ANJ

Consolidating Resources for Responsible Development

PT Austindo Nusantara Jaya Tbk.
ANNUAL REPORT 2018

DISCLAIMER

This annual report has been prepared by PT Austindo Nusantara Jaya Tbk. (ANJ) for informational purposes only. Certain statements herein may constitute "forward-looking statements", including statements regarding ANJ's expectations and projections for future operating performance and business prospects. Such forward-looking statements are based on numerous assumptions regarding ANJ's present and future business strategies and the environment in which ANJ will operate in the future. Such forwardlooking statements speak only as of the date on which they are made.

Accordingly, ANJ expressly disclaims any obligation to update or revise any forward-looking statement contained herein to reflect any change in the Company's expectations with regard to new information, future events or other circumstances. ANJ does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved and such forwardlooking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

By reviewing this document, you acknowledge that you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the business of ANJ.

ABOUT THIS REPORT

This report has been prepared as a detailed and accurate picture of ANJ, its subsidiaries and their activities in 2018. It has also been prepared according to the regulations of the Indonesian Financial Services Authority (OJK). We hope you find it useful and we welcome your feedback. Please e-mail comments to corsec@anj-group.com.

To download a PDF of this or previous years' reports in English or Indonesian, please go to www.anj-group.com/en/annual-report/index.

PREFACE

As an agribusiness-based food company, ANJ has consistently pursued excellence through a responsible development approach that balances our profit objectives with social and environmental priorities. In our business, our principal resources are the land we manage, for both production and conservation; the knowledge we have gained over decades in the agribusiness sector; our financial capacity; and our stakeholders, who incorporate a broad spectrum ranging from our employees, the people in the communities we intersect, the government and smallholder farmers to our partners in the NGO community, our investors, customers, business partners and the media. We believe that investing in these resources will enable us to sustain profitable growth over the long term.

Over the last year, we have been consolidating all our resources to address the key challenges and opportunities facing our business in a responsible and sustainable way. We are improving the productivity of our land sustainably through best practices in agronomic management and working with local communities and farmers on creative solutions to improve livelihoods and protect vital ecosystems and biodiversity. We are working with smallholders to improve the quality and traceability of their products and with our partners and communities to ensure that children get a better start in life through early years of education and quality health services, while their parents have access to decent livelihood opportunities. Through our actions, we hope to contribute to Indonesia's national development priorities, including the achievement of the Sustainable Development Goals, while creating sustainable value for our stakeholders.

Key Performance

7.6%

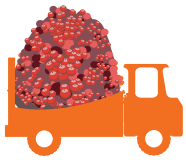
FFB PRODUCTION
ANJ's total FFB production grew 7.6% to 786,104 tonnes in 2018.

18.3%

TOTAL CPO PRODUCTION
ANJ's total CPO production grew 18.3% to 248,694 tonnes in 2018.

22.7%

PK PRODUCTION
ANJ's total PK production grew 22.7% to 54,033 tonnes in 2018.



17.8%

TOTAL CPO SALES VOLUME
Total CPO sales volume increased significantly by 17.8% to 246,138 tonnes in 2018.

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Common terms used in this report

ANJ
In this report PT Austindo Nusantara Jaya Tbk is referred to as "ANJ" or "the Company."

ANJA
PT Austindo Nusantara Jaya Agri

ANJAS
PT Austindo Nusantara Jaya Agri Siais

SMM
PT Sahabat Mewah dan Makmur

KAL
PT Kayung Agro Lestari

GSB
PT Galempa Sejahtera Bersama

PPM
PT Permata Putera Mandiri

PMP
PT Putera Manunggal Perkasa

ANJAP
PT ANJ Agri Papua

LSP
PT Lestari Sagu Papua

AANE
PT Austindo Aufwind New Energy

GMIT
PT Gading Mas Indonesia Teguh

ANJB
PT Austindo Nusantara Jaya Boga

CPO
Crude Palm Oil: the oil extracted after crushing the fruit of the oil palm.

PK
Palm Kernel: A fibrous cake that results from crushing the seeds at the center of the oil palm fruit.

FFB
Fresh Fruit Bunches: the oil palm fruit clusters cut and harvested from palms as the raw material for milling into CPO and PK.

Nucleus
The area of an oil palm plantation that forms our core business.

Plasma
The area of an oil palm plantation allotted to communities under the Indonesian Government's Plasma Program to benefit smallholders.

PROLOGUE

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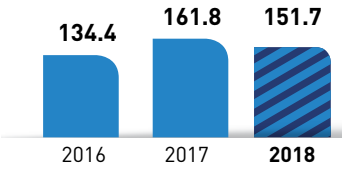
This 2018 Annual Report also available at:
www.anj-group.com

Financial and Operational Highlights

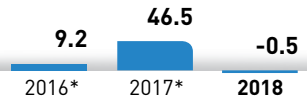
				Variance 2018 vs 2017	
Results from Operations (USD million)	**2018**	**2017***	**2016***	**Amount**	**%**
Total revenue	**151.7**	161.8	134.4	(10.1)	(6.2)%
Gross profit	**40.9**	49.0	45.3	(8.1)	(16.5)%
EBITDA	**25.1**	100.2	35.3	(75.1)	(75.0)%
Net income (loss) for the year	**(0.5)**	46.5	9.2	(47.0)	(101.1)%
attributable to the owners of the company	**(0.3)**	46.6	9.2	(46.9)	(100.7)%
attributable to non-controlling interests	**(0.2)**	(0.0)	-	(0.2)	731.7%
Total comprehensive income (loss)	**(7.1)**	40.8	11.9	(48.0)	(117.5)%
attributable to the owners of the company	**(6.9)**	40.9	11.9	(47.8)	(117.0)%
attributable to non-controlling interests	**(0.2)**	(0.0)	0.0	(0.2)	583.7%
Basic earnings (loss) per share	**(0.000093)**	0.013882	0.00281	(0.0)	(100.7)%
Financial Position (USD million)					
Cash and cash equivalents	**29.2**	46.4	16.9	(17.2)	(37.0)%
Investments in associates	**19.6**	24.3	25.1	(4.7)	(19.4)%
Total current assets	**93.5**	84.8	69.5	8.7	10.3%
Bearer plants	**228.8**	202.9	181.0	25.9	12.8%
Property, plant, equipment	**193.3**	175.7	177.3	17.6	10.0%
Total assets	**602.2**	569.5	528.9	32.7	5.7%
Bank loans	**171.4**	112.0	129.0	59.4	53.1%
Total current liabilities	**56.1**	55.6	45.0	0.5	0.8%
Total liabilities	**215.8**	174.1	170.5	41.7	23.9%
Total equity	**386.4**	395.4	358.5	(9.0)	(2.3)%
Financial Ratios					
Return on assets (%)	**(0.1)%**	8.2%	1.7%	(8.3)%	(101.0)%
Return on equity (%)	**(0.1)%**	11.8%	2.6%	(11.9)%	(101.1)%
Gross margin (%)	**27.0%**	30.3%	33.7%	(3.3)%	(10.9)%
EBITDA margin (%) **	**16.5%**	61.9%	26.3%	(45.4)%	(73.3)%
Net profit margin (%)	**(0.3)%**	28.8%	6.8%	(29.1)%	(101.1)%
Current ratio	**1.7**	1.5	1.5	14.3	9.4%
Liabilities to equity ratio	**0.6**	0.4	0.5	11.8	26.8%
Liabilities to assets ratio	**0.4**	0.3	0.3	5.3	17.2%
Net debt to equity ratio	**0.4**	0.2	0.3	20.2	121.9%
Palm Oil Production (tonnes unless specified)					
Total FFB produced from our estates	786,104	730,356	663,399	55,748	7.6%
Total FFB bought from third parties	375,181	234,452	177,883	140,729	60.0%
Total FFB processed	1,161,285	964,808	841,282	196,477	20.4%
Average FFB yield (tonnes per hecatare)	22.0	19.2	18.9	2.8	14.6%
Total CPO Production	248,694	210,248	177,273	38,446	18.3%
Total CPO Sales	246,138	209,000	177,850	37,138	17.8%
Total PK production	54,033	44,037	38,283	9,996	22.7%
Total PK sales	54,285	42,797	39,434	11,488	26.8%
CPO extraction rate (%)	21.4	21.8	21.2	(0.4)	(2.0)%
PK extraction rate (%)	4.7	4.6	4.5	0.1	2.2%
CPO average selling price (ex-mill)	504	613	591	(109)	(17.8)%
PK average selling price (ex-mill)	381	507	512	(126)	(24.9)%
Cash cost of production (ex-mill)	285	313	274	(28)	(8.9)%

* After restatement for implementation of Indonesian Financial Accounting Standard (PSAK) No. 69 "Agriculture".
** Calculated as EBITDA divided by the sum of revenue from sales and service concessions.
Note: Some figures may not balance precisely due to rounding.

Total Revenue
(USD million)



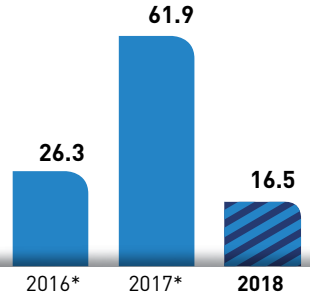
Net Income (Loss) for the Year
(USD million)



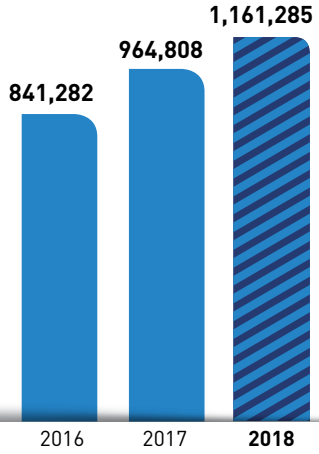
Total Assets
(USD million)

EBITDA
(USD million)

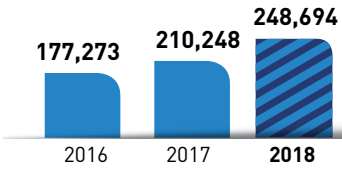
EBITDA Margin
(%)



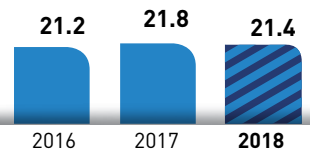
Total FFB Processed
(tonnes)



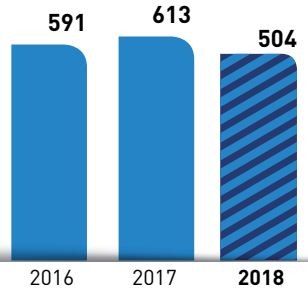
Total CPO Production
(tonnes)



CPO Extraction Ratio
(%)



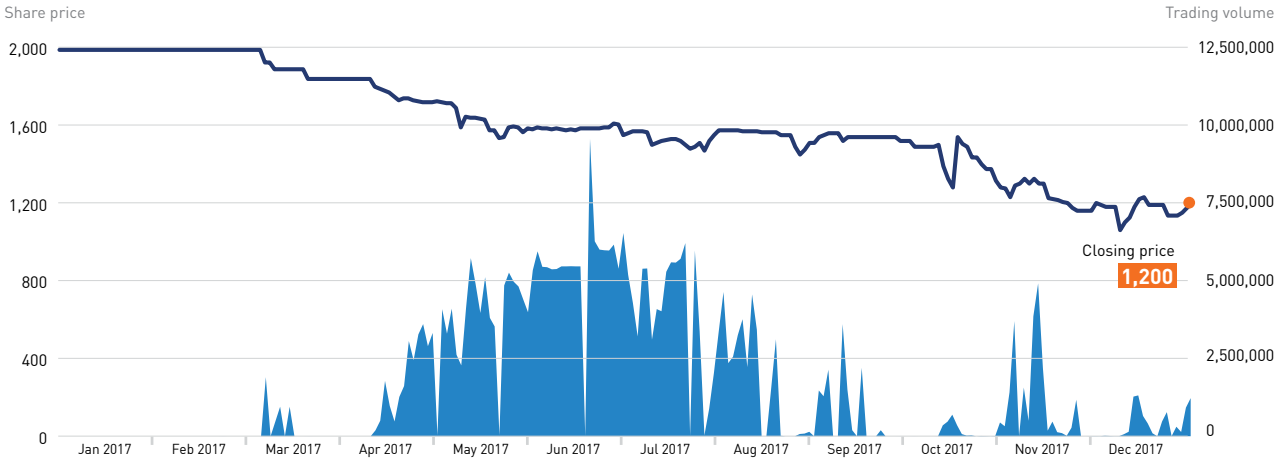
CPO Average Selling Price
(USD/tonnes)

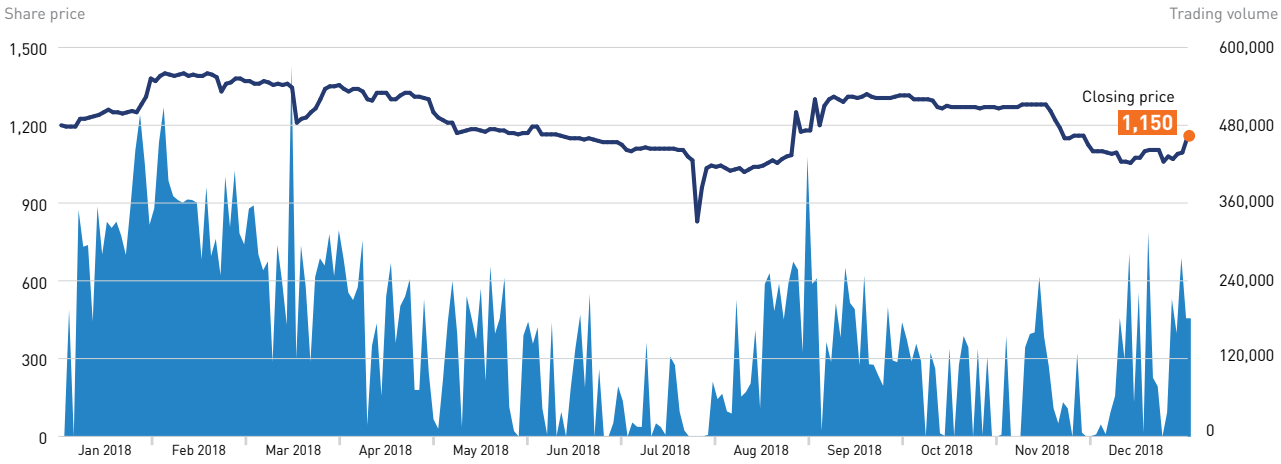


* After restatement for implementation of Indonesian Financial Accounting Standard (PSAK) No. 69 "Agriculture".

Share Information

ANJT Share Price Performance 2017 - 2018





ANJT Quarterly Share Price Data 2017 - 2018

Year	Quarter	Open (IDR)	High (IDR)	Low (IDR)	Close (IDR)	Volume (Shares)	Value of Transactions (IDR)	Outstanding (Shares)	Market Capitalization (IDR)
2017	Q1	1,990	1,990	1,840	1,840	450,200	859,883,000	3,354,175,000	6,171,682,000,000
	Q2	1,840	1,840	1,535	1,585	19,317,000	31,266,248,000	3,354,175,000	5,316,367,375,000
	Q3	1,585	1,610	1,450	1,540	16,127,800	25,059,535,000	3,354,175,000	5,165,429,500,000
	Q4	1,520	1,550	1,060	1,200	3,277,600	4,159,039,000	3,354,175,000	4,025,010,000,000
2018	**Q1**	**1,200**	**1,440**	**1,180**	**1,330**	**18,467,900**	**24,494,873,000**	**3,354,175,000**	**4,461,052,750,000**
	Q2	**1,350**	**1,350**	**1,105**	**1,135**	**7,058,500**	**8,715,531,000**	**3,354,175,000**	**3,806,988,625,000**
	Q3	**1,120**	**1,350**	**830**	**1,310**	**6,955,300**	**8,153,039,000**	**3,354,175,000**	**4,393,969,250,000**
	Q4	**1,295**	**1,315**	**1,040**	**1,150**	**5,675,500**	**6,757,178,000**	**3,354,175,000**	**3,857,301,250,000**

Information on Outstanding Bonds, Sukuk or Convertible Bonds

In the last 2 (two) years, the Company has had no outstanding bond, sukuk (sharia bond), or convertible bond.

Suspension and/or Delisting

No suspension and/or delisting during financial year 2018.

Significant Events

04 April 2018

International Conference & Expo on Indonesian Sustainable Palm Oil (ICE-ISPO).

05 May 2018

Papua Stakeholder Meeting - Sorong.

05 May 2018

Media Gathering for West Papua-based national media.

05 May 2018

AGMS and Public Expose of the Company.

07 July 2018

KAL chosen as the host site for the production a UNDP-sponsored documentary on sustainable palm oil.

07 July 2018

Join visit to AANE by the German Ministry of Economic Cooperation and Development (BMZ) and the National Development Planning Board.

08 August 2018

Formal Submission of Conservation Area (535 hectares) in Laman Satong, West Kalimantan province.

09 September 2018


SERTIFIKAT ISPO

mutu certification international

PT KAYUNG AGRO LESTARI

KAL receives certification from ISPO.

09 September 2018

Media visit (Kompas Daily) to ANJAP.

09 September 2018

Visit of Conservation International and Mondelez International to ANJA Siais.

10 October 2018

Food Ingredients Asia (FIA) International Expo.

10 October 2018

International Conference on Biodiversity, Ecotourism & Creative Economy (ICBE).

11 November 2018

International Seminar – Sago Feeds the World in Ambon.

12 December 2018

Visit to KAL by Partnership ID on behalf of the Ford Foundation for research on natural resource best practices.

02
MANAGEMENT REPORT

Report from the Board of Commissioners

Dear Shareholders,

Following a challenging 12 months for our industry, I am pleased to report that ANJ passed some significant milestones in 2018 that have strengthened the Company's position as a diversifying, sustainable agribusiness. The Company also continued to deliver on its commitment to a model of responsible growth that improves livelihoods and elevates nature while creating sustainable economic value for our stakeholders.

Economic/Market Context

While both domestic and global palm oil production reached record highs in 2018, prices fell sharply to an average USD 504 per metric tonne (MT), from USD 613 per MT at the end of 2017. As inventories increased, demand weakened under the impact of strong production of other vegetable oils, the trade stand-off between the USA and China and a volatile crude oil price, among other factors.

Evaluation of the Board of Directors' Performance

In 2018, the management continued to deliver strongly on ANJ's two core strategies of driving the responsible growth of the palm oil business while developing sustainable businesses centered on sago and edamame. Significant increases in both CPO and sago starch production were driven by improvements in productivity and efficiency and a number of cost initiatives were successfully implemented. Despite several challenges, management also managed to deliver significant progress on major capex projects, reflecting sound planning and an ability to anticipate potential setbacks.

