–**	**–**	**–**	**–**	**(130,934)**
At 31 December 2018	**64,118**	**(5,316)**	**10,438**	**–**	**291,920**

(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.

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

(i) Loans to subsidiary companies, loans to joint ventures and loans to associates

Loans to subsidiary companies, loans to joint ventures and loans to associates 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) 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 2018				
Financial liabilities:				
Medium-term notes	**3,969,934**	**3,973,148**	**3,363,443**	**3,366,658**
Other bonds	**339,064**	**353,309**	**339,064**	**353,309**
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
1 January 2017				
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 2017 and 31 December 2018.

The Group calculates the level of debt capital required to finance the working capital requirements using leverage/gearing ratio and the Group's policy is to maintain the leverage ratio within 2 times.

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

	Group	
	31 December 2018	31 December 2017
Gross debt to equity:		
• Before fair value adjustment reserve	**1.69 times**	1.76 times
Net debt to equity:		
• Before fair value adjustment reserve	**1.32 times**	1.46 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 financial liabilities

	Group 31 December 2018			Group 31 December 2017			Group 1 January 2017		
	Amortised cost $'000	Fair value through Other Comprehensive Income $'000	Fair value through Profit or Loss $'000	Amortised cost $'000	Fair value through Other Comprehensive Income $'000	Fair value through Profit or Loss $'000	Amortised cost $'000	Fair value through Other Comprehensive Income $'000	Fair value through Profit or Loss $'000
Financial assets:									
Loans to joint ventures (Note 14(a))	40,720	–	–	154,022	–	–	124,256	–	–
Loans to associates (Note 14(b))	18,965	–	–	289,927	–	–	258,794	–	–
Long-term investments (Note 15)	–	135,777	–	–	257,519	–	–	136,321	12,171
Trade receivables (Note 17)	2,148,087	–	–	1,635,078	–	–	1,656,457	–	–
Margin accounts with brokers (Note 18)	–	–	–	399,680	–	–	164,958	–	–
Other current assets (Note 21)	417,245	–	–	457,015	–	–	565,610	–	4,478
Cash and short-term deposits (Note 33)	2,480,374	–	–	1,986,351	–	–	2,129,583	–	14,468
Derivative financial instruments (Note 34(f))	–	4,965	1,830,078	–	–	1,619,249	–	–	1,926,151
Other non-current assets (Note 21)	27,786	–	–	14,791	–	11,061	18,422	–	11,978
	5,133,177	140,742	1,830,078	4,936,864	257,519	1,630,310	4,918,080	136,321	1,969,246
Financial liabilities:									
Trade payables and accruals (Note 22)	3,535,370	–	–	2,094,809	–	–	2,201,494	–	–
Margin accounts with brokers (Note 18)	121,017	–	–	–	–	–	–	–	–
Other current liabilities (Note 23)	446,065	–	–	460,843	–	–	375,855	–	–
Borrowings (Note 24)	11,268,235	–	–	11,587,938	–	–	13,670,588	–	–
Derivative financial instruments (Note 34(f))	–	–	928,631	–	11,619	840,328	–	41,305	946,637
	15,370,687	–	923,631	14,143,590	11,619	840,328	16,247,937	41,305	946,637

	Company 31 December 2018			Company 31 December 2017			Company 1 January 2017		
	Amortised cost $'000	Fair value through Other Comprehensive Income $'000	Fair value through Profit or Loss $'000	Amortised cost $'000	Fair value through Other Comprehensive Income $'000	Fair value through Profit or Loss $'000	Amortised cost $'000	Fair value through Other Comprehensive Income $'000	Fair value through Profit or Loss $'000
Financial assets:									
Loans to joint ventures (Note 14(a))	40,720	–	–	154,022	–	–	124,256	–	–
Loans to associates (Note 14(b))	–	–	–	263,682	–	–	256,683	–	–
Long-term investments (Note 15)	–	135,777	–	–	257,519	–	–	136,321	–
Amounts due from subsidiary companies (Note 16)	3,988,713	–	–	1,926,416	–	–	3,583,148	–	–
Trade receivables (Note 17)	1,307,349	–	–	963,987	–	–	385,620	–	–
Margin accounts with brokers (Note 18)	–	–	–	304,862	–	–	153,544	–	–
Other current assets (Note 21)	38,554	–	–	55,364	–	–	34,740	–	–
Cash and short-term deposits (Note 33)	891,379	–	–	1,137,011	–	–	1,260,204	–	14,468
Derivative financial instruments (Note 34(f))	–	4,965	1,312,934	–	–	1,098,147	–	–	1,118,686
	6,266,715	140,742	1,312,934	4,805,344	257,519	1,098,147	5,798,195	136,321	1,133,154
Financial liabilities:									
Trade payables and accruals (Note 22)	2,349,785	–	–	1,082,325	–	–	949,283	–	–
Margin accounts with brokers (Note 18)	168,499	–	–	–	–	–	–	–	–
Other current liabilities (Note 23)	100,003	–	–	111,131	–	–	115,176	–	–
Borrowings (Note 24)	7,369,572	–	–	7,294,844	–	–	10,067,968	–	–
Derivative financial instruments (Note 34(f))	–	–	688,823	–	11,619	673,509	–	41,305	639,857
	9,987,859	–	688,823	8,488,300	11,619	673,509	11,132,427	41,305	639,857

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 and Spices – 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, Infrastructure and Logistics – 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 and Spices		Confectionery and Beverage Ingredients		Industrial Raw Materials, Infrastructure and Logistics		Food Staples and Packaged Foods		Commodity Financial Services		Consolidated	
	31 December 2018 $'000	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000
Segment revenue:												
Sales to external customers	**4,312,017**	4,491,982	**7,129,800**	8,136,794	**4,530,960**	3,876,629	**14,506,279**	9,767,124	**–**	–	**30,479,056**	26,272,529
Segment result (EBITDA)	**339,898**	438,403	**443,997**	327,709	**176,226**	197,287	**288,822**	359,670	**(13,076)**	4,896	**1,235,867**	1,327,965
Depreciation and amortisation	**(128,720)**	(136,865)	**(104,113)**	(99,498)	**(28,178)**	(26,662)	**(131,261)**	(117,253)	**(564)**	(402)	**(392,836)**	(380,680)
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(548,464)**	(531,178)
Finance income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**79,689**	65,597
Exceptional items[1]	**23,772**	28,001	**5,831**	–	**(8,219)**	–	**(15,025)**	121,188	**–**	–	**6,359**	149,189
Profit before taxation											**380,615**	630,893
Taxation expense											**(57,422)**	(79,248)
Profit for the financial year											**323,193**	551,645
Segment assets	**4,170,409**	4,051,846	**6,416,675**	6,054,288	**2,655,133**	2,914,211	**6,414,580**	5,960,449	**109,806**	174,111	**19,766,603**	19,154,905
Unallocated assets[2]											**3,680,214**	3,143,642
											23,446,817	22,298,547
Segment liabilities	**560,547**	447,956	**1,481,448**	707,254	**838,108**	561,218	**1,837,022**	1,282,132	**(7,820)**	75,815	**4,709,305**	3,074,375
Unallocated liabilities[3]											**12,273,456**	12,603,143
											16,982,761	15,677,518
Other segmental information:												
Share of results from joint ventures and associates	**(590)**	27	**797**	1,511	**53,210**	63,324	**9,108**	2,769	**–**	–	**62,525**	67,631
Investments in joint ventures and associates	**23,612**	1,542	**4,982**	1,542	**467,205**	479,827	**195,893**	588,029	**–**	–	**691,692**	1,070,940
Capital expenditure	**141,111**	135,612	**104,060**	159,472	**71,811**	99,004	**486,535**	556,756	**663**	242	**804,180**	951,086

As at 1 January 2017:

	Edible Nuts and Spices	Confectionery and Beverage Ingredients	Industrial Raw Materials, Infrastructure and Logistics	Food Staples and Packaged Foods	Commodity Financial Services	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Other segmental information:						
Investments in joint ventures and associates	1,245	2,726	495,865	390,002	–	889,838
Segment assets	4,185,983	7,212,619	2,794,927	5,642,221	260,835	20,096,585
Unallocated assets[2]						3,372,299
						23,468,884
Segment liabilities	543,317	1,103,141	349,162	1,120,138	107,053	3,222,811
Unallocated liabilities[3]						14,611,769
						17,834,580