While these achievements have strengthened the Company's position for future growth, the declining CPO price trend over the year inevitably impacted results, with consolidated revenue declining by 6.2% to USD 151.7 million.

In the palm oil segment, the management continued to prioritize quality and productivity, continuing the replanting program and implementing research-led agronomic improvements. Higher internal production of palm fruit together with strategic purchasing of external fruit enabled the Company to reach its highest CPO production of 248,694 tonnes, a 18.3% increase from 2017.

We were also pleased to see management accelerate the transition to a more sustainable fuel policy, implementing better energy management in both the palm oil and sago businesses and switching to biomass to power mill operations where possible. These strategies have considerably reduced the Company's fossil fuel consumption and greenhouse gas emissions.

Solid progress was made in two of the Company's development plantations in West Papua, with planting continuing and the CPO mill and other infrastructure nearing completion by year end. Commercial production is on track to begin in the second half of 2019. This work has been done in parallel with the Company's comprehensive community empowerment program, which is making a real impact on access to quality health and education services, as well as economic opportunities, for our neighboring communities.

Development of ANJ's third West Papua concession was suspended due to delays in obtaining RSPO approval for the proposed planting. Management believes that the RSPO principles and criteria have been fulfilled. We fully support management's position that the responsible development of palm oil in West Papua, with the high regard for human rights and dignity and commitment to biodiversity conservation the Company has practiced elsewhere in its operations, can and should be a key driver in achieving sustainable social and economic development in the province.

We appreciate the impressive advances made in the Company's pioneering commercial sago operation: volumes have increased and the unit cost of production has almost halved. We are also seeing strong market potential, as demonstrated by the interest shown when the Company took part in the Food Ingredients Asia expo in October 2018. However, the ongoing negative margin will need to be addressed in 2019.

We are also pleased to note that the majority of the critical equipment for edamame frozen line facility, such as the individual quick frozen equipment, foreign object and metal detector and automatic computerized packaging system was installed on time. The first commercial production is expected to be in fourth quarter 2019 upon the installation and commissioning of front end processing equipment which was delayed because the initial equipment did not meet the Company's technical specification. We believe that protein-rich edamame and the Company's next

THE BOARD OF COMMISSIONERS

from left to right:

George Santosa Tahija
Adrianto Machribie
Darwin Cyril Noerhadi
Arifin Mohamad Siregar
J. Kristiadi
Istama Tatang Siddharta
Sjakon George Tahija
Anastasius Wahyuhadi

'superfood' product, okra, have a role to play in Indonesia's food diversification and security strategies and that our business model will contribute to the empowerment of local farmers.

The progress towards these business objectives has supported the Company's active management of important conservation areas at each site. ANJ works in partnership with local farmers, communities, conservation experts, NGOs and local government to eliminate illegal logging and the hunting of rare and endangered species, reduce fire risks and develop sustainable income opportunities for local communities.

A key factor underpinning the Company's achievements in 2018 is that management has been able to facilitate more effective communication across functions over the last year. This has gone a long way towards eliminating the 'silo' mentality and ensuring that everyone is working together towards a common objective. We attribute this partly to last year's rebranding exercise, which helped to focus the entire organisation on our core purpose.

Going forward, we urge management to focus on the challenge of attracting high quality people at all levels of the organization. We approve of the actions that have already been taken to improve ANJ's value proposition as an employer by offering improved training opportunities and a more structured career path and increasing efforts to recruit women. However, to remain competitive, there will need to be further consideration of how to better align the Company's remuneration structure with our growth priorities.

Supervision of Strategy Implementation

The Board of Commissioners exercises oversight over management's execution of corporate strategies through several integrated processes. In 2018 we held four scheduled joint Board meetings with the Directors at which we discussed progress on the agreed strategies as well as the Company's results, budget, operational issues, emerging risks and governance, among other matters. Outside these meetings, we are regularly in touch with the Directors and individual Commissioners attended some of their Board meetings during the year. In addition, the Commissioners are represented on all of the Board Committees, which provides another layer of oversight over strategic execution. The Commissioners also make frequent visits to each of the Company's operational sites, which gives us insights into the stakeholders' perspective on the Company's strategy as well as the macro and micro-level risks facing our operations.

Advice to the Board of Directors

The Board of Commissioners provided its considerations and advice to the Board of Directors formally through the four joint Board meetings held in 2018. One or more Commissioners also provided their input on specific issues at 23 of the Board of Directors' meetings. We also offered our opinions to the Directors informally on several other occasions during the year, especially during site visits.

Corporate Governance

We saw further strengthening of the Company's corporate governance throughout 2018. The Committees continued to perform well, providing robust oversight and recommendations on compliance, risk management and the integrity of our financial and operational controls. We also saw a marked improvement in the quality and effectiveness of the internal audit function, which came under new leadership in 2018. This has, in turn, enabled the audit committee to work more effectively.

We were pleased to see the Company earn external recognition for its commitment to good governance. ANJ was awarded for being in the top ten Mid-Market Cap Listed Companies and was one of the top three in the Non-Financial Sector, at the Indonesian Institute for Corporate Directorship's 10th Corporate Governance awards. The ranking is based on the IICD's assessment using the ASEAN Corporate Governance Scorecard, which is based on the OECD corporate governance principles.

The Company also won a 2018 Tempo Country Contributor Award from the Tempo Media Group for being one of the best and most compliant corporate taxpayers.

The Company's improving performance on sustainability governance was also highlighted by a number of awards during the year. The Company's 2017 Sustainability Report received a Gold rating on the Asia Sustainability Reporting Ratings from the National Center for Sustainability Reporting, indicating a very high standard of disclosure on the internationally recognized GRI criteria. The Company also received an award from the Directorate General of Plantations in recognition of our active role in the development of sustainable plantations. ANJ was one of only seven companies to receive this award.

In addition, our Belitung estate, operated by SMM, was awarded a Green PROPER rating by the Ministry of Environment and Forestry. PROPER is the national system for assessing environmental management and a Green rating, the second highest in the system, is awarded for performance that goes beyond compliance.

The Group also won two Gold awards from the Indonesia CSR Society & Filantropi Indonesia for the Company's responsible development platform and for the community facilitators program at PPM, one of our West Papua estates, as well as a Bronze award for the forest fire mitigation program at KAL, our West Kalimantan estate.

All of these awards underline the Company's growing accountability to the shareholders and stakeholders.

Opinion on the Whistleblowing System and the Board of Commissioners' Involvement

Our whistleblowing mechanism is an integral part of our governance system, providing a secure, confidential channel for anyone to report misconduct. Whistleblowing reports are handled initially by the Internal Audit Unit, which follows up with an investigation if warranted. All investigation reports are reviewed by the Board of Commissioners as well as the Audit Committee and the President Director and we then give our recommendations on further actions and sanctions. While most of the issues in 2018 were resolved at the operational level, some cases were reported to the police and one resulted in the termination of the individual concerned. This sends a clear signal to employees that concerns reported through the whistleblowing system will be addressed seriously.

Overall we are confident that the whistleblowing system is functioning effectively. However, we would like to see further efforts to publicize it, not just among ANJ's employees but also among contractors, vendors and local communities. We therefore support a proposal to distribute a small card "Berani Bicara", stating the whistleblowing hotline number, to all relevant stakeholders.

Overview and Opinion of Business Prospects

The palm oil sector faces another challenging year in 2019, with prices likely to remain weak, although the government's initiatives to increase the use of biodiesel will provide some support. For sago starch and edamame, the market prospects look bright, but relatively low domestic prices for both products remain a concern. Given this outlook, we support the strategic priorities that the management has identified for the coming year.

The Company will continue to optimize quality and productivity in the palm oil business and begin commercial production of palm oil in West Papua. Replanting will continue in two plantations, although management will closely monitor CPO price movements and make adjustments to the program if necessary.

The development of our frozen vegetable business will move into the next phase with the first commercial production and export of edamame. Management will begin to explore export opportunities beyond Japan, our initial target market, while diversifying into another high value food crop, okra.

In the sago segment, management will drive further improvements in production volume and cost management while continuing to develop the domestic market for sago starch.

The Company is aware that its ongoing new planting program in West Papua is taking place against a backdrop of heightened concern around sustainability. Many industry players, in particular refiners, have adopted the NDPE pledge and given undertakings regarding traceability in their respective supply chains. We are confident that the Company is undertaking its development program within the agreed sustainability guidelines as set out under ISPO and RSPO and with the support of stakeholders, including the government and local communities.

Changes in Board of Commissioners

There were no changes in the membership of the Board of Commissioners in 2018.

This has undoubtedly been a challenging year. However, the indicators continue to point to positive long-term growth for the agribusiness sector. I am convinced that ANJ has the right strategies in place to generate sustainable social and environmental equity as well as economic value in the coming years and to play a leading role in the responsible development of the palm oil industry in Indonesia. On behalf of the Board, I would like to express my appreciation to the management and all ANJ's employees for their hard work and commitment to our values. We also thank the shareholders and stakeholders for your continued support.

On behalf of the Board of Commissioners,

ADRIANTO MACHRIBIE
President Commissioner (Independent)

Report from the Board of Directors

Dear Shareholders,

In what was a very challenging year for the industry, we continued to make tangible progress towards our ambition to become a world-class agribusiness-based food company. While the convergence of a number of global forces resulted in an unexpected drop in the CPO price, we were able to sharpen our strategy and purpose, reinforce the underlying business fundamentals and renew our commitment to driving efficiency and improvement in all aspects of the business.

This discipline drove significant increases in our CPO and sago starch production and kept our edamame program on track to enter the export business this year. At the same time, we have continued to deliver on the other, equally important part of our vision, to elevate the lives of people and nature, by charting a course of responsible, balanced development in partnership with all our stakeholders.

Economic/market context

Continuing the strong recovery of palm oil production since the El Nino event of 2015, supportive weather conditions led to a bumper crop for palm fruit in Indonesia in 2018, with CPO production reaching a record high of 47.4 million metric tonnes (MT). Combined with higher than expected soybean production in both North and South America, there was an abundant global supply of vegetable oil in 2018. At the same time, the US-China trade tensions led to reduced soybean imports by China from the US. This put downward pressure on soybean prices, which had a similarly negative effect on palm oil prices. Meanwhile, the ongoing uncertainty in the European economy stemming from the protracted Brexit negotiations has also contributed to the slowing rate of global demand growth for CPO and other vegetable oils. These factors contributed to a steep decline in the CPO price over the year, pushing it to a low of USD 440 per MT in Indonesia in November 2018 and averaging well below GAPKI's forecast of USD 710-720 per MT.

On the positive side, in recent years the government has initiated a number of proactive policies to shore up domestic demand for palm oil, including a mandate requiring diesel-powered public service vehicles and heavy machinery to use biodiesel. In 2018, this mandate was adjusted to increase the biodiesel content of fuel from 15% to 20%, in an attempt to absorb the increased palm oil production and reduce diesel imports in view of the weakening Rupiah. In September, the so-called B20 program was expanded to cover all diesel-powered vehicles and machinery, rather than just public service obligations.

The Indonesian palm oil industry is still struggling to counter its negative perception among the international community, which has been fueled in recent months by advertising campaigns by European Union with the ongoing attempt to categorize CPO as a high risk vegetable oil associated with deforestation. Certain international NGOs have successfully shone a light on unsustainable practices in our industry, such as unplanned deforestation. We support the steps taken. However, in the absence of more balanced information, these efforts are having a negative impact on sustainable palm oil. Certified sustainable palm oil (CSPO) currently accounts for around 19% of palm oil production. Many plantation companies, including ours, have been working hard to get more of their palm oil certified. But this is a lengthy and complex process that reaches far up the supply chain. Later in this report, we will describe what we have been doing to improve the traceability of our products and support smallholders to adopt more sustainable practices. However, if the current negative environment persists, there is a danger that large customers will reject palm oil altogether and turn to other vegetable oils. Such a move would have serious implications, not only for the local economies and livelihoods that palm oil supports, but also for the environment: none of the other vegetable oils can match palm oil in terms of productivity and all require significantly more land to deliver the same volumes.

We stand firmly against the unplanned or rogue expansion of oil palm. However, we are committed to the responsible and sustainable expansion of plantations, backed up by research and in line with nationally and internationally recognized guidelines, as well as domestic development priorities. In West Papua, for example, we have planted only in areas that were previously logged over. We are also working in remote communities that are desperately underserved by health, education and other services. With our health and community empowerment programs, as well as the economic activities our presence brings, we are beginning to address these inequalities, particularly in West Papua, in addition to the other regions where we operate as well. In Indonesia at least, we believe that the responsible development of palm oil has a vital role to play in achieving the global Sustainable Development Goals (SDGs).

THE BOARD OF DIRECTORS

from left to right:

Lucas Kurniawan
Geetha Govindan
Istini Tatiek Siddharta
Naga Waskita

Strategy

Our strategic priorities for growth of our core agribusiness segments in 2018 were as follows:

1. to drive sustainable growth of our palm oil business by:
   - Optimizing estate and mill management to achieve maximum FFB production and oil extraction rate;
   - Continuing our replanting program in ANJA and SMM plantations;
   - Continuing the planned development of our oil palm plantations and completing a palm oil mill in West Papua;
   - At each site, practicing active conservation in partnership with stakeholders, including experts, communities, government and NGOs.
2. to continue to develop the non-palm oil business by:
   - Continuing preparations to enter the edamame export market by completing a frozen line facility;
   - Increasing the production and quality of sago starch from our sago mill in West Papua.

Our business model places equal importance on the business, the people around us and our ecosystem. The first, our economic activity, is the engine that drives our work in the community and the conservation. Without the existence of the business, the financial and commited human resources for conservation and elevate the lives of community will not be there. This work cannot happen independently. Responsible development therefore involves some trade-offs. Expanding our palm oil operations does involve some loss of forest. However, it also allows us to employ more people, generate more economic activity, improve access to quality health and education services for more communities and actively conserve more forest as integrated part of our operation.

Performance versus targets

ANJ booked a 6.2% decrease in consolidated revenue to USD 151.7 million, compared to USD 161.8 million in 2017. This was largely due to a significant decrease in CPO price, which at USD 504 per MT was 19.4% lower than our budget assumption of USD 625. Despite of significant increase in CPO production to 18.3%, this was unable to offset the impact of the CPO price.

The Group booked a net loss of USD 0.5 million, compared to net income of USD 46.5 million in 2017, due to the lower average selling price for CPO and PK in 2018 combined with the gains from the sale of certain investments in 2017. Our consolidated financial performance results were below our net income target of USD 56.7 thousand. Consolidated EBITDA decreased from USD 100.2 million in 2017 to USD 25.1 million in 2018, below our target of USD 28.4 million.

Key challenges

In response to the unconducive CPO price, we made strategic adjustments to our capex plans for the year, deferring a planned investment in the construction of a biogas power plant at the KAL site in Ketapang.

The Rupiah's loss of value against the US Dollar negatively impacted maintenance costs on imported equipment at AANE's biogas plant in Belitung and led to forex losses for KAL, PMP and PPM, which have outstanding US Dollar-denominated loans. To mitigate future losses, we have converted some of these loans into Rupiah. Elsewhere, the Rupiah depreciation had a positive impact: ANJA, ANJAS and SMM report in US Dollars and were therefore able to record lower (Rupiah-based) operating costs.

The negative sentiment surrounding the palm oil industry intensified and ANJ continued to come under pressure from international NGOs and some customers, primarily for our transparently stated plans to clear land in West Papua for oil palm development. We have continued to present our case for responsible expansion within the context of sustainable national development and our substantial conservation commitments, which I will return to later in this report.

Segment performance

Palm oil contributed 98.8% of the Group's total revenue in 2018. We recorded our highest ever CPO production, which at 248,694 MT was up 18.3% against the previous year and delivered a record 54,033 MT of PK, 22.7% higher than in 2017.

The higher CPO production was driven not only by an increase in ANJ's internal FFB production in 2018, but also by increasing the volume of high quality FFB we purchased from independent farmers as their production increased. The benefits of buying external fruit are threefold: we support local economies, an important aspect of our responsible development commitment; we support farmers to improve their standards by demanding higher quality fruit, which also helps to ensure a sustainable supply for our mills over the long term; and it allows us to optimize mill utilization and dilute overhead costs.

During the year we continued to make excellent progress on productivity and efficiency. Despite inflation, we have been able to bring costs per tonne of palm product back to where they were in 2010. A key factor has been optimizing energy consumption by running energy-efficient multistage turbines and increasingly using biomass instead of diesel. Fossil fuel consumption has dropped considerably across all our estates, reducing both costs and greenhouse gas emissions. Similarly, advances in the use of compost, organic fertilizer and biological pest and disease control by our R&D department have reduced our reliance on chemical inputs, which benefits both our bottom line and the environment.

Another important factor in plantation productivity is maintaining an optimal balance between mature and young trees, which is achieved through timely replanting. In 2018 we began a scheduled replanting in the North Sumatra I plantation operated by ANJA while continuing to replant in SMM's plantation on Belitung Island. We expect to harvest from the first replanted area in 2019.

In our development plantations in West Papua operated by PMP and PPM, we planted an additional 1,621 hectares across both concessions during the year. Progress was made on the construction of harvesting roads and a bridge connecting the two plantations. Our new CPO mill, which will serve both estates, is expected to be completed on schedule in Q2 2019 despite considerable challenges, including unusually heavy rainfall and logistics issues. The Company has also settled and acted as the intermediary on disputes among local communities, which were related to a lack of clarity over tribal or clan boundaries and impacted on the amounts of compensation payment allocated to the respective communities.

Further development of our third concession in the area, operated by ANJT, was not commenced pending the RSPO's approval of our New Planting Procedures (NPP). We believe that we have fulfilled the criteria. However, even though the area concerned is secondary forest, it has high forest cover and there is disagreement over the extent to which it can be developed. The vast majority of the land area of the two provinces of Papua and West Papua is covered by high forest. We acknowledge that this is a valuable global resource and Indonesia need to manage the resource well for its people prosperity, therefore in these two most impoverished provinces in the country, conservation priorities need to be balanced against economic and social needs. We believe that our plans to develop an oil palm concession here are fully aligned with the government's strategies for the development of this region and that they are also in accordance with the United Nation's Sustainable Development Goals and RSPO's own recognition of the need for a balanced and responsible approach that allows for poverty alleviation, fulfilment of fuel and food demands and other aspects of sustainable national development. This sustainable approach is also supported by the IUCN in its recent assessment of the interaction between biodiversity and the oil palm industry.* We believe that only by alleviating people's life we can influence people to actively conserve the biodiversity in the forest and refrain from overharvesting of protein-sourced base animals.