(b) Geographical segments

	Asia, Middle East and Australia		Africa		Europe		Americas		Eliminations		Consolidated	
	31 December 2018 $'000	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000	**31 December 2018 $'000**	31 December 2017 $'000
Segment revenue:												
Sales to external customers	**13,098,750**	9,809,906	**4,680,764**	4,854,419	**7,537,172**	6,784,873	**5,162,370**	4,823,331	**–**	–	**30,479,056**	26,272,529
Intersegment sales	**15,216,713**	10,895,287	**3,570,496**	3,569,317	**820,377**	1,666,624	**2,839,625**	3,365,854	**(22,447,211)**	(19,497,082)	**–**	–
	28,315,463	20,705,193	**8,251,260**	8,423,736	**8,357,549**	8,451,497	**8,001,995**	8,189,185	**(22,447,211)**	(19,497,082)	**30,479,056**	26,272,529
Non-current assets[4]	**3,465,983**	3,775,732	**3,102,174**	2,799,057	**619,415**	806,691	**1,356,259**	1,373,478	**–**	–	**8,543,831**	8,754,958

As at 1 January 2017:

	Asia, Middle East and Australia	Africa	Europe	Americas	Consolidated
	$'000	$'000	$'000	$'000	$'000
Non-current assets[4]	3,391,133	2,527,224	803,504	1,573,815	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 2018 $'000	31 December 2017 $'000
Loss on disposal of joint venture and associate	**(25,930)**	–
Gain on sale of USA orchards farmland and spices, vegetables dehydrate facilities	**23,772**	34,168
Gain on disposal of subsidiary (Note 13)	**5,831**	121,188
Gain on disposal of intangible asset – Café Enrista Brand	**2,686**	–
Wage agreement settlement, USA	**–**	(6,167)
	6,359	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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Cash and bank balances	**1,582,654**	1,174,552	1,556,636
Fixed deposits	**897,720**	811,799	587,415
Other current/non-current assets	**897,278**	803,901	984,021
Long-term investments	**135,777**	257,519	148,492
Deferred tax assets	**166,785**	95,871	95,735
	3,680,214	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 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Borrowings	**11,268,235**	11,587,938	13,670,588
Deferred tax liabilities	**422,625**	416,991	505,876
Other current liabilities	**430,602**	435,237	350,356
Provision for taxation	**151,994**	162,977	84,949
	12,273,456	12,603,143	14,611,769

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

39. Events occurring after the reporting period

(a) On 11 February 2019, the Company announced that Queensland Cotton Corporation Pty Ltd ("QCC"), an indirect wholly-owned subsidiary of the Company, has disposed of its entire 51% shareholding in Collymongle Ginning Pty Ltd ("CGPL"), a company incorporated in Australia, to PJ & PM Harris Pty Ltd ("Harris") following an exercise of option, for a total cash consideration of A$4.08 million. QCC had in 2014 sold down its shareholding in CGPL from 100% to 51% to Harris. Following the disposal, CGPL ceased to be an indirect subsidiary of the Company.

(b) On 11 February 2019, Olam Argentina S.A., a wholly-owned subsidiary of the Company, has disposed its entire equity interest in its wholly-owned subsidiary, Olam Alimentos S.A. ("OAL"), a company incorporated in Argentina with principal activity in peanut shelling and blanching, to Adecoagro. The cash consideration received from the sale of shares was US$10 million. Following the disposal, OAL ceased to be an indirect subsidiary of the Company.

(c) On 26 February 2019, the Company announced the acquisition of 85% of the issued and paid-up share capital of YTS Holdings Pte Ltd ("YTS"), for a total cash consideration of US$90.0 million. YTS, a company incorporated in Singapore, owns 100% of PT. Bumitangerang Mesindotama ("BT Cocoa"), primarily engaged in cocoa processing in Indonesia. Following the acquisition, YTS became a subsidiary of the Company with the remaining 15.0% interest in YTS to be held by the founding members of BT Cocoa.

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Olam

Olam International Limited
7 Straits View
Marina One East Tower
#20-01
Singapore 018936
Telephone (65) 6339 4100
Facsimile (65) 6339 9755

olamgroup.com

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