Edamame, a vegetable product rich in protein, fiber and antioxidants, is spearheading the development of our frozen food business, which will be an increasingly important part of our agribusiness strategy going forward. Our subsidiary GMIT, which operates this business, oversaw the completion of majority of the critical equipment of our frozen line factory in Jember and by year end it had obtained Indonesian Food and Drug Administration (BPOM) and Halal Grade A certification, clearing the product for sale to the domestic market. It is currently expecting the delivery of front end processing equipment which completion has been delayed because the initial equipment did not meet our technical specification. GMIT is also currently undergoing final audits to ensure that it meets international food safety standards and we expect to have secured ISO 22000, HAACP and BRC certifications as well as FDA and Kosher registrations in Q2 2019.

The field operation also made good progress. We increased the planting area to 304 hectares to ensure sufficient volume for the factory. We also saw an improvement in quality due to enhanced seeds and land management, but a longer than expected dry season adversely affected yield and productivity.

A shortage of talented managers for our field production remains one of our key challenges. To address this, GMIT established an 'edamame school', which enables us to introduce the crop to local farmers and high school graduates while identifying and developing potential future leaders. In 2018 we recruited 18 edamame school graduates, who are now receiving on-the-job training before being promoted to permanent field staff.

Sago is an important staple food and a key pillar in our sustainable agribusiness strategy. Operated by ANJAP, our sago business recorded some notable achievements during the year. Having resolved most of the field extraction issues that frustrated production in 2017, we focused on optimizing the mill operation. Through a combination of improved techniques, equipment reliability and work discipline, production more than doubled to 1,894 tonnes. Meanwhile, substituting biomass for fossil fuels to power the mill and site operations contributed to a reduction of production costs by almost 50%.

We will need to maintain this positive momentum to reach our break-even target of processing 3,000 logs per day by the end of 2019. We believe this can be achieved through further automation of the mill processes, particularly at the front end.

* Meijaard, E. et al (eds.) (2018). Oil palm and biodiversity. A situation analysis by the IUCN Oil Palm Task Force. IUCN Oil Palm Task Force Gland, Switzerland: IUCN.

On the commercial side, we expanded distribution of sago starch in two key markets. More significantly, we began to supply the modern food industry, specifically as in ingredient for ready-mix flour. Although all our production is currently absorbed by the domestic market, we have seen some interest from potential overseas buyers, which augurs well for the future.

Renewable energy major maintenance at the biogas power plant in Belitung operated by our subsidiary, AANE, in May-July 2018 adversely impacted production, causing revenue to fall below target. The business remains unprofitable as, based on the Power Purchase Agreement, we have to continue selling electricity to the sole offtaker, PLN, at an unfavorable price of IDR 975/kwh.

Our people strategy

Achieving our objectives for the business rests on having great leaders at every level of the organisation who can successfully motivate and inspire their co-workers to engage with our vision of excellence through responsible development. In 2018 we focused on aligning leadership with ANJ's commitment to "elevate the lives of people and nature", by including responsible development in the key performance indicators for all employees.

We believe that women have an important role to play in this traditionally male-dominated sector and we have been making consistent efforts to address the gender imbalance through our recruitment and promotion policies. At least 25% of the intake on our last two Management Trainee programs were women and in both batches, women achieved the first and second ranking overall.

We have also been boosting the professionalism of locally hired workers. In 2018, we held our first vocational training program to prepare engineers for our West Papua palm oil mill and over half of the participants were indigenous Papuans. We will be organizing further training on both engineering and agronomy in the coming year.

In November-December 2018, we conducted our first ever employee opinion survey across the whole group. Having undergone a comprehensive rebranding exercise in 2017, we were pleased to find that more than 90% of respondents expressed satisfaction with ANJ's vision, mission and values and were clear about the direction the Company is taking.

Enhancing information

We completed the group-wide rollout of our SAP-based enterprise resource planning system in Q1 2018. We have seen a marked improvement in reporting accuracy and access to information, but there is still scope to make more effective use of the data in planning and decision making. We continued to enhance the platform during the year. In KAL, we have digitized the recording of field operations such as harvesting and transport through a mobile app and after further refinements, expect to roll this out to other plantations during 2019.

In ANJA, where we need to source substantial volumes of fruit externally due to our ongoing replanting program, we introduced a similar system among our external suppliers and logistics vendors. This will give us greater visibility on the FFB we purchase and thereby improve the traceability of our palm oil. We expect to be implementing this in all our plantations by 2020.

Corporate governance

Our Company has a large, diverse group of stakeholders with often divergent interests. The continued operation of our business over the long term rests on our ability to build and maintain their trust that we are acting with good intentions and that their interests are respected. We therefore work continuously to improve our governance processes, strengthen compliance and increase transparency around our decision making. As our President Commissioner noted in his message, in 2018 the Company received a number of awards that recognized these efforts.

During the year, we focused on ensuring that we have robust standard operating procedures (SOPs) in place throughout the Group. While they were already in place for key functions such as operation, finance, legal and safety, certain other operations had not been fully documented. This was rectified across our subsidiaries.

Our efforts to strengthen compliance were reflected in the Green rating (PROPER Hijau) awarded to our subsidiary SMM on the Ministry of Environment and Forestry's environmental management assessment scheme (PROPER). Green is the second highest rating, meaning that the Belitung plantation operated by SMM has gone 'beyond compliance' on various indicators, including biodiversity conservation, waste management, pollution and emissions control and energy efficiency. Our other producing plantations have already achieved the Blue ('compliant') PROPER rating and we aim to upgrade them to Green at their next assessment.

Sustainability

As a longstanding player in the agribusiness sector, we know that doing business in a way that benefits society and the environment ultimately improves our own performance. We have therefore committed ourselves to a path of responsible development that balances our economic objectives with social and environmental priorities. In 2016, we articulated this commitment in our Sustainability Policy. Two years on, we have decided to strengthen the Policy by making our commitments in a number of key areas more explicit. The revised policy will be launched in 2019.

We are committed to ensuring the traceability of our palm oil products. We already have full traceability for the FFB we produce and we are now working to extend this to our external suppliers through initiatives such as the oil palm harvesting app noted above. Better information will enable us to be more selective about new vendors and to assist independent farmers with getting sustainability certification. To do this successfully, however, we will need the support of the government to help farmers get the proper ownership documentation for their land.

We take a holistic approach to environmental management and conservation that is both sustainable and benefits relevant stakeholders. For example, in ANJAS, we have purchased several hundred hectares of land adjacent to our North Sumatra II plantation, most of which is steeply sloping and therefore not suitable for planting. By acquiring the land and setting it aside as a conservation area rather than allowing it to be logged, we are protecting our plantation from floods and landslides while allowing biodiversity to flourish. Moreover, due to our strict prohibition on hunting in our operational areas as well as our conservation zones, we are also beginning to see biodiversity flourishing in unexpected places, such as myna birds in our West Kalimantan plantation and whistling ducks around the mill ponds in Belitung.

One of our key conservation objectives is to establish biodiversity corridors so that our reserves are linked to other protected areas, making a larger contiguous area for species to move across. This is being done in Siais and Belitung. On a larger scale, we are pioneering a landscape approach to conservation. In Ketapang, we worked with multiple stakeholders to develop an Essential Ecosystem Area (Kawasan Ekosistem Esensial, or KEE), which was formally designated by the Governor of West Kalimantan in 2017. Covering several thousand hectares, the KEE incorporates the Gunung Palung National Park, several HCV forests and our own conservation area managed by KAL, which supports a thriving orangutan population. In 2018 we settled the negotiation to release a 535 hectares of HCV land from the hamlet of Manjau, so that it will exclusively be used for the KEE and not for other purpose.

However, despite widespread buy-in, the KEE may yet come under threat from the proposed construction of a smelter to support the exploitation of nearby bauxite deposits. The smelter and associated developments would have a devastating impact on the conservation area, including the orangutan population. We therefore call on all the stakeholders involved to recognize the long-term value of conserving this important ecosystem and find an alternative, mutually acceptable solution. At the moment, a number of stakeholders, including the central and local governments, have been in the final discussions on the management of KEE. We believe this will be one of the important milestones in efforts to maintain ecosystem in KEE.

We have continued to work closely with local communities and local authorities on long-term projects to improve the quality of health services, early childhood education and continuing education and to empower local economies through income-generating projects. We are beginning to see tangible results from these initiatives: in the villages where we work in West Papua, for example, we are seeing a reduction in stunting among toddlers; we obtained a license for our early years learning center, which will allow it to be properly staffed; and community members began harvesting organic vegetables under the guidance of our NGO partners. In our North Sumatra plantations, we have established children's libraries and trained teachers on how to encourage the reading habit.

In West Papua, we made progress with the construction of roads and bridges that will not only support our plantation operations but will also provide local communities with easier access to markets and services. As part of the land compensation agreement, we are providing trucks to local cooperatives, which will operate as logistics contractors to transport our FFB. This also encourages the development of organizational skills of local communities as the cooperatives require a number of people to sit in the boards.

Business Prospects

Palm Oil

Most analysts predict that the CPO price will remain under pressure in 2019, leading to slower growth of the industry in global terms. However, the underlying trends in population growth and food demand continue to indicate a positive outlook for palm oil over the medium to long term. In Indonesia, the government's B20 policy is expected to maintain robust domestic demand for palm oil. The government's plan to increase the blending to become B30 combined with the government's initiatives to implement green fuel which is a full CPO based fuel to replace fossil fuel and the construction of four power plants powered by CPO are expected to further increase the domestic demand for palm oil.

The year of 2019 will be a year of consolidation for the Company as we complete key capital investment projects and start producing the first palm oil from West Papua. We will continue replanting in the Belitung and North Sumatra I plantations, albeit at a slower rate than planned in order to preserve our cash flow.

Edamame/Vegetables

GMIT will export its first frozen edamame, with the support of its joint venture partner, the Asia Foods Group, in late 2019. The prospects for this business are positive. Initially, we expect the majority of our production to be absorbed by Japan, where there is strong demand for high quality product, but we will also explore potential markets in the

Middle East and India while seeking opportunities to develop the domestic market as well.

GMIT will also begin to expand its portfolio by growing okra, another high margin vegetable with a large market in Japan. Pilot project planting will begin in July 2019.

We will continue to expand production by enhancing the field operation. With production still only at 30% of factory capacity, we do not foresee positive cash flow until 2021, when we expect to reach 60% of capacity.

Sago

We will remain focused on speeding up production, maintaining product quality and reducing costs to reach our positive monthly EBITDA target at the end of 2019. At the same time, we will continue our efforts to develop the market for sago starch and improve the selling price. Growing interest from potential customers, both in Indonesia and overseas, indicates the strength of the market potential. In anticipation of increasing production volumes, we will also work with vendors to improve logistics.

Renewable energy

We will continue to optimize the operation of our commercial biogas power plant in Belitung. Due to the current unconducive terms for renewable energy independent power producers (IPPs), we will not pursue further commercial development of our biogas business but instead focus on opportunities to expand the use of biogas for our internal operations, in line with our responsible development commitments to reduce fossil fuel consumption and greenhouse gas emissions as well as operational costs.

Capital Expenditure

Our capital investment plans for 2019 are as follows:

- Complete the major engineering projects that are currently in progress, including the CPO mill, roads and a bridge in West Papua, front end processing equipment for edamame frozen line facility and harvesting equipment for sago.
- Continue the digital transformation by optimizing the use of information technology and Geographic Information System (GIS) in order to support better decision making by delivering more precise and real-time information from across our operation and facilitate traceability of our raw material supplies.
- Fit out the Company's new head office premises in BTPN Tower, Jakarta, ahead of the move in March 2019.

Given the current CPO price, further investments will be scaled down.

Changes in the Board of Directors

Resignation of Mr. Sonny Sunjaya Sukada as a sustainablity Director of the Company has been approved in Company's Annual General Meeting of Shareholders on May 14, 2018. His duty was taken over by our President Director until a new sustainablity Director join the Company.

On behalf of all the Directors, I would like to thank our shareholders, our Commissioners, our employees and all our partners and stakeholders for their steadfast support during this difficult year. I am confident that if we can embrace the challenges and move forward together in positive way, we will be able to deliver sustained and reconcile growth that truly elevates people and nature.

On behalf of the Board of Directors,

ISTINI TATIEK SIDDHARTA
President Director

Statement of Responsibility

By the Members of the Board of Directors and the Board of Commissioners for the 2018 Annual Report of PT Austindo Nusantara Jaya Tbk.

Jakarta,

We, the undersigned, declare that the information contained in the 2018 Annual Report of PT Austindo Nusantara Jaya Tbk. is complete and we are responsible for the accuracy of the report's content. Thus, this statement is duly made by the Board of Directors and Board of Commissioners.

BOARD OF DIRECTORS

ISTINI TATIEK SIDDHARTA
President Director

LUCAS KURNIAWAN
Independent Director

GEETHA GOVINDAN
Director

NAGA WASKITA
Director

BOARD OF COMMISSIONERS

ADRIANTO MACHRIBIE
President Commissioner (Independent)

GEORGE SANTOSA TAHIJA
Commissioner

SJAKON GEORGE TAHIJA
Commissioner

ISTAMA TATANG SIDDHARTA
Commissioner

ANASTASIUS WAHYUHADI
Commissioner

ARIFIN MOHAMAD SIREGAR
Independent Commissioner

JOSEP KRISTIADI
Independent Commissioner

DARWIN CYRIL NOERHADI
Independent Commissioner

03
COMPANY PROFILE

ANJ's Business Identity

Company Name

PT Austindo Nusantara Jaya Tbk.

Business Activity and Products

Trading, services and operations related to palm oil plantation and processing, as well as trading of palm oil products.

Crude Palm Oil (CPO) and Palm Kernel (PK), sago, edamame and renewable energy from palm oil waste.

Date of Establishment

April 16, 1993

Legal Basis

Deed of Establishment and amendments:

- Deed No. 72, dated April 16, 1993, Notary Mr. Sutjipto
- Deed No. 54, dated July 16, 1998, Notary Mrs. Esther Mercia Sulaiman
- Deed No. 161, dated January 17, 2013, Notary Mr. Irawan Soerodjo.
- Deed No. 270, dated June 22, 2015, Notary Mr. Irawan Soerodjo
- Deed No. 61, dated May 14, 2018, Notary Mr. Irawan Soerodjo

Stock Code

ANJT

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Company Overview

PT Austindo Nusantara Jaya ("ANJ", or "the Company") was established on April 16, 1993 under the name PT Austindo TeguhJaya (ATJ). The name was changed to PT Austindo Nusantara Jaya (ANJ) on July 16, 1998. Originally having interests in financial services, healthcare and renewable energy as well as agribusiness, in 2012 ANJ began to concentrate on palm oil while growing new businesses based on other food crops, to support our vision of becoming a world-class agribusiness-based food company. The second part of our vision, to be a company that elevates the lives of people and nature, reflects our commitment to achieving a sustainable balance between our economic, social and environmental responsibilities that allows humanity and nature to flourish and prosper.

ANJ is now a **holding company that engages primarily**, both directly and through subsidiaries, in producing and selling **Crude Palm Oil, Palm Kernel and other sustainable food crops**. The Company is currently leveraging its acknowledged capabilities in **agronomic best practice, innovation and efficiency** to develop new agribusiness ventures in sago and vegetable harvesting and processing.

We are also applying our expertise in renewable energy to power our agribusiness with cleaner, more efficient energy. The Company went public in 2013 with an initial public offering of 10% of our shares on the Indonesia Stock Exchange. In 2018, we booked total revenue of USD 151.7 million, EBITDA of USD 25.1 million and a net loss of USD 0.5 million.

Palm Oil

We engage in the integrated cultivating and harvesting of fresh fruit bunches from our oil palm plantations, milling them into Crude Palm Oil and Palm Kernel and selling the oils. ANJ owns four producing oil palm plantations:

- **North Sumatra I Plantation**
  A 9,954 hectare oil palm plantation in Binanga, North Sumatra, operated by our subsidiary PT Austindo Nusantara Jaya Agri (ANJA).

- **North Sumatra II Plantation**
  A 9,412 hectare oil palm plantation in Padang Sidempuan, North Sumatra, operated by our subsidiary PT Austindo Nusantara Jaya Agri Siais (ANJAS).

- **Belitung Island Plantation**
  A 17,194 hectare oil palm plantation on Belitung Island, Bangka Belitung, operated by our subsidiary PT Sahabat Mewah dan Makmur (SMM).

- **West Kalimantan Plantation**
  A 13,878 hectare oil palm plantation in Ketapang, West Kalimantan, operated by our subsidiary PT Kayung Agro Lestari (KAL).

These are all established plantations with matured oil palms and each has an on-site processing mill.

We have also started planting areas of our landbanks in South Sumatra and West Papua:

- **South Sumatra Landbank**
  Operated by our subsidiary PT Galempa Sejahtera Bersama (GSB), this landbank covers 12,800 hectares in Empat Lawang, South Sumatra. We began planting parts of the landbank in 2013.

- **West Papua Landbank**
  Our 91,209 hectare landbank is spread across three mostly contiguous areas in South Sorong and Maybrat, West Papua and is operated by ANJ and our subsidiaries PT Permata Putera Mandiri (PPM) and PT Putera Manunggal Perkasa (PMP). We started planting this landbank in 2014.

ANJ is a member the international Roundtable on Sustainable Palm Oil (RSPO) and both of our North Sumatra plantations as well as our Belitung Island plantation are RSPO certified, while certification for the West Kalimantan plantation is still in process. The North Sumatra I and Belitung Island plantations also have International Sustainability & Carbon Certification (ISCC), confirming their compliance with stringent ecological and social sustainability standards throughout the supply chain. Our development plantations are managed to RSPO standards and will begin the certification process once they commence commercial operations. Further information on our compliance with national and international environmental standards can be seen on page 156 of this report.

As at December 31, 2018, the Company had a total landbank of 157,000 hectares. By the end of 2018, just under one-third of this area, or 54,335 hectares, had been planted, increasing from 51,115 hectares at the end of 2017. A total of 4,527 hectares of the planted area have been allocated to community smallholders under the Indonesian government's Plasma Program.

A total of 38,000 hectares 70% of the planted area comprises matured oil palms, while 16,335 hectares, or 30%, comprises immature oil palms. As at December 31, 2018 the average age of our nucleus oil palms across all the Company's plantations was 11.8 years.

Approximately 35,000 hectares of our total landbank are considered plantable but have not yet been planted (nucleus or plasma). We have secured, or are in the process of securing, the necessary rights and permits to develop this land as oil palm plantation.

The remainder of the Company's landbank is either not plantable due to unsuitable topography, or is used for voluntary initiatives such as environmental conservation, riverine buffers and conservation of historical and culturally significant sites, or for infrastructure, including roads, employee housing and amenities. ANJ is committed to maintaining areas of forest with high conservation value (HCV) and/or high carbon stock (HCS) and will not develop peat or wetlands. This commitment is stated in our Sustainability Policy.

Our plantation in West Kalimantan, operated by KAL, was established after February 2003 and is therefore required to participate in the government's Plasma Program. ANJ has transferred more than 20% of the total landbank to the ownership of local smallholders in fulfilment of our obligations under this scheme.

Sago

Our sago harvesting and processing operation in South Sorong, West Papua, is operated by our subsidiary PT ANJ Agri Papua (ANJAP). ANJAP is licensed to manage a 40,000 hectare concession, where we are pioneering the sustainable harvesting of logs from natural sago forest on a commercial scale. ANJAP also operates a sago mill where the logs are processed to produce dry sago starch, which is sold to the food industry.

As a sustainable alternative to rice, sago is an important pillar of our sustainable agribusiness strategy. Our sago project is also aligned with the government's policies on accelerating economic and social development in Papua and increasing food security.

Vegetables

ANJ entered the vegetable sector in 2015, starting with the cultivation of edamame, a high-protein and antioxidant-rich legume belonging to the soybean family. Our business model incorporates edamame purchased from local farmers, to whom we provide mentoring and agronomic inputs to ensure continuous improvement in yields and quality. Currently selling the fresh product to the domestic market, the Company will begin exporting frozen edamame processed at its new frozen line factory in 2019.

The business is operated by our subsidiary PT Gading Mas Indonesia Teguh (GMIT) in Jember, East Java. In 2017, GMIT entered into a joint venture with AJI HK Limited to facilitate GMIT's market expansion into the Asia Pacific region.

Renewable Energy

Our subsidiary, PT Austindo Aufwind New Energy (AANE), was licensed as an independent power producer (IPP) in 2013 and has been operating commercially since the beginning of 2014. AANE operates a 1.8 MW capacity biogas power plant at our Belitung Island Plantation, using methane from our CPO mill waste to generate electricity.

The Company generates renewable energy for internal use from biomass in all other sites and we plan to build additional biogas power plants to further reduce our reliance on fossil fuels and improve our greenhouse gas emission performance.

A Brief History of the ANJ Group

1993

ANJ was established.

2000

- PT Austindo Agro Nusantara and PT Austindo Nusantara Resources were merged into the Company.
- Acquired PT Austindo Nusantara Jaya Agri (formerly PT Eka Pendawa Sakti) through Verdaine Investments Ltd., acting as manager/operator.

2001

PT Austindo Investama Jaya, PT Austindo Mining Corporindo and PT Austindo Nusantara Energi were merged into the Company.

2003

Acquired PT Sahabat Mewah dan Makmur.

2004

Acquired PT Austindo Nusantara Jaya Agri Siais (formerly PT Ondop Perkasa Makmur).

2005

Acquired PT Kayung Agro Lestari.

2006

Became full owner of PT Austindo Nusantara Jaya Agri.

2010

PT ANJ Agri Papua was awarded a permit (IUPHHBK) to use 40,000 hectares of land in West Papua for a sago plantation.

2012

- ANJ divested its healthcare and financial services interests to concentrate on agribusiness, food and renewable energy.
- Acquired PT Galempa Sejahtera Bersama.

2013

- Acquired PT Permata Putera Mandiri and PT Putera Manunggal Perkasa.
- First listing of ANJ's shares on the Indonesia Stock Exchange (IDX).
- PT Austindo Aufwind New Energy's biogas plant started operating commercially.

2014

Acquired PT Pusaka Agro Makmur.

2015

- PT Pusaka Agro Makmur merged into the Company.
- PT ANJ Agri Papua completed the construction of its sago starch mill in West Papua.

2016

PT Kayung Agro Lestari's palm oil mill in West Kalimantan began operating.

2017

- ANJ divested its shareholding in PT Darajat Geothermal Indonesia and PT Star Energy Geothermal Suoh Sekincau to focus on agribusiness, food and renewable energy.
- The share ownership of (a) PT Aceh Timur Indonesia and PT Simpang Kiri Plantation Indonesia and (b) PT Surya Makmur and PT Bilah Plantindo was restructured.
- AJI HK Limited subscribed and paid for a 20% new shares in ANJ subsidiary, PT Gading Mas Indonesia Teguh.
- ANJ proposed its new logo.
- ANJ sold a 10.87% share in PT Agro Muko to SIPEV NV, retaining 5% of the shares.

2018

- ANJ has launched its new company logo.
- GMIT began construction of a frozen line facilities.
- PMP began construction of CPO mill.

Our Logo

ANJ's logo is **a visual expression of our priorities**. As explained below, each **symbol represents a vital element** for the Company:

People
People are the central element of ANJ's identity. The circle represents the harmony in human lives. People cannot survive without the benefits of nature, so they need to take a lead in maintaining a harmonious relationship between people and nature. This is depicted through the four natural elements that circle the core element of human life.

Sun
The sun is our primary source of energy and is one of the key elements in elevating the life of each living organism on earth.

Fauna
All animals on earth have their own unique, essential role in balancing nature.

Flora
Flora, or plants, are the foundation of the food chain and a balanced ecosystem. Flora play essential roles in producing oxygen and food and in maintaining the soil's fertility. Indonesia's rich geography allows a unique and diverse range of flora to flourish, making it the pride of the archipelago.

Water
Water is a vital source of life and acts as one of the balancing elements. Whether a small drop of rain or a large sea, water has incredible potential as a source of power.

Our Vision and Mission

Vision

to become **a world-class agribusiness-based food company** that **elevates the lives of people and nature**.

Mission

- **People and nature oriented:**
  People and nature as the north star of the company, guiding every aspect of all business activities.
- **Striving for world-class excellence:**
  A continuous quest to comply with and exceed local and global standards, exercising good corporate governance.
- **Sustainable growth for prosperity:**
  Achieving widespread economic prosperity without exhausting the finite resources at our disposal.
- **Integrity:**
  Doing the right thing at all times, in all circumstances, regardless of the consequences or of anyone watching.

The corporate vision and mission were reviewed and approved by the Board of Commissioners and the Board of Directors on February 12, 2018.

Values

INTEGRITY

RESPECT FOR PEOPLE AND THE ENVIRONMENT

CONTINUOUS IMPROVEMENT

Business Activity

As stated in the Company's Articles of Association, **the Company engages in trading, services and operations related to palm oil plantations and processing, as well as trading of palm oil products.** In pursuing its strategic purpose and objectives, the Company may carry out the following business activities:

Core Business Activities:

- Carrying out business in the trade sector, which includes import, export, local and inter-island trading; and acting as a wholesaler, surveyor/supplier, distributor, agent and retailer of goods, either for its own account or for the account of other parties by means of mandate or commission;
- Carrying out business in the services sector, which includes obtaining business opportunities and carrying out investment (including but not limited to the granting of financial facilities and other facilities to a third party), except for legal and tax services;
- Carrying out palm oil plantation operation and processing to produce CPO and PK;
- Producing and processing derivative products of CPO, including but not limited to biofuel from CPO, waste from palm oil processing and methane;
- Marketing and selling CPO and PK and marketing and selling derivative products of CPO and its processing, including but not limited to biofuel from CPO, waste from palm oil processing and methane.

Supporting Business Activities:

- Providing services to other parties by utilizing the assets owned by the Company;
- Carrying out other business related to and supporting the business activities listed above, in accordance with prevailing laws and regulations.

Articles of Association

ANJ's Articles of Association have been amended on several occasions since the Company was established in 1993. The most recent amendment was in 2015, pursuant to Deed No. 270 of Dr. Irawan Soerodjo, SH, M.Si., Notary in Jakarta, dated June 23, 2015 and related to 1) a merger with our subsidiary PT Pusaka Agro Makmur; 2) a change of the Company's main business by including the direct operation of plantations and processing and trading of palm oil products in its business activities; and 3) compliance with the provisions of OJK Regulation No.32/POJK.04/2014 regarding the Planning and Implementation of the General Meeting of Shareholders of a Public Company and OJK Regulation No.33/POJK.04/2014 regarding the Board of Directors and Board of Commissioners of an Issuer or Public Company.

Products and Services

The Company's Products/Services:

Crude Palm Oil (CPO) and Palm Kernel (PK), sago, edamame and renewable energy from palm oil waste.

Core Business Site Map

1 PT AUSTINDO NUSANTARA JAYA AGRI (ANJA)
Binanga, North Sumatra

Landbank	9,954 ha
Planted Area	9,754 ha
Matured Area	9,035 ha
Mill Capacity	60 tons/hour

2 PT AUSTINDO NUSANTARA JAYA AGRI SIAIS (ANJAS)
Padang Sidempuan, North Sumatra

Nucleus	
Landbank	9,254 ha
Planted Area	7,754 ha
Matured Area	7,754 ha
Mill Capacity	60 tons/hour
Plasma	
Landbank	158 ha
Planted Area	158 ha
Matured Area	158 ha

3 PT SAHABAT MEWAH DAN MAKMUR (SMM)
Belitung, Bangka Belitung

Landbank	16,276 ha
Planted Area	14,254 ha
Matured Area	10,294 ha
Mill Capacity	60 tons/hour
Partnership with Smallholders	
Landbank	918 ha
Planted Area	860 ha
Matured Area	494 ha

4 PT KAYUNG AGRO LESTARI (KAL)
Ketapang, West Kalimantan

Nucleus	
Landbank	10,920 ha
Planted Area	9,583 ha
Matured Area	8,405 ha
Mill Capacity	45 tons/hour
Plasma	
Landbank	2,958 ha
Planted Area	2,599 ha
Matured Area	1,860 ha

5 PT GALEMPA SEJAHTERA BERSAMA (GSB)
Empat Lawang, South Sumatra

Landbank	12,800 ha
Planted Area	754 ha
Matured Area	- ha
Mill Capacity	- tons/hour

PALM OIL
SAGO
RENEWABLE ENERGY
EDAMAME

6 PT PUTERA MANUNGGAL PERKASA (PMP)
PT PERMATA PUTERA MANDIRI (PPM)
PT AUSTINDO NUSANTARA JAYA Tbk.
Maybrat and South Sorong, West Papua

Nucleus	
Landbank	**75,947 ha**
Planted Area	**7,709 ha**
Matured Area	**- ha**
Plasma	
Landbank	**15,262 ha**
Planted Area	**910 ha**
Matured Area	**- ha**

7 PT ANJ AGRI PAPUA (ANJAP)
South Sorong, West Papua

Concession Right	**40,000 ha**
Mill Capacity Stage 1	**1,250 tons/month**

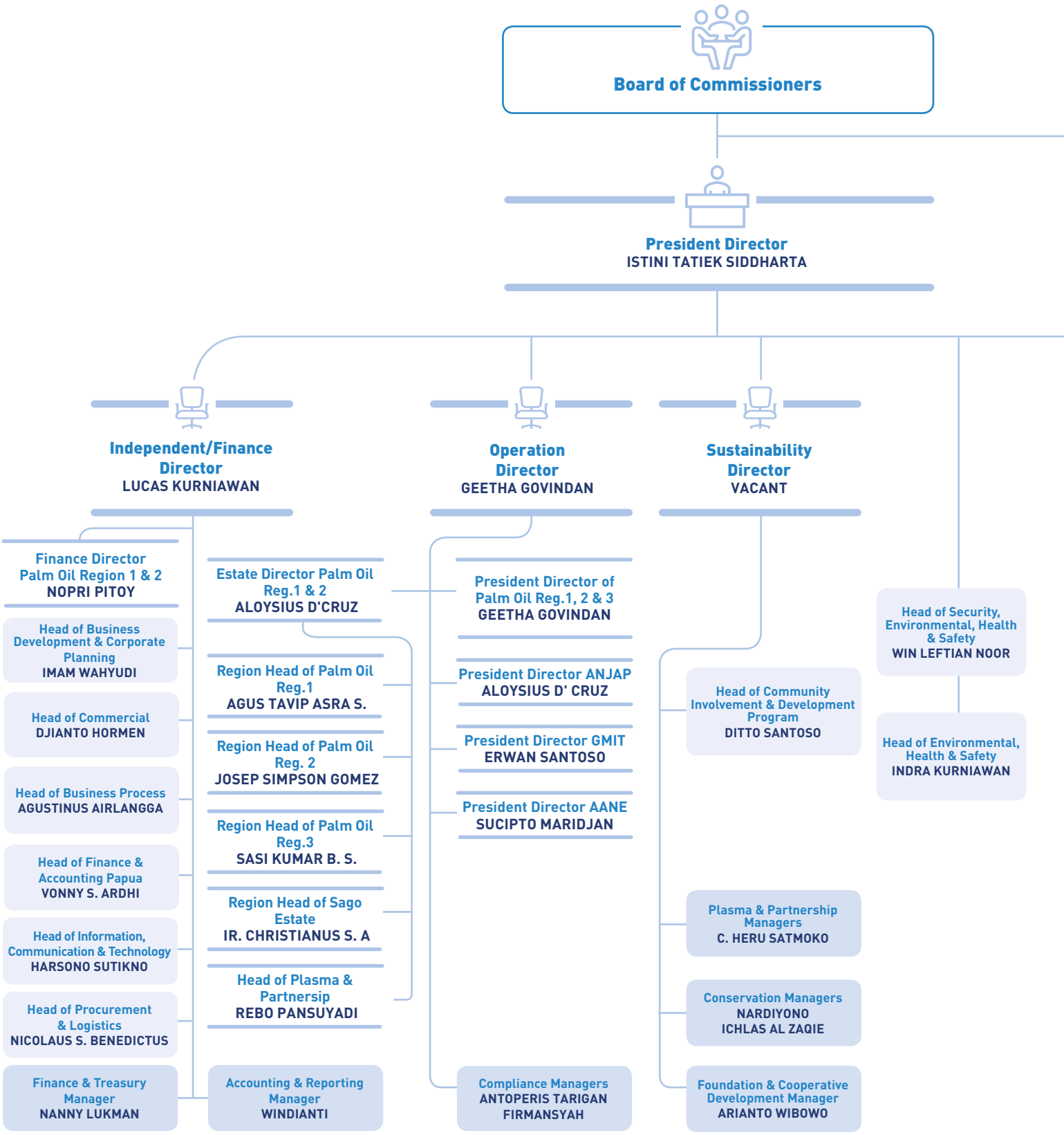
8 PT AUSTINDO AUFWIND NEW ENERGY (AANE) Belitung, Bangka Belitung

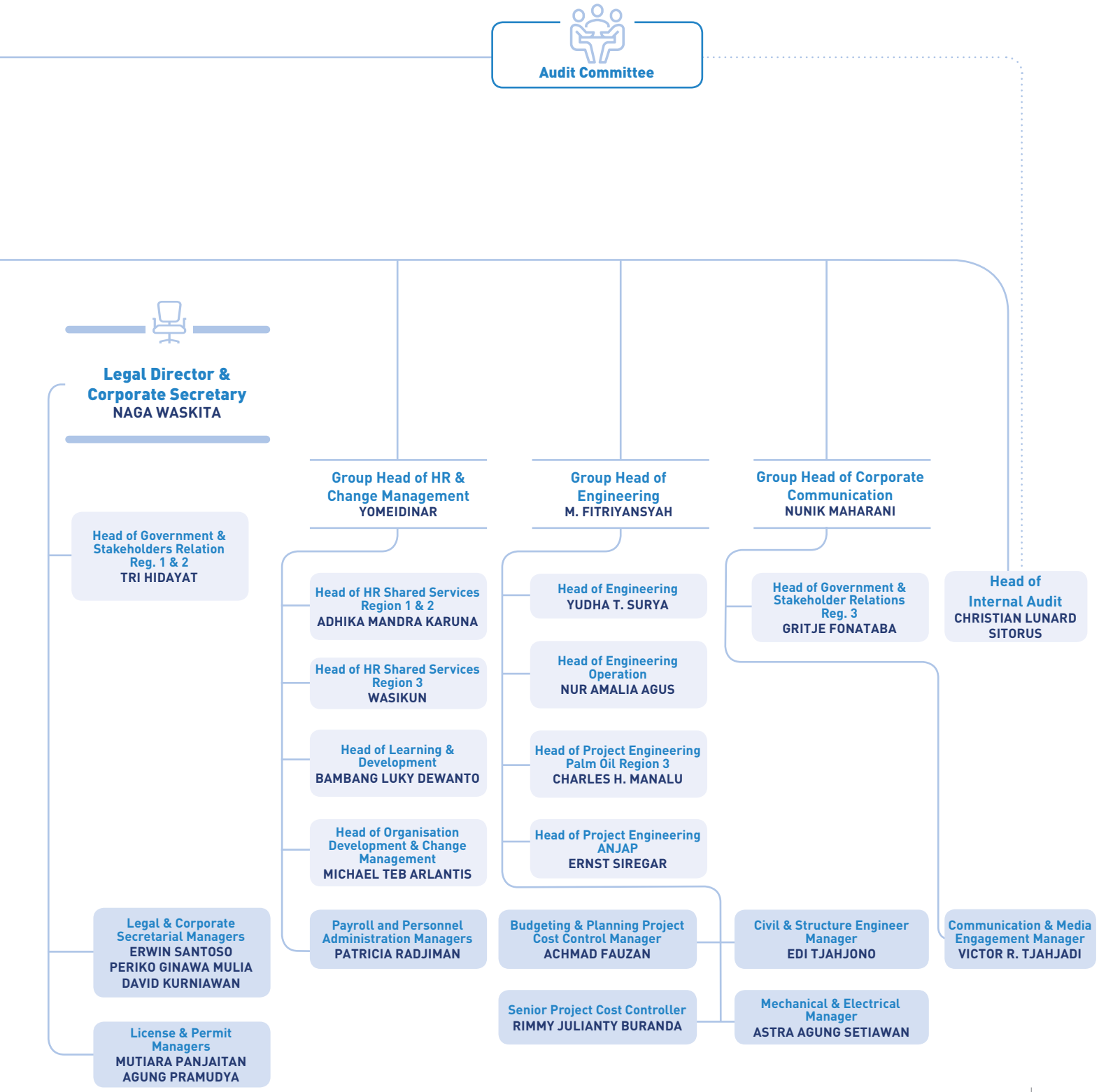
Type of Renewable Energy	**Biogas**
Production Capacity	**1.8 MW**
PPA with PLN	**2013 – 2028**

9 PT GADING MAS INDONESIA TEGUH (GMIT) Jember, East Java

Product	**Edamame (Fresh and Frozen)**

Organizational Structure




Audit Committee
Legal Director & Corporate Secretary
NAGA WASKITA
Group Head of HR & Change Management
YOMEIDINAR
Group Head of Engineering
M. FITRIYANSYAH
Group Head of Corporate Communication
NUNIK MAHARANI
Head of Government & Stakeholders Relation Reg. 1 & 2
TRI HIDAYAT
Head of HR Shared Services Region 1 & 2
ADHIKA MANDRA KARUNA
Head of HR Shared Services Region 3
WASIKUN
Head of Learning & Development
BAMBANG LUKY DEWANTO
Head of Organisation Development & Change Management
MICHAEL TEB ARLANTIS
Head of Engineering
YUDHA T. SURYA
Head of Engineering Operation
NUR AMALIA AGUS
Head of Project Engineering Palm Oil Region 3
CHARLES H. MANALU
Head of Project Engineering ANJAP
ERNST SIREGAR
Head of Government & Stakeholder Relations Reg. 3
GRITJE FONATABA
Head of Internal Audit
CHRISTIAN LUNARD SITORUS
Legal & Corporate Secretarial Managers
ERWIN SANTOSO
PERIKO GINAWA MULIA
DAVID KURNIAWAN
License & Permit Managers
MUTIARA PANJAITAN
AGUNG PRAMUDYA
Payroll and Personnel Administration Managers
PATRICIA RADJIMAN
Budgeting & Planning Project Cost Control Manager
ACHMAD FAUZAN
Senior Project Cost Controller
RIMMY JULIANTY BURANDA
Civil & Structure Engineer Manager
EDI TJAHJONO
Mechanical & Electrical Manager
ASTRA AGUNG SETIAWAN
Communication & Media Engagement Manager
VICTOR R. TJAHJADI

Profile of the Board of Commissioners

Adrianto Machribie
President Commissioner
(Independent)

Indonesian citizen, aged 77. Born in Bandung, 1941. Domiciled in Jakarta.

Experience
Mr. Machribie has been a Commissioner of the Company since July 1996 and was appointed as President Commissioner in September 2003. He was the President Director of PT Media Televisi Indonesia (Metro TV) until June 2017. He is also an active member of several professional organization.

Education
Mr. Machribie has law degree from the University of Indonesia and earned his master's degree in social science from the Institute of Social Studies, the Hague, the Netherlands.

Affiliations
Mr. Machribie has no affiliate relationships with any other Commissioners, Directors or Shareholders of the Company.

Independence
The term of office of Mr. Machribie as an Independent Commissioner has not been exceed 2 (two) period.

Basis of Appointment
Deed No. 32 of Esther Mercia Sulaiman, S.H., Notary in Jakarta, dated September 24, 2003.

Position Tenure
September 2003 – present.

Concurrent Positions
- Commissioner of PT Freeport Indonesia.
- Senior Advisor to the Office of the Chairman of parent company Freeport-Mc-MoRan Copper & Gold Inc.

George Santosa Tahija
Commissioner

Indonesian citizen, aged 61. Born in Jakarta, 1958. Domiciled in Jakarta.

Experience
Mr. Tahija was appointed as a Commissioner in December 2012 after serving more than 20 years as the Company's President Director. He is active in the world of education, serving as a member of the Global Advisory Council of the Darden School at the University of Virginia and the Board of Supervisors of Endeavor Indonesia and is the founder and Chairman of the Bali-based Coral Triangle Center (CTC). In addition, he is a founding member and Trustee of the Dharma Bermakna Foundation, which pursues its vision of progressive education in Indonesia and a founding member of PSKD Mandiri School, Jakarta. . Currently, he is also a member of both the Asia Business Council (ABC) and the Indonesia Chapter of the World Presidents' Organisation (WPO).

Education
Mr. Tahija has a bachelor's degree in mechanical engineering from Trisakti University, Indonesia and an MBA from the Darden School, University of Virginia, USA.

Affiliations
Mr. Tahija is the brother of Sjakon George Tahija, a Commissioner of the Company. He is also President Director and the majority shareholder of PT Memimpin Dengan Nurani and a Commissioner of PT Austindo Kencana Jaya. Both companies are majority shareholders in ANJ.

Basis of Appointment
Deed No. 72 of Mala Mukti, S.H., Notary in Jakarta, dated December 14, 2012.

Position Tenure
December 2002 – present.

Concurrent Positions
- Commissioner of PT Austindo Kencana Jaya (Majority Shareholder of Company).
- Director of PT Memimpin Dengan Nurani (Majority Shareholder of Company).
- Advisor of the Nature Conservancy's (TNC) Indonesia Chapter and on TNC's Asia Pacific Council.

Sjakon George Tahija
Commissioner

Indonesian citizen, aged 66. Born in Jakarta, 1952. Domiciled in Jakarta.

Experience
Dr. Tahija has been one of the Company's Commissioners since its establishment in 1993. He is practising vitreo-retinal consultant and a founder of Klinik Mata Nusantara, a national chain of eye clinics. He also serves as the chairman of the clinic's Medical Advisory Board.

Education
Dr. Tahija holds a bachelor's degree in medicine from the University of Indonesia (1980).

Affiliations
Dr. Tahija is the brother of George Santosa Tahija, a Commissioner of the Company. He is also President Director and the majority shareholder of PT Austindo Kencana Jaya, one of the majority shareholders in ANJ.

Basis of Appointment
Deed No. 72 of Sutjipto, S.H., Notary in Jakarta, dated April 16, 1993.

Position Tenure
April 1993 – present.

Concurent Positions
- President Director of PT Austindo Kencana Jaya (Majority Shareholder of Company).

Arifin Mohamad Siregar
Independent Commissioner

Indonesian citizen, aged 85. Born in Medan, 1934. Domiciled in Jakarta.

Experience
Dr. Siregar has served as a Commissioner of the Company since April 2001. He served the nation for many years as Governor of Bank Indonesia (1983-1988), Minister of Trade (1988-1993) and as Indonesia's Ambassador to the United States of America (1993-1997). He has served as a member of the Strategic Advisory Board of Ancora Capital Management Pte. Ltd. since November 2009 and as an advisor to Procter & Gamble Indonesia since August 2010.

Education
Dr. Siregar graduated from the Netherlands School of Economics, Rotterdam, in 1956 with a bachelor's degree and went on to earn master's and doctoral degrees in economics from the University of Munster in Germany.

Affiliations
Dr. Siregar has no affiliate relationships with any other Commissioners, Directors or Shareholders of the Company.

Independence
The term of office of dr. Siregar as an Independent Commissioner has not been exceed 2 (two) period.

Basis of Appointment
Resolution of the Annual General Meeting of Shareholders dated May 21, 2001, confirmed by Deed No. 1 of Amrul Partomuan Pohan, S.H., Notary in Jakarta, dated July 2, 2001.

Position Tenure
April 2001 – present.

Concurrent Positions
- President Commissioner of PT Airfast Indonesia
- Commissioner of PT Cabot Indonesia

Profile of the Board of Commissioners

Anastasius Wahyuhadi
Commissioner

Indonesian citizen, aged 73. Born in Klaten, 1946. Domiciled in Jakarta.

Experience
Mr. Wahyuhadi was Corporate Services Director at ANJ from 1997 to 2005 before being appointed as one of the Company's Commissioners. He is also a Board member of some of ANJ's subsidiaries, as has previously served as a Commissioner or Director of several multinational and national companies in Indonesia. He is active in philanthropic work, including with the Tahija Foundation, where he was the Chairman of the Board of Management from 2003 to 2016.

Education
Mr. Wahyuhadi graduated from Satyawacana University, Indonesia, with a bachelor's degree in law.

Affiliations
Mr Wahyuhadi has no affiliate relationships with any other Commissioners, Directors or Shareholders of the Company.

Basis of Appointment
Deed No. 49 of Esther Mercia Sulaiman, S.H., Notary in Jakarta, dated January 10, 2006.

Position Tenure
January 2006 – present.

Concurent Position
Member of the Tahija Foundation Board of Trustees.

Istama Tatang Siddharta
Commissioner

Indonesian citizen, aged 60. Born in Jakarta, 1959. Domiciled in Jakarta.

Experience
Mr. Siddharta has been one of the Company's Commissioners since July 2004. Before joining the Company, he was the Chairman of Siddharta, Siddharta & Widjaja, an affiliate of international accounting firm KPMG in Indonesia. He is also a member of the Institute of Indonesian Accountants.

Education
Mr. Siddharta holds a bachelor's degree in accounting from the University of Indonesia.

Affiliations
Mr. Siddharta is the brother of Istini Tatiek Siddharta, the Company's President Director.

Basis of Appointment
Deed No. 24 of Esther Mercia Sulaiman, S.H., Notary in Jakarta, dated July 6, 2004.

Position Tenure
July 2004 – present.

Concurrent Positions
Independent Commissioner of PT Mitra Pinasthika Mustika Tbk.

J. Kristiadi
Independent Commissioner

Indonesian citizen, aged 71. Born in Yogyakarta, 1948. Domiciled in Jakarta.

Experience
Mr. Kristiadi was appointed as an Independent Commissioner of the Company in March 2012. Prior to joining ANJ, Mr Kristiadi held various positions including Social and Political Sciences lecturer, Atma Jaya University, lecturer at the National Resilience Institute, guest lecturer at the Army Staff and Command College, Bandung, guest lecturer at the Air Force Staff and Command College, Bandung, lecturer at the National Police Staff College, Bandung and Politics Department head and Deputy Executive Director at CSIS, Jakarta. He is a regular columnist and commentator in national and international media on political development, civilmilitary relations, security and constitutional reform.

Education
Mr. Kristiadi earned his doctorate in political science from Gadjah Mada University, Yogyakarta, in 1995.

Affiliations
Mr. Kristiadi has no affiliate relationships with any other Commissioners, Directors or Shareholders of the Company.

Independence
The term of office of Mr. Kristiadi as an Independent Commissioner has not been exceed 2 (two) period.

Basis of Appointment
Deed No. 2 of Esther Mercia Sulaiman, S.H., Notary in Jakarta, dated March 5, 2012.

Position Tenure
March 2012 – present.

Concurrent Positions
Secretary of the Board of Directors of the CSIS Foundation.

Darwin Cyril Noerhadi
Independent Commissioner

Indonesian citizen, aged 58. Born in Jakarta, 1961. Domiciled in Jakarta.

Experience
Dr. Noerhadi was appointed as an Independent Commissioner of the Company in 2017. His previous senior positions include President Director of PT Kliring Deposit Efek Indonesia (1993-1996), President Director of PT Bursa Efek Jakarta (1996-1999) and Chief Financial Officer of PT Medco Energi Internasional Tbk. (2005-2011).

Education
Dr. Noerhadi has a bachelor's degree in petroleum geology from the Bandung Institute of Technology and an MBA in finance and economics from the University of Houston, USA. He later received his PhD in strategic management from the University of Indonesia's Faculty of Economics.

Affiliations
Dr. Noerhadi has no affiliate relationships with any other Commissioners, Directors or Shareholders of the Company.

Independence
The term of office of Dr. Noerhadi as an Independent Commissioner has not been exceed 2 (two) period.

Basis of Appointment
Deed No. 144 of Dr. Irawan Soerodjo, S.H., M.Si., Notary in Jakarta, dated February 20, 2017.

Position tenure
February 2017 – present.

Concurrent Positions
- President Director and Senior Managing Director of PT Creador.
- Independent President Commissioner of PT Mandiri Sekuritas.

Profile of the Board of Directors

Istini Tatiek Siddharta
President Director

Indonesian citizen, aged 56. Born in Jakarta, 1962. Domiciled in Jakarta.

Experience

Mrs. Siddharta has been the Company's President Director since 2016, having previously served as Deputy President Director (2012-2015) and as Group Finance Director (2001-2012). She began her career as a public accountant and was a Partner at Siddharta, Siddharta & Harsono, a member firm of Coopers & Lybrand, which became a member firm of KPMG in 1998. She is an active in several professional associations, including the Institute of Indonesian Accountants, where she is a member of the Consultative Board of Financial Accounting Standards and chaired the Indonesian Financial Accounting Standards Board from 2000 to 2002.

Education

Mrs. Siddharta graduated from the University of Indonesia with a bachelor's degree in accounting and earned her MBA from the John Anderson School at the University of California, Los Angeles.

Affiliations

Mrs. Siddharta is the sister of Istama Tatang Siddharta, a Commissioner of the Company. Mrs. Siddharta is also a Commissioner of PT Austindo Kencana Jaya and PT Memimpin Dengan Nurani (both are the major controlling shareholders of Company).

Basis of Appointment

Deed No. 84 of Dr. Irawan Soerodjo, S.H., M.Si., Notary in Jakarta, dated January 19, 2016.

Position Tenure

January 2016 – present.

Lucas Kurniawan
Independent/
Finance Director

Indonesian citizen, aged 47. Born in Teluk Betung, Bandar Lampung, 1971. Domiciled in Jakarta.

Experience

Mr. Kurniawan was appointed as Independent/Finance Director in November 2014. Before joining ANJ, he had gained extensive experience as an accountant, beginning his career in 1993 with Siddharta, Siddharta & Widjaja (formerly Siddharta, Siddharta & Harsono), a member firm of Coopers and Lybrand until 1998 and then a member of KPMG. He was made a partner at the firm in 2005. In 2007, he joined KPMG Ltd., Vietnam as an audit partner and from 2011 to 2014 he was a partner at Tanudiredja, Wibisana & Rekan, a member firm of PricewaterhouseCoopers International Ltd. He is a member of the Indonesian Institute of Accountants and the Indonesian Institute of Certified Public Accountants.

Education

Mr. Kurniawan graduated from Tarumanagara University, Jakarta with a bachelor's degree in accounting and has completed a number of professional programs including KPMG AsPac Chairman's 25 Program in 2008 (INSEAD certified), PwC Understanding the Client's Strategic Agenda in 2012 (INSEAD Certified) and the Executive Program at the Darden School of Business, University of Virginia, USA in 2017.

Affiliations

Mr. Kurniawan has no affiliate relationships with any other Commissioners, Directors or shareholders of the Company.

Basis of Appointment

Deed No. 78 of Dr. Irawan Soerodjo, S.H., M.Si., Notary in Jakarta, dated November 13, 2014.

Position Tenure

November 2014 – present.

Geetha Govindan
Palm Oil
Operations Director

Malaysian citizen, aged 60. Born in Selangor, 1959. Domiciled in Jakarta.

Experience

Mr. Govindan has been a Director of the Company since October 2015. He is also a President Director of numerous ANJ subsidiaries. He has amassed more than 30 years of experience in the plantation industry, beginning his career as an as an Estate Manager at Socfin Co. Bhd in Malaysia, where he spent 16 years before becoming a regional controller for PT Sinar Mas Agro Resources and Technology Tbk. He then spent almost 13 years at PT REA Kaltim Plantations, where he served as Vice President Director from 2008 to 2013 and Director of Operations from 2005 to 2008 and prior to that, Chief Operating Officer and Estates Controller.

Education

Mr. Govindan holds a Bachelor of Science degree from the University of Madras, India, a Diploma in Human Resource Management from the University of Malaya, Malaysia and an Executive MBA from Euregio Management School, the Netherlands.

Affiliations

Mr. Govindan has no affiliate relationships with any other Commissioners, Directors or shareholders of the Company.

Basis of Appointment

Deed No. 134 of Dr. Irawan Soerodjo, S.H., M.Si., Notary in Jakarta, dated October 21, 2015.

Position Tenure

October 2015 – present.

Naga Waskita
Legal Director and
Corporate Secretary

Indonesian citizen, aged 45. Born in Tanjung Pinang, 1974. Domiciled in Jakarta.

Experience

Mr. Waskita joined the Company in 2012 as a legal counsel & Corporate Secretary and was appointed as a Director in 2017. Before joining ANJ, Mr. Waskita spent more than 15 years as a corporate lawyer with law firm Mochtar Karuwin Komar, where he specialized in banking and finance.

Education

Mr. Waskita graduated from Gadjah Mada University, Yogyakarta, Indonesia with a bachelor's degree in law and has a Master's degree in Law from the University of Groningen in the Netherlands. Mr. Waskita is a member of Perhimpunan Advokat Indonesia (the Indonesian Advocates Association).

Affiliations

Mr. Waskita has no affiliate relationships with any other Commissioners, Directors or shareholders of the Company.

Basis of Appointment

Deed No. 35 of Dr. Irawan Soerodjo, S.H., M.Si., Notary in Jakarta, dated May 24, 2017.

Position Tenure

- As Corporate Secretary, September 2012 – present.
- As Legal Counsel, September 2012 – May 2017.
- As Director, May 2017 – present.

Sonny Sunjaya Sukada
Sustainability Director
until February 28, 2018

Mr. Sukada is an Indonesian citizen aged 59.
He was born in Jakarta in 1960. He is domiciled in Jakarta.

Experience

Prior to joining the Company, Mr. Sukada was the Sustainable Development Director of PT Tirta Investama (Danone Aqua) from 2011 to 2015, a Partner at Kiroyan Partners from 2008 to 2011, the Head of External Affairs of PT Ara Gemilang Imaji (Assessment Group Indonesia) from 1998 to 2008, the Development Manager of PT Krakatau Lampung Tourism Development Corporation, Lampung from 1997 to 1998. He was a Lecturer at the Faculty of Social and Political Sciences (the Business Administration Department) of the University of Indonesia from 1985 to 1995. He is a member of the Indonesian Association of CSR Professionals and also a member of the CSR Consortium.

Education

Mr. Sukada holds a bachelor's degree in business administration from the University of Indonesia and a Master of Science degree from the University of Surrey, United Kingdom.

Affiliations

Mr. Sukada has no affiliate relationships with any other Commissioners, Directors or Shareholders of the Company.

Basis of Appointment

Deed No. 269 of Dr. Irawan Soerodjo, S.H., M.Si., Notary in Jakarta, dated June 22, 2015.

Position Tenure

June 2015 - February 2018.

Profile of Key Managers

Sucipto Maridjan
AANE President Director
ANJA, ANJAS, GSB and SMM Director

Mr. Maridjan was appointed as a director in ANJA, ANJAS, GSB, SMM and President Director of AANE in October 2012. Prior to joining the Company, Mr. Maridjan held senior roles with Australian mining companies in Indonesia. He has over 20 years' experience in resource-based administrative management. He joined ANJ's Mining & Energy Division in 1997 as a Director of our mining services company and Mining Contract of Work company. He also had responsibility for minority interests in gold projects in Indonesia with Newmont (formerly Normandy Anglo Asian) and Meekatharra Minerals and with power generation projects through a joint venture with Duke Energy in Papua at Freeport and with Chevron Texaco in West Java with the Darajat Geothermal Project.

Aloysius D'Cruz
ANJAP President Director
ANJA Director

Mr. D'Cruz has been the Estate Director of ANJA since early 2011. Since 2017, Mr. D'Cruz was appointed as President Director of ANJAP. Prior to joining ANJA, he was the Joint President of Birla Lao Pulp and Plantations Co. Ltd, a subsidiary of India's Aditya Birla Group in Laos. He has also held key roles in a number of plantation companies, including Riau Fiber Plantations and Sinar Mas Forestry Plantations in Riau as well as Sime Darby Plantations in Malaysia. He received a bachelor's degree in agriculture from Allahabad University, India, in 1973 and an associate diploma from the Incorporated Society of Planters Malaysia in 1979.

Nopri Pitoy
ANJA, ANJAS, SMM, KAL and GSB Director

Ms. Pitoy has served as Director and Chief Financial Officer of ANJA since May 2011. She joined ANJA in June 2001 and was appointed Head of Finance and Accounts in January 2006. Prior to joining ANJA, she was a financial controller of the Ukindo group. She started her career in the public accounting firm PricewaterhouseCoopers in Jakarta. She has over 15 years experience in the palm oil industry. She received a bachelor of commerce degree with a major in accounting and information systems from the University of New South Wales in Sydney, Australia.

Erwan Santoso
GMIT President Director
(since July 1, 2018)

Mr. Santoso has served as Operations Director at GMIT since joining the Company in 2007 and was appointed as a President Director since July 1, 2018. Prior to joining GMIT, he was Leaf Operations Manager at PT Philip Morris Indonesia from 2002 to 2007. He worked as Crop Manager at Bentoel Prima Group from 2001 to 2002, Operations Manager at PT Drassindo, part of the Mustika Ratu Group, from 1998 to 2000 and Business Plan & Control Section Head at PT Sumalindo, part of PT Astra International Tbk., from 1994 to 1998. He received a bachelor's degree in agronomy from the Bogor Institute of Agriculture in 1993.

Yomeidinar
ANJA, ANJAP, PPM and PMP
Director

Mrs. Yomeidinar has served as the Director of ANJA, ANJAP, PPM & PMP since January 2018. She joined the Company in 2014 and was appointed as Group Head of HR & Change Management. Prior to joining ANJ, she was a Head of HR & Change Management at Medco Downstream Indonesia, a sub-holding of Medco Energi International for 10 years. She has also held key roles in some foreign bank representatives for 10 years. She received a bachelor's degree in Financial Management from Perbanas Institute, Jakarta, a Master Degree in Magister Management from Binus International, Jakarta and doctoral candidate in Strategy & Growth at Binus University, Jakarta.

Nunik Maharani Maulana
PPM, PMP, ANJAP Director
ANJB Director Since January 2019

Mrs. Maharani joined ANJ in 2016 to take up a role as Group Head of Corporate Communications in the Company. Since 2018 Ms. Maharani has also served as Director of PPM, PMP and ANJAP. Prior to joining ANJ, Ms. Maharani was Director of IComm, a communication agency that she co-founded. She has also served as Director at Kiroyan Partners, a strategic communications consultancy and worked in senior management of the corporate communications departments at multinational mining and oil and gas companies, including Rio Tinto Indonesia, Kaltim Prima Coal, Unocal Indonesia, Chevron IndoAsia, Newmont Pacific Nusantara and Ephindo. She graduated from Tarakanita Secretarial Academy and obtained a graduate diploma from the London School of Public Relations.

Djianto Hormen
ANJB and GMIT
Director

Mr. Hormen joined ANJ in 2016 to take up a role as Group Head of Commercial. Since 2018, Mr. Hormen has also served as Director of ANJB and GMIT until December 2018. The Company has approved his resignation as Director of ANJB and GMIT based on Notarial Deed No. 754 dated January 4, 2019. Prior to joining ANJ, Mr. Hormen was an independent business owner from March 2015 to July 2016 and worked in PT Umas Jaya Agrotama for 24 years, from 1991 to 2015. During that time, Mr. Hormen served in numerous position, most recently as an Operation Director. He received a bachelor's degree in Accounting from Atma Jaya University, Jakarta.

Mohammad Fitriyansyah
KAL, PPM, PMP, ANJAP, GMIT and AANE Director

Mr. Fitriyansyah was appointed as a Director of KAL, PPM, PMP, ANJAP, GMIT and AANE in January 2018. He joined the Company in 2017 as Group Head of Central Engineering. Prior to that, Mr. Fitriyansyah worked for 4 years in PT Petrosea Tbk., where his most recent position was as a General Manager for the Karingau Development Project. From 2008 to 2011, Mr. Fitriyansyah worked at PT JGC Indonesia and was responsible for assisting the Division Manager of the Project Operation Division which oversaw the Project Management, Construction Management, Procurement and Quality Control Departments. Mr. Fitriyansyah also worked at PT Balfour Beatty Sakti Indonesia from 1994 to 2008 and at PT Rekayasa Industri from 1990 to 1994. Mr. Fitriyansyah received a bachelor's degree in Civil Engineering from the University of Indonesia, Jakarta. He also has a HAKI certificate (No. 2004147/Muda).

Employee Composition – ANJ and Subsidiaries

Employee composition by segment	2018			2017		
			Total			Total
Head Office Jakarta	81	31	112	81	32	113
Palm Oil	6,064	1,502	7,566	5,778	1,438	7,216
Sago	225	16	241	186	17	203
Others	67	12	79	60	4	64
Total	**6,437**	**1,561**	**7,998**	**6,105**	**1,491**	**7,596**

Employee composition by position	2018			2017		
			Total			Total
Director	8	4	12	7	2	9
General Manager (GM)	35	3	38	36	6	42
Manager	190	27	217	185	28	213
Staff	326	77	403	319	58	377
Laborers or Workers	5,878	1,450	7,328	5,558	1,397	6,955
Total	**6,437**	**1,561**	**7,998**	**6,105**	**1,491**	**7,596**

Employee composition by education	2018			2017		
			Total			Total
Master's/Bachelor's degree	509	155	664	483	130	613
Diploma	96	49	145	92	50	142
Senior/Vocational High School	2,059	259	2,318	1,844	262	2,106
Other	3,773	1,098	4,871	3,686	1,049	4,735
Total	**6,437**	**1,561**	**7,998**	**6,105**	**1,491**	**7,596**

Employee composition by employment status	2018			2017		
			Total			Total
Contract Workers	744	86	830	362	68	430
Permanent Staff	5,693	1,475	7,168	5,743	1,423	7,166
Total	**6,437**	**1,561**	**7,998**	**6,105**	**1,491**	**7,596**

Employee composition by age	2018			2017		
			Total			Total
Over 55	85	19	104	90	19	109
41-55	1,555	438	1,993	1,451	363	1,814
25-40	3,982	981	4,963	3,874	971	4,845
Under 25	815	123	938	690	138	828
Total	**6,437**	**1,561**	**7,998**	**6,105**	**1,491**	**7,596**

Training and competency development participation

Please see "Training and Development" on page 89 of this Annual Report.

Training and competency development expenditure 2018

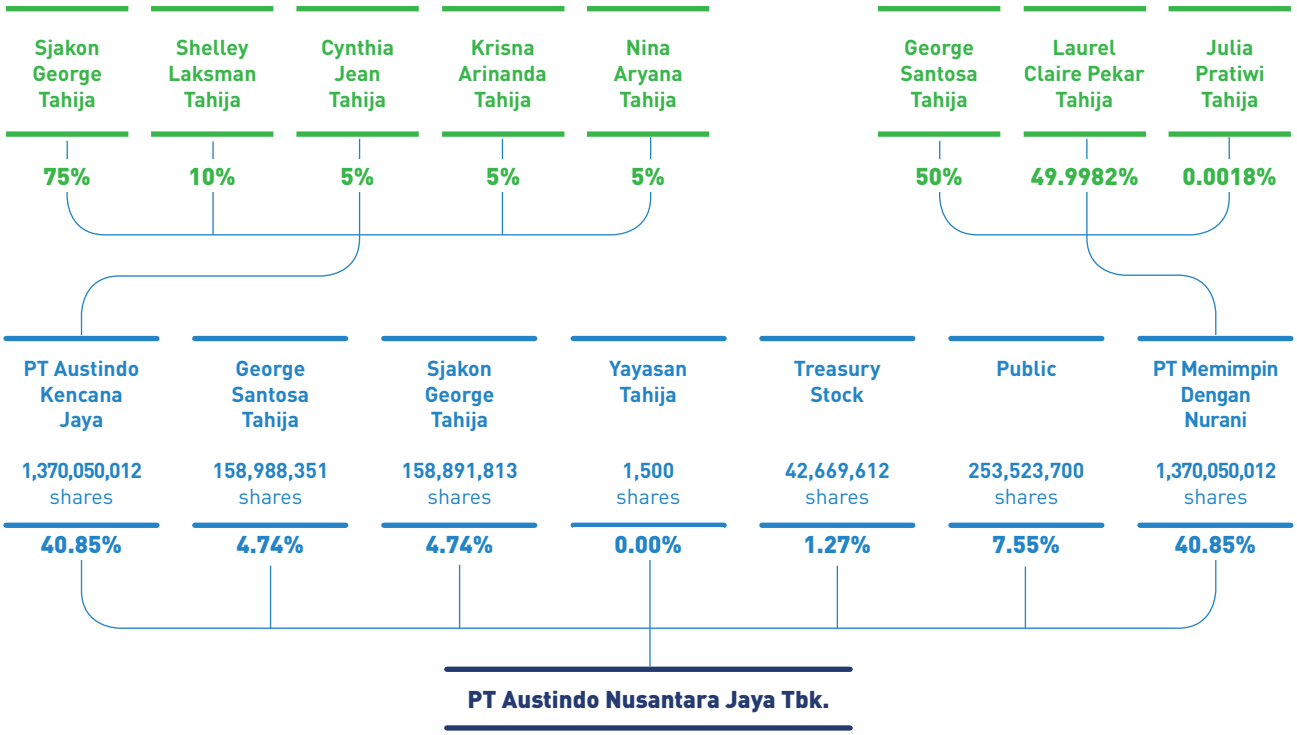
ANJ invested USD 436,028 in training and competency development in 2018, which was paid to external trainers. We also provided several in-house trainings that were developed and delivered by our own staff. Our average annual training hours per person for staff and above position in 2018 is 47.1 hours, while average annual training hours for non staff is 4.1 hours.

Shareholder Information

ANJ Majority and Controlling Share Structure as of December 31, 2018

	Number of Shares	Shares (%)
PT Austindo Nusantara Jaya Tbk. Shareholder Structure		
PT Austindo Kencana Jaya	1,370,050,012	40.85
PT Memimpin Dengan Nurani	1,370,050,012	40.85
George Santosa Tahija	158,988,351	4.74
Sjakon George Tahija	158,891,813	4.74
Yayasan Tahija	1,500	0.00
Treasury stock	42,669,612	1.27
Public	253,523,700	7.55
Total	**3,354,175,000**	**100.00**
PT Austindo Kencana Jaya Shareholder Structure		
Sjakon George Tahija		75.00
Shelley Laksman Tahija		10.00
Cynthia Jean Tahija		5.00
Krisna Arinanda Tahija		5.00
Nina Aryana Tahija		5.00
Total		**100.00**
PT Memimpin Dengan Nurani Shareholder Structure		
George Santosa Tahija		50.00
Laurel Claire Pekar Tahija		49.998
Julia Pratiwi Tahija		0.0018
Total		**100.00**

ANJ Majority and Controlling Share Structure



Share Ownership by Commissioners and Directors as of December 31, 2018

Name	Position	Number of Shares
George Santosa Tahija	Commissioner	158,988,351
Sjakon George Tahija	Commissioner	158,891,813
Istini Tatiek Siddharta	President Director	3,620,000
Lucas Kurniawan	Independent Director	3,020,000
Geetha Govindan	Director	3,120,000
Naga Waskita	Director	3,019,563

Shareholder Composition by Type of Investor as of December 31, 2018

Type of Investors	Number of Account	Number of Shares	Shares (%)
Domestic			
Retail	760	390,911,778	11.65%
Insurance	4	161,139,700	4.80%
Corporation	5	2,783,378,385	82.98%
Foundation	1	1,500	0.00%
Mutual Fund	1	100	0.00%
Total	**771**	**335,431,463**	**10.00%**
Foreign			
Retail	9	8,603,437	0.26%
Corporation	7	10,140,100	0.30%
Total	**16**	**18,743,537**	**0.56%**
Grand Total	**787**	**3,354,175,000**	**100.00%**

Shareholder Composition by Domicile as of December 31, 2018

Type of Investor	Number of Account	Number of Shares	Shares (%)
Domestic			
- Domestic individual	760	390,911,778	11.65%
- Domestic limited liability company	11	2,944,519,685	87.79%
Total	**771**	**3,335,431,463**	**99.44%**
Foreign			
- Foreign individual	9	8,603,437	0.26%
- Foreign limited liability company	7	10,140,100	0.30%
Total	**16**	**18,743,537**	**0.56%**
Grand Total	**787**	**3,354,175,000**	**100.00%**

Shareholder Composition by Sub Account Status as of December 31, 2018

Shareholders Status	Domestic/Overseas	Number of Account	Number of Shares	Shares (%)
Insurance	Domestic	4	161,139,700	4.80%
Limited Liability Company	Domestic	7	2,783,378,385	82.98%
Individual	Domestic	760	390,911,778	11.65%
Limited Liability Company	Overseas	7	10,140,100	0.30%
Individual	Overseas	9	8,603,437	0.26%
Total		**787**	**3,354,175,000**	**100.00%**

Share Issuance and Listing Chronology

ANJ made the transition from private to public company in 2013 as the final step of a comprehensive corporate restructuring program. ANJ's initial public offering (IPO) of 10% of its shares on the Indonesia Stock Exchange (IDX) was designed to provide access to the capital required for an expansion of the Company's three lines of business. Prior to the listing, the Company was wholly owned by the Tahija family through individual shareholdings and corporate entities.

After the Financial Services Authority (OJK) issued the letter for the Company's IPO on May 1, 2013, ANJ listed its shares on the IDX on May 8, 2013, under the stock code ANJT, offering a total of 333,350,000 common shares at a nominal value of IDR 100 per share. The share price at the Initial Public Offering (IPO) was IDR 1,200 per share.

As of the end of trading in 2018, the Company had a market capitalization of IDR 3.86 trillion, with a closing share price of IDR 1,150.

Date	Corporate Action/Policy	Total Addition/ Reduction of Shares	Accumulated Share Total
May 8, 2013	Initial Public Offering	333,350,000	333,350,000
November 3 - December 5, 2014	Exercise MSOP	1,550,000	334,900,000
November 2 - December 4, 2015	Exercise MSOP	325,000	335,225,000
November 2 - December 4, 2015	Exercise MSOP	300,000	335,525,000
May 9 - June 10, 2016	Exercise MSOP	8,750,000	344,275,000
May 9 - June 10, 2016	Exercise MSOP	9,900,000	354,175,000

Bond, Sukuk (Sharia Bond) and Covertible Bond Issuance and Listing Chronology

The Company had no outstanding bonds, sukuk (sharia bond) or convertible bonds in 2018.

Suspension of the Company's Shares

The Company's shares were not suspended during fiscal year 2018.

Corporate Structure

PT Austindo Nusantara Jaya Tbk.

PT Austindo Nusantara Jaya Agri
North Sumatra I Plantation
99.998%

PT Austindo Nusantara Jaya Agri Siais [1]
North Sumatra II Plantation
99.995%

PT Sahabat Mewah dan Makmur [2]
Belitung Island Plantation
99.996%

PT Kayung Agro Lestari [3]
West Kalimantan Plantation
99.95%

PT Galempa Sejahtera Bersama [4A]
South Sumatra Landbank
95.00%

PT Permata Putera Mandiri [4B]
West Papua Landbank
75.00%

PT Putera Manunggal Perkasa [4C]
West Papua Landbank
75.00%

PT Aceh Timur Indonesia
25.00%

PT Simpang Kiri Plantation Indonesia [6]
60.00%

PT Surya Makmur
25.00%

PT Bilah Plantindo [7]
60.00%

PT Pangkatan Indonesia
20.00%

PT Sembada Sennah Maju [5]
95.00%

PT Evans Lestari
20.00%

PT Prima Mitrajaya Mandiri
5.00%

PT Teguh Jaya Abadi
5.00%

PT Agro Muko
5.00%

PT ANJ Agri Papua [8]
Papua Sago Project
99.78%

PT Lestari Sagu Papua
Agribusiness (Sago)
51.00%

PT Austindo Nusantara Jaya Boga
Consumer Products
99.999%

PT Austindo Aufwind New Energy
Biogas Project
99.22%

PT Puncakjaya Power
Coal and Diesel Power Plant
14.288%
(on process divestment)

PT Gading Mas Indonesia Teguh
Agribusiness (Edamame)
79.99%

PT Moon Lion Industries Indonesia
Industrial Products
11.88%

Notes

1) PT Austindo Nusantara Jaya Agri has 99.995% and PT Sahabat Mewah dan Makmur has 0.005%.
2) PT Austindo Nusantara Jaya Agri has 99.996% and the Company has 0.004%
3) PT Austindo Nusantara Jaya Agri has 99.95% and PT Sahabat Mewah dan Makmur has 0.05%.
4A) PT Austindo Nusantara Jaya Agri has 95.00% and the Company has 5.00%.
4B) PT Austindo Nusantara Jaya Agri has 75.00% and the Company has 25.00%.
4C) PT Austindo Nusantara Jaya Agri has 75.00% and the Company has 25.00%.
5) PT Pangkatan Indonesia has 95.00% and the Company has 1.00%.
6) PT Aceh Timur Indonesia has 60.00% and the Company has 5.00%.
7) PT Surya Makmur has 60.00% and the Company has 5.00%.
8) The Company has 99.78% and PT Sahabat Mewah dan Makmur has 0.22%.

Operating Palm Oil Plantations | Majority Investments | Minority Investments

PALM OIL | SAGO | RENEWABLE ENERGY | OTHERS

Our Subsidiaries

Business Details of ANJ Subsidiary and Associated Companies

No.	SUBSIDIARY COMPANIES	Total Assets	Registered Address	Directors
1	**PT Austindo Nusantara Jaya Agri (ANJA)** ANJA was established in March 1986. ANJ bought the company in 2000 through Verdaine Investments Ltd. and acquired direct ownership in 2006. ANJA owns, manages and operates our North Sumatra I Plantation in Binanga, North Sumatra, engaging in the planting, developing and cultivating of oil palms, production of CPO and PK and activities related to CPO/PK production and marketing. Through its subsidiaries, it also holds interests in our six other oil palm plantations and landbanks. ANJA itself has a total of 9,954 hectares, of which 9,754 hectares are planted and 9,035 hectares contain matured oil palms. Its mill has a capacity of 60 tonnes per hour and processes FFB from our own plantation as well as FFB purchased from third parties.	USD 391,018,370 **Commercially operating since** 1995 **ANJ Ownership** 99.99%	Sinarmas Land Plaza, 7th Floor Jl. P. Diponegoro No.18, Medan North Sumatra **Business Location** Binanga, North Sumatra **Business Activity** Palm Oil Plantation	- Geetha Govindan (PD) - Sucipto Maridjan - Nopri Pitoy - Aloysius D' Cruz - Sonny Sunjaya Sukada (until February 28, 2018) - Naga Waskita - Yomeidinar **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta

No.	SUBSIDIARY COMPANIES			
2	**PT Austindo Nusantara Jaya Agri Siais (ANJAS)** ANJAS was established in May 2002 and acquired by ANJA in November 2004. It owns, manages and operates our North Sumatra II Plantation at Padang Sidempuan, North Sumatra. ANJAS has a total landbank of 9,254 hectares, of which 7,754 hectares are planted and 7,754 hectares contain matured oil palms. There are 158 planted hectares of plasma. It has a mill with a capacity of 60 tonnes per hour that primarily processes FFB from our plantation as well as FFB purchased from third parties.	**Total Assets** USD 54,897,653 **Commercially operating since** 2009 **ANJ Ownership** 99.99%	**Registered Address** Sinarmas Land Plaza, 7th Floor Jl. P. Diponegoro No.18, Medan North Sumatra **Business Location** Padang Sidempuan, North Sumatra **Business Activity** Palm Oil Plantation	**Directors** - Geetha Govindan (PD) - Sucipto Maridjan - Nopri Pitoy - Sonny Sunjaya Sukada (until February 28, 2018) - Naga Waskita **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta
3	**PT Sahabat Mewah dan Makmur (SMM)** SMM was established in July 1985 and acquired by ANJA in March 2003. SMM owns, manages and operates our plantation on Belitung Island. Planting began in 1990. SMM has a total area of 16,276 hectares, of which 14,254 hectares are planted and 10,294 hectares contain matured oil palms. There are 860 planted hectares of partnership with smallholders. SMM's processing mill, which was completed in 1996, has a capacity of 60 tonnes per hour and primarily processes FFB from our plantation as well as FFB purchased from third parties.	**Total Assets** USD 43,636,107 **Commercially operating since** 1994 **ANJ Ownership** 99.99%	**Registered Address** Atrium Mulia 3A Floor, Suite 3A-02 Jl. H.R. Rasuna Said Kav. B10-11 Jakarta 12910 As of March 2019 BTPN Tower, Floor 40 Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6 Jakarta 12950 **Business Location** Belitung, Bangka Belitung **Business Activity** Palm Oil Plantation	**Directors** - Geetha Govindan (PD) - Sucipto Maridjan - Nopri Pitoy - Sonny Sunjaya Sukada (until February 28, 2018) - Naga Waskita **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta
4	**PT Kayung Agro Lestari (KAL)** Established in September 2004, KAL was acquired by ANJA in December 2005. It owns, manages and operates our plantation in Ketapang, West Kalimantan, which has a total landbank of 10,920 hectares. Planting began in 2010 and 9,583 hectares are now planted; of this, there are 8,405 hectares of matured oil palms, while 1,178 hectares are not yet matured. There are 2,599 planted hectares of plasma. KAL's 45 tonnes per hour capacity CPO mill primarily processes FFB from our plantation as well as FFB purchased from third parties.	**Total Assets** USD 93,309,878 **Commercially operating since** 2014 **ANJ Ownership** 99.99%	**Registered Address** Sinarmas Land Plaza, 7th Floor Jl. P. Diponegoro No.18, Medan North Sumatra **Business Location** Ketapang, West Kalimantan **Business Activity** Palm Oil Plantation	**Directors** - Geetha Govindan (PD) - Nopri Pitoy - Sonny Sunjaya Sukada (until February 28, 2018) - Naga Waskita - M. Fitriyansyah **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta
5	**PT Galempa Sejahtera Bersama (GSB)** GSB was established in January 2012 and was acquired by ANJA in May 2012. GSB holds a license for 12,800 hectares of oil palm plantation in Empat Lawang, South Sumatra, of which 754 hectares has been planted.	**Total Assets** USD 9,617,734 **Commercially Operating since** Pre-operating stage **ANJ Ownership** 99.99%	**Registered Address** Sinarmas Land Plaza, 7th Floor Jl. P. Diponegoro No.18, Medan North Sumatra **Business Location** Empat Lawang, South Sumatra **Business Activity** Palm Oil Plantation	**Directors** - Geetha Govindan (PD) - Sucipto Maridjan - Nopri Pitoy - Sonny Sunjaya Sukada (until February 28, 2018) - Naga Waskita **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta

No.	SUBSIDIARY COMPANIES			
6	**PT Permata Putera Mandiri (PPM)** PPM was established in July 2007 and acquired by ANJA in January 2013. It holds land cultivation rights for 26,571 hectares of nucleus oil palm and 5,454 hectares of plasma oil palm in South Sorong, West Papua. It began planting oil palm in 2014 and 4,035 hectares are now planted.	**Total Assets** USD 83,464,974 **Commercially Operating since** Pre-operating stage **ANJ Ownership** 99.99%	**Registered Address** Atrium Mulia 3A Floor, Suite 3A-02 Jl. H.R. Rasuna Said Kav. B10-11 Jakarta 12910 As of March 2019 BTPN Tower, Floor 40 Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6 Jakarta 12950 **Business Location** South Sorong, West Papua **Business Activity** Palm Oil Plantation	**Directors** - Geetha Govindan (PD) - Sonny Sunjaya Sukada (until February 28, 2018) - Naga Waskita - Yomeidinar - Nunik Maharani Maulana - M. Fitriyansyah **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta
7	**PT Putera Manunggal Perkasa (PMP)** Established in November 1999, PMP was acquired by ANJA in January 2013. PMP holds land cultivation rights for 18,860 hectares of nucleus oil palm and 3,818 hectares of plasma oil palm in South Sorong and Maybrat, West Papua. It began planting oil palm in 2014 and 4,584 hectares are now planted.	**Total Assets** USD 101,415,433 **Commercially Operating since** Pre-operating stage **ANJ Ownership** 99.99%	**Registered Address** Atrium Mulia 3A Floor, Suite 3A-02 Jl. H.R. Rasuna Said Kav. B10-11 Jakarta 12910 As of March 2019 BTPN Tower, Floor 40 Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6 Jakarta 12950 **Business Location** South Sorong and Maybrat, West Papua **Business Activity** Palm Oil Plantation	**Directors** - Geetha Govindan (PD) - Sonny Sunjaya Sukada (until February 28, 2018) - Naga Waskita - Yomeidinar - Nunik Maharani Maulana - M. Fitriyansyah **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta
8	**PT ANJ Agri Papua (ANJAP)** ANJAP was established in September 2007 to realize ANJ's ambition of developing a sago starch business in West Papua. ANJAP is licensed to operate a concession of 40,000 hectares of sago forest in South Sorong, where it has a sago mill with a capacity of 1,250 tons of dry starch per month. This will eventually be expanded to 2,500 tons per month.	**Total Assets** USD 16,800,286 **Commercially operating since** 2017 **ANJ Ownership** 99.99%	**Registered Address** Atrium Mulia 3A Floor, Suite 3A-02 Jl. H.R. Rasuna Said Kav. B10-11 Jakarta 12910 As of March 2019 BTPN Tower, Floor 40 Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6 Jakarta 12950 **Business Location** South Sorong, West Papua **Business Activity** Agribusiness (Sago)	**Directors** - Aloysius D'Cruz (PD) - Naga Waskita - Yomeidinar - Nunik Maharani Maulana - M. Fitriyansyah **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta

No.	SUBSIDIARY COMPANIES			
9	**PT Lestari Sagu Papua (LSP)** LSP was established in November 2011 to engage primarily in the non-timber forest resources concession business and the processing, marketing and transportation of various kinds of sago starch. LSP is still in development and has not yet commenced operations.	**Total Assets** USD 253,727 **Commercially operating since** Pre-operating stage **ANJ Ownership** 51%	**Registered Address** Atrium Mulia 3A Floor, Suite 3A-02 Jl. H.R. Rasuna Said Kav. B10-11 Jakarta 12910 As of March 2019 BTPN Tower, Floor 40 Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6 Jakarta 12950 **Business Location** South Sorong, West Papua **Business Activity** Agribusiness (Sago)	**Directors** - Naga Waskita (PD) - Chan Hian Siang **Commissioners** - George Santosa Tahija (PC) - Hendrik Sasmito
10	**PT Austindo Aufwind New Energy (AANE)** Established in October 2008, AANE operates ANJ's biogas power generation business at our Belitung plantation, generating electricity from methane produced by waste material from the CPO mill operation. AANE obtained its independent power producer (IPP) license in 2013 and began operating commercially on December 31, 2013. In 2015, AANE expanded its production capacity from 1.2MW to 1.8MW.	**Total Assets** USD 1,149,721 **Commercially operating since** 2013 **ANJ Ownership** 99.22%	**Registered Address** Atrium Mulia 3A Floor, Suite 3A-02 Jl. H.R. Rasuna Said Kav. B10-11 Jakarta 12910 As of March 2019 BTPN Tower, Floor 40 Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6 Jakarta 12950 **Business Location** Belitung, Bangka Belitung **Business Activity** Renewable Energy (Biogas)	**Directors** - Sucipto Maridjan (PD) - Naga Waskita - M. Fitriyansyah **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta - Thomas Wagner (until March 20, 2018)
11	**PT Gading Mas Indonesia Teguh (GMIT)** Established as PT Gading Mas Indonesian Tobacco in March 1970, GMIT processed tobacco bought from individual farmers until we began to exit the tobacco business in 2012 and completely ceased the tobacco business in 2017. Since that time, GMIT has focused on higher-value vegetable products such as edamame and now okra. To reflect the transition its name was changed to PT Gading Mas Indonesia Teguh in March 2015. In 2017 GMIT established a joint venture with AJI HK Limited, which has a 20% ownership stake in GMIT.	**Total Assets** USD 10,486,917 **Commercially operating since** 2000 **ANJ Ownership** 79.99%	**Registered Address** Jl. Gajah Mada No. 254 Jember – East Java **Business Location** Jember, East Java **Business Activity** Agribusiness (Horticulture)	**Directors** - Erwan Santoso (PD) (from July 1, 2018) - Naga Waskita - M. Fitriyansyah - Djianto Hormen (until December 31, 2018) **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta - Geetha Govindan - Aloysius D'Cruz - Seika Lin - Jahya Lukas (from July 1, 2018)

No.	SUBSIDIARY COMPANIES			
12	**PT Austindo Nusantara Jaya Boga (ANJB)** We established ANJB in May 2013 to support our emerging food business, particularly sago starch, for which ANJB is developing product and marketing plans.	**Total Assets** USD 95,952 **Commercially operating since** 2014 **ANJ Ownership** 99.99%	**Registered Address** Atrium Mulia 3A Floor, Suite 3A-02 Jl. H.R. Rasuna Said Kav. B10-11 Jakarta 12910 As of March 2019 BTPN Tower, Floor 40 Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6 Jakarta 12950 **Business Location** Jakarta **Business Activity** Consumer Products	**Directors** - Naga Waskita (PD) - Djianto Hormen (until December 31, 2018) - Nunik Maharani Maulana (From January 1, 2019) **Commissioners** - George Santosa Tahija (PC) - Anastasius Wahyuhadi - Istini Tatiek Siddharta

No.	ASSOCIATED COMPANIES		
1	**PT Aceh Timur Indonesia (ATI)** **Registered Address** Gedung Graha Aktiva Suite 1001, 10th Floor Jl. H.R. Rasuna Said, Blok X-1, Kav. 3, Jakarta **Business Location:** Aceh **Business Activity:** Agribusiness (Palm Oil)	**Total Assets** USD26,245,537 **Commercially operating since** 1998 **ANJ Ownership** 25%	**Directors** - K. Chandra Sekaran K.V. Nair (PD) - Markian Gunawan - Osde Simbolon **Commissioners** - Tristan Robert Julian Price (PC) - Peter Edwin Hadsley Chaplin - Matthew Harrison Coulson - Anastasius Wahyuhadi
2	**PT Surya Makmur (SM)** **Registered Address** Gedung Graha Aktiva Suite 1001, 10th Floor Jl. H.R. Rasuna Said, Blok X-1, Kav. 3, Jakarta **Business Location:** Kota Pinang, North Sumatra **Business Activity:** Agribusiness (Palm Oil)	**Total Assets** USD35,634,577 **Commercially operating since** 1998 **ANJ Ownership** 25%	**Directors** - K. Chandra Sekaran KV Nair (PD) - Gunasekaran V. Uthiradam - Aleksa Sihombing **Commissioners** - Tristan Robert Julian Price (PC) - Peter Edwin Hadsley Chaplin - Matthew Harrison Coulson - Anastasius Wahyuhadi
3	**PT Pangkatan Indonesia** **Registered Address** Gedung Graha Aktiva Suite 1001, 10th Floor Jl. H.R. Rasuna Said, Blok X-1, Kav. 3, Jakarta **Business Location:** Pangkatan, Labuhan Batu, North Sumatra **Business Activity:** Palm Oil Plantation	**Total Assets** USD88,384,593 **Commercially operating since** 1997 **ANJ Ownership** 20%	**Directors** - K. Chandra Sekaran KV Nair (PD) - Gunasekaran V. Uthiradam - Markian Gunawan **Commissioners** - Tristan Robert Julian Price (PC) - Peter Edwin Hadsley Chaplin - Matthew Harrison Coulson - Geetha Govindan K. Gopalakrishnan
4	**PT Evans Lestari** **Registered Address** Gedung Graha Aktiva Suite 1001, 10th Floor Jl. H.R. Rasuna Said, Blok X-1, Kav. 3, Jakarta **Business Location:** Musi Rawas, South Sumatra **Business Activity:** Palm Oil Plantation	**Total Assets** USD58,432,945 **Commercially operating since** Pre-operating stage **ANJ Ownership** 20%	**Directors** - K. Chandra Sekaran KV Nair (PD) - Sivabalan Subbiah - Markian Gunawan - Satheesan TA Menon **Commissioners** - Tristan Robert Julian Price (PC) - Peter Edwin Hadsley Chaplin - Matthew Harrison Coulson - Anastasius Wahyuhadi

Awards and Certifications

Awards

1 Estate/Holding: ANJ

Name of Award: Asia Sustainability Reporting Rating 2018

Description: Gold Rank

Date: December 8, 2018

Issuer:
National Centre for Sustainability Reporting

2 Estate/Holding: ANJ

Name of Award: 10th IICD Corporate Governance Awards

Description: Top 10 Mid-Market Cap Listed Companies and Top 3 Mid-Market Cap non-Financial Sector Companies

Date: December 10, 2018

Issuer:
Indonesian Institute for Corporate Directorship (IICD)

3 Estate/Holding: ANJ

Name of Award: Commitment to Sustainable Plantation Development

Description: One of top 7 companies with a strong commitment to sustainable plantations

Date: December 10, 2018

Issuer:
Directorate General of Plantations

4 Estate/Holding: ANJ

Name of Award: Tempo Country Contributor Award 2018 for PT Austindo Nusantara Jaya Tbk

Description: One of the Most Comply and Best Corporate Taxpayers

Date: August 6, 2018

Issuer:
Pusat Data & Analisis Tempo (PDAT - Tempo Media Group) & Center for Indonesia Taxation Analysis (CITA)

5 Estate/Holding: ANJ

Name of Award:
Most Sustainable CEO Award

Description:
Sustainability Leadership Award for CEO

Date: October 24, 2018

Issuer:
World CSR, CMO Asia, World Federation CSR

6 Estate/Holding: PPM

Name of Award:
Gold Award for PT Permata Putera Mandiri

Description:
Community Facilitating Program in South Sorong

Date: December 20, 2018

Issuer:
Indonesia CSR Society & Filantropi Indonesia

7 Estate/Holding: ANJ

Name of Award:
Gold Award for PT Austindo Nusantara Jaya Tbk

Description:
Responsible Development Platform

Date: December 20, 2018

Issuer:
Indonesia CSR Society & Filantropi Indonesia

8 Estate/Holding: KAL

Name of Award:
Bronze Award for PT Kayung Agro Lestari

Description:
Forest Fire Mitigation Program

Date: December 20, 2018

Issuer:
Indonesia CSR Society & Filantropi Indonesia

9 Estate/Holding: SMM

Name of Award:
PROPER (Green Category)

Description:
National rating (Beyond Compliance) for Company's Performance in Environmental Management

Date: December 27, 2018

Issuer:
Ministry of Environment and Forestry, Republic of Indonesia

Certification

Estate	Certificate	Date/Validity	Issuer
ANJA	ISCC	November 2, 2018 – November 1, 2019	ISCC Organization
	ISO 14001	June 16, 2017 – July 6, 2020 (based on the first certificate obtained, July 7, 2014)	ISO Organization
	ISPO	July 19, 2016 – July 18, 2021	ISPO Commission
	OHSAS 18001	June 16, 2017 – June 15, 2020	British Standards Institution
	PROPER	Blue Rating for year 2017-2018	Ministry of Environment and Forestry, Republic of Indonesia
	RSPO	November 14, 2017 – November 13, 2022	RSPO
	SMK3	May 16, 2016 – May 15, 2019	Ministry of Labour and Transmigration, Republic of Indonesia
KAL	ISO 14001	January 4, 2018 – January 3, 2021	ISO Organization
	ISPO	July 27, 2018 – July 26, 2023	ISPO Commission
	OHSAS 18001	January 4, 2018 – January 3, 2021	British Standards Institution
	SMK3	July 14, 2017 – July 13, 2020	Ministry of Labor and Transmigration, Republic of Indonesia
SMM	ISCC	January 17, 2018 – January 16, 2019	ISCC Organization
	ISO 14001	April 11, 2018 – April 8, 2021	ISO Organization
	ISPO	December 8, 2014 – December 7, 2019	Ministry of Agriculture, Republic of Indonesia
	PROPER	Green Rating for year 2017 – 2018	Ministry of Environment and Forestry, Republic of Indonesia
	RSPO	January 6, 2016 – January 5, 2021	RSPO
	SMK3	August 31, 2015 – August 30, 2018 (in renewal process)	Ministry of Labor and Transmigration, Republic of Indonesia
	OHSAS 18001	April 11, 2018 – April 10, 2021	British Standards Institution
ANJAS	ISO 14001	November 10, 2017 – November 11, 2020 (based on the first certificate obtained, November 12, 2014)	ISO Organisation
	ISPO	April 30, 2015 – April 29, 2020	Ministry of Agriculture, Republic of Indonesia
	OHSAS	November 11, 2017 – November 10, 2020	British Standards Institution
	RSPO	September 25, 2014 – September 24, 2019	RSPO
	SMK3	July 14, 2017 – July 13, 2020	Ministry of Labor and Transmigration, Republic of Indonesia

Capital Market Supporting Institutions and Professionals

External Auditor

Siddharta Widjaja & Rekan
Registered Public Accountants
Wisma GKBI 33rd Floor
Jl. Jend. Sudirman No. 28
Jakarta 10210 – Indonesia
Tel.: (62-21) 574 2333

Service(s) provided:
Auditing of the Company's financial statements

Fee:
IDR 3,500,000,000

Period of Appointment:
2018-2019

Share Registrar

PT Datindo Entrycom
Jl. Hayam Wuruk No. 28
Jakarta 10120 – Indonesia
Tel.: (62-21) 3508077

Service(s) provided:
Keeping and maintaining the shareholders' register, preparing the register for General Meetings of Shareholders and assisting in the payment of dividends and bonus shares.

Fee:
IDR 40,000,000

Appointed dates:
2013-2018

Information on the Company Website

www.anj-group.com

The corporate website, www.anj-group.com, provides at least the following information:

- Information on the majority shareholders up to the last individual owner;
- The Code of Conduct in full;
- Summaries of the minutes of Annual and Extraordinary General Meetings of Shareholders as well as all related notices and invitations, dating back to 2014;
- The Company's annual reports/financial statements dating from 2010 and full-year and quarterly (interim) financial statements dating from 2013;
- Profiles of the Board of Commissioners and Board of Directors; and
- The Charters of the Board of Commissioners, Board of Directors, Audit Committee and Internal Audit Unit.

Training and Development of the Board of Commissioners, Board of Directors, Committees, Corporate Secretary and Internal Audit Unit

Board of Commissioners

In 2018, no training and development was conducted for the Board of Commissioners.

Board of Directors

Training	Participant	Date
Whistleblowing System Training	Erwan Santoso	March 15, 2018
Whistleblowing System Training	Jahya Lukas	March 15, 2018
International Conference on Oil Palm and the Environment 2018 (ICOPE 2018)	Aloysius D'Cruz	April 25–27, 2018
International Conference on Oil Palm and the Environment 2018 (ICOPE 2018)	Geetha Govindan	April 25–27, 2018
16th Annual Roundtable Conference on Sustainable Palm Oil (RT16)	Istini Tatiek Siddharta	November 12–15, 2018
16th Annual Roundtable Conference on Sustainable Palm Oil (RT16)	Geetha Govindan	November 12–15, 2018
Creating Effective Demand and Supply - Side Intervention Palm Oil Supply Chains - Singapore Institution for International Affair (SIIA)	Lucas Kurniawan	November 27, 2018

Audit Committee , Nomination and Remuneration Committee, Risk Management Committee, Corporate Social Responsibility and Sustainability Committee.

In 2018, no training or development was conducted for the Audit Committee, Nomination & Remuneration Committee, Risk Management Committee or Corporate Social Responsibility and Sustainability Committee.

Corporate Secretary

Training	Participant	Date
Holding & Subsidiary: Controlling without Interfering in Subsidiary's Governance - Indonesia Corporate Secretary Association (ICSA)	Naga Waskita	April 24, 2018

Internal Audit Unit

Training	Participant	Date
Annual Workshop	Christian L. Sitorus Yean R. Tambunan M. Imanullah Ibrahim Ronal Samson Rajagukguk David Djantua Simanjuntak Agustinus Nurhadi Dairo Virza Rizky Lubis Abid Yahya Nurwachid FX Arista Narakrisna Ahmad Syahfitri	March 20-23, 2018
The 4 Essential Roles of Leadership	Christian L. Sitorus	July 24-25, 2018
2018 IIA National Conference	Yean R. Tambunan	August 28-29, 2018
Anti-Bribery ISO 37001	Aristo Sandy Popang	September 21, 2018
Risk-Based Internal Audit	Christian L. Sitorus Yean R. Tambunan Nurman Hidayat Ronal Samson Rajagukguk David Djantua Simanjuntak Virza Rizky Lubis Abid Yahya Nurwachid FX Arista Narakrisna Ahmad Syahfitri Aristo Sandy Popang	October 15-17, 2018

04

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

Macroeconomic Review

Indonesia's economic growth maintained its moderate upward trend in 2018 with a slight acceleration to 5.17% for the full year, driven largely by domestic consumption. Inflation remained stable at 3.13%, although this was achieved partly through the government's policy of stabilizing fuel and electricity prices ahead of the 2019 elections. The Rupiah weakened materially, losing some 7% of its value against the US dollar, under the influence of Indonesia's widening current account deficit, monetary tightening in the US and uncertainties in global financial markets. The central bank responded with several interest rate hikes, while the government moved to curb imports and encourage exports to contain the deficit. Overall, however, the country's macroeconomic fundamentals remained relatively sound.

Global economic conditions in 2018 were dominated by trade tensions, particularly between the United States and China, as well as uncertainties over the outcome of the Brexit negotiations in Europe. The resulting contraction in the volume of global trade has impacted many countries in the region, including Indonesia, as China's demand for commodities slowed down. This also contributed to Indonesia's current account deficit.

Industry Review

Indonesia's CPO production reached a record high of 47.4 million tonnes in 2018, up from 42.0 million tonnes in 2017, on the back of conducive weather conditions and the ongoing recovery from the 2015 El Nino event. However, the high production contributed to a global imbalance between supply and demand that put CPO prices under intense pressure from the middle of the year onwards.

As a result, the average CPO price fell to USD 504 per tonne in 2018 from USD 613 per tonne in 2017, showing a significant negative variance against our budget assumption of USD 625 per tonne. Likewise, the PK price declined from USD 507 per tonne in 2017 to USD 381 per tonne in 2018, well below our budget of USD 469 per tonne. A number of other factors also influenced the weak palm oil selling price. Strong soybean production in the Americas contributed to the market surplus of vegetable oils, leading to a decline in soybean, rapeseed and sunflower oil prices. Meanwhile, a sharp decline in the crude oil price in the second half of the year reduced the incentive to turn to biodiesel as a cheaper substitute. Both these factors contributed to the downward pressure on the CPO price. At the same time, the rate of growth in demand for palm oil slowed in response to the global trade tensions and the various negative perceptions surrounding the palm oil industry. In addition, import restrictions by India, one of the largest emerging palm oil markets, contributed to the surplus stocks of CPO.

In response to the declining CPO price, the government sought to boost the competitiveness of Indonesian palm oil exports by waiving the export levy on palm oil and its derivative products in November. Proceeds from the levy are used to support the government's biodiesel and smallholder replanting programs.

The government also attempted to shore up domestic demand with its 'B20' biodiesel policy. In September 2018 the mandatory fatty acid methyl ester (FAME) content of diesel was raised from 15% to 20% and the mandate expanded from only public service operations to include private diesel-powered vehicles and machinery. The Indonesian Palm Oil Association (GAPKI) reported a significant increase in domestic absorption of CPO in September and October. However, as the B20 program has not been supported by the provision of adequate infrastructure, particularly vessels, to distribute the FAME to refineries, the program is not yet being fully implemented. Both the B20 program and the increased CPO production in 2018 have increased the demand pressure for vessels. This has impacted upstream industry players, including ANJ, which need to ship CPO, by driving a significant increase in logistics costs.

Also in September 2018, the government signed a three-year moratorium on the development of new palm oil plantations. This follows the ban on new development on peatlands introduced in 2015. The moratorium is intended not only to curb expansion but also to encourage palm oil producers to boost output by improving productivity and quality. The industry continues to face increasing demands from palm oil customers and the public to comply with sustainability standards and increase supply chain transparency, as well as proposed EU restrictions on palm oil-based biofuel.

Operational Review Per Segment

ANJ's operations are grouped into four segments based on product type, namely palm oil, sago, vegetables (currently edamame) and renewable energy. As of December 31, 2018, all our segments operate in Indonesia.

Palm Oil

As of the end of 2018, the Company was producing palm oil from 38,000 hectares of mature plantation, including 2,512 hectares of plasma plantation, in North Sumatra, Belitung and West Kalimantan. In addition, we are developing part of a land bank of over 100,000 hectares in South Sumatra and West Papua.

Matured plantations
The Company's productive (matured) area comprised a total of 35,488 hectares of nucleus plantation and 2,512 hectares of plasma plantation in North Sumatra, Belitung and West Kalimantan as at the end of 2018, making a total of 38,000 hectares of matured plantation. This was less than the 39,770 hectares of matured plantation in 2017 due to the ongoing replanting program in our Belitung and North Sumatra I plantations, operated by SMM and ANJA, respectively. The total planted area (nucleus and plasma) for matured plantations increased to 44,962 hectares in 2018 from 43,986 hectares in 2017.

Good progress was made on the replanting program at SMM's estate, which began in 2013. The first replanted area will be harvested in 2019. Replanting in the ANJA plantation began in 2018. The total area replanted by SMM and ANJA as of December 31, 2018 was 4,679 hectares.

In 2018, we increased the production of fresh fruit bunches (FFB) by 7.6% from 730,356 tonnes in 2017 to 786,104 tonnes in 2018, exceeding our budget of 774,567 tonnes. The average FFB yield per hectare improved by 15.6% year-on-year from 19.2 tonnes in 2017 to 22.2 tonnes in 2018. Several factors contributed to this strong performance, including conducive weather conditions that supported high production by SMM and ANJA, as well as field management improvements, including mechanized harvesting. However, production at the West Kalimantan and North Sumatra II estates, operated, respectively, by KAL and ANJAS, was below target. ANJAS was impacted by severe flooding, while production at KAL was hindered

by the presence of infilling palms in parts of the plantation that had been rehabilitated following fire damage in 2015. These plants are not yet producing optimally.

Despite the higher production from our own estates, we continued to purchase additional FFB from external suppliers in 2018, both to optimize mill capacity and to uphold our commitment to support independent farmers in the vicinity of our plantations. As a result, mill capacity reached 100% for several months during the year, contributing to an increase in CPO production volume of 18.3% to 248,694 tonnes in 2018, compared to 210,248 tonnes in 2017. This was well above our targeted 219,284 tonnes.

In line with the higher production volume, CPO sales volume increased to 246,138 tonnes in 2018, an increase of 17.8% compared to the 2017 total of 209,000 tonnes, resulting in a positive variance against the target of 219,284 tonnes.

* GAPKI sees increased domestic demand from B20 policy', the Jakarta Post, November 30, 2018.

Revenue from CPO sales decreased by 2.8% year-on-year to USD 129.3 million in 2018 from USD 133.1 million in 2017, below the budget of USD 137.1 million. This was largely attributable to the lower average selling price for CPO at USD 504 per tonne in 2018, compared unfavorably to the 2017 price of USD 613 per tonne and was well below our budget price of USD 625 per tonne.

Palm Kernel (PK) production increased by a substantial 22.7% to 54,033 tonnes in 2018, compared to 44,037 tonnes in 2017. This drove a growth in PK sales volume to 54,285 tonnes in 2018 from 42,797 tonnes in 2017 and resulted in a positive variance against the production/sales volume budget of 45,421 tonnes. Revenue from PK sales amounted to USD 20.6 million in 2018, decreasing by 4.9% year-on-year from USD 21.7 million in 2017. However, the average PK selling price (ex-mill) was USD 381 per tonne in 2018, significantly below both the budget price of USD 469 per tonne and the 2017 price of USD 507 per tonne.

The higher production in 2018 as well as the expansion of the government's B20 program increased pressure on the limited supply of vessels available to transport CPO, leading to substantial tariff increases. As a result, we experienced a significant increase in logistics costs, which negatively impacted profitability.

Our average CPO extraction rate decreased slightly from 21.8% in 2017 to 21.4% in 2018, which was 2% below our target of 21.8%. Meanwhile, the PK extraction rate increased 2.2% from 4.6% in 2017 to 4.7% in 2018. CPO yield (tonnes per hectare) improved by 9.8% from 4.1 in 2017 to 4.5 in 2018.

We continued to make progress on efficiency and productivity. Costs per tonne of palm product (CPO and PK) have been returned to 2010 levels, in spite of inflation and rising wage costs. Better energy management has contributed to this, aided by the use of biomass-fueled power plants at our CPO mills and the deployment of energy-efficient multistage turbines in the ANJAS mill. ANJA also generated additional revenue from the sale to other businesses of palm shells as high calorific value biomass. Further efficiencies were derived from plantation improvements such as mechanizing harvesting in KAL, SMM and ANJA, using ultra-low volume herbicide sprayers, optimizing fertilizer usage and deploying UAVs to digitally map our plantations and assess tree health.

Our R&D department has also continued to research innovative techniques that will positively impact productivity and efficiency in future, including compost applications and natural biological pest control methods.

ANJA and ANJAS took a further initiative to manage costs by contracting out part of their logistics operations. This enabled them to reduce working capital and overtime payments at their workshops and reduce spare parts usage. This initiative may be rolled out to other plantations in future.

Land clearing was completed for the construction of a new bulking station at the KAL plantation in Ketapang.

The depreciation of the Rupiah in 2018 had a variable impact across the group. ANJA, ANJAS and SMM, which all use the USD as their accounting currency, gained on foreign exchange translation as the majority of their costs are incurred in Rupiah. Conversely, we reported foreign exchange losses for KAL and our Papua subsidiaries, whose accounting is in Rupiah. However, we were able to contain foreign exchange losses on their USD-denominated loans during the year by converting the loans into Rupiah.

All the Company's plantations, including the development plantations, implement the RSPO principles and criteria and our older producing plantations, operated by ANJA, ANJAS and SMM, are RSPO certified. As of the issuance of this annual report, our plantation and the mill operated by KAL are in the process of being reviewed by RSPO for certification.

Development plantations

As our development plantations are not yet producing, there are no sales data to report for 2017 or 2018.

Our subsidiary GSB is developing a 12,800 hectare landbank in Empat Lawang, South Sumatra. Planting began in 2013 and the cumulative planted area at the end of 2018 stood at 754 hectares, compared to 618 hectares at the end of 2017.

Our 91,209 hectare landbank in South Sorong and Maybrat, West Papua, is being developed by the Company and our subsidiaries PPM and PMP. As at the end of 2018, the total cumulative planted area (nucleus and plasma) in our West Papua estates had increased to 8,619 hectares from 6,511 hectares in 2017. However, this fell short of our full-year target of 9,328 hectares, primarily due to very slow approval processing of our New Planting Procedures by HCVRN and RSPO. Both PPM and PMP have completed the NPP and we intend to apply for full RSPO certification when they begin operating commercially.

Infrastructure development for the West Papua plantations proceeded on schedule, despite persistent heavy rainfall that caused some disruption. We completed the construction of harvesting roads in PPM and PMP, while a bridge connecting the two plantations as well as staff housing are expected

to be finished in Q2 2019. The construction of our new palm oil mill on the PMP plantation, which will eventually serve all three estates, was 65% complete as of the end of 2018 and is on track to be finished in Q2 2019. Trial commissioning will then take place over a few months ahead of the expected commencement of commercial operations towards the end of 2019. The mill has an initial capacity of 45 tons FFB per hour, with capacity for a second line to be installed at a later date. It is also equipped with the Company's first palm kernel crushing plant.

Sago

Operated by ANJAP, our sago harvesting and processing operation was our first non-palm oil agribusiness venture. ANJAP is the first company to attempt to process sago from natural forest on an industrial scale and while it is a highly sustainable plant, it requires selective harvesting and specific processing techniques that we have had to develop ourselves. The Company has access to 40,000 hectares of natural sago forest in South Sorong, West Papua. We completed the construction of a 1,250 tonnes/month capacity mill in September 2016 and began commercial production in 2017.

Sago starch production grew strongly from 788 tonnes in 2017 to 1,894 tonnes in 2018, although this fell short of our budget of 2,555 tonnes. Sales volume reached 1,771 tonnes, less than our targeted 2,350 tonnes but well above the 2017 total of 518 tonnes. As a result, sales revenue increased to USD 744,654, more than triple the 2017 sales revenue of USD 220,363, but still significantly below our budget of USD 978,231. At IDR 5,991/kg, the average sales price in 2018 was higher than our projected IDR 5,619/kg and above the 2017 sales price of IDR 5,693/kg.

The substantial increase in production was attributable to continuous improvements in harvesting, processing and energy management, which also drove cost reductions of almost 50%. Innovations in the field extraction, log-rafting and debarking processes have significantly improved log throughput, while transitioning to biomass-fueled electricity generation has reduced fossil fuel consumption and thus costs. We expect to reduce costs further in 2019 as we continue to automate front-end processes and improve equipment and maintenance. At the same time, we have continuously upgraded competencies and work discipline and we are retraining our people to work in different parts of the operation as automation progresses.

Driving productivity through agronomic improvements was another focus during the year and we continued to conduct research on planting techniques and seedlings. We are also developing the use of UAVs to identify palms that are ready for harvesting.

One of our objectives is to make the business a model for sustainable sago forest management in Papua. Sago grows abundantly in Papua and turning it into a viable and sustainable rural industry could make a valuable contribution to poverty reduction and economic development in the region as well as supporting food diversification in Indonesia. We continue to refine best practices, including selective harvesting, replanting of harvested areas whenever necessary to restore forest paths and managing water levels.

Vegetables

Our newest agribusiness venture is operated by GMIT in Jember, East Java. Our initial product is edamame, a highly nutritious soybean with strong anti-oxidant properties. The business operates under the partnership model, where GMIT purchases edamame from individual farmers while mentoring them throughout the planting and harvesting cycle to manage product quality, as well as providing some financial support for agronomic inputs.

Edamame production increased from 789 tonnes in 2017 to 1,229 tonnes in 2018, slightly below the target of 1,275 tonnes. The increase was largely attributable to an increase of the planted area; however, the yield failed to meet expectations due to a longer than expected dry season. Nevertheless, we saw an overall increase in quality and productivity after improving the seed quality and fertilizing procedures.

We also adopted a more rigorous approach to land selection, conducting comprehensive assessments of water supply, pest and disease history and security and keeping records on the productivity of the land we use to facilitate future selection.

The entire production was sold on the domestic market in 2018. Revenue from edamame sales reached USD445,685, up from USD357,630 in 2017 but showing a negative variance of 20% from our budget of USD554,617. This was attributable to the lower than expected sales price, which averaged IDR7,351/kg in 2018, 5% below our budget assumption of IDR7,745/kg, as well as the lower than targeted production.

Preparations to enter the more profitable export market in 2019 continued. GMIT completed the majority of the critical equipment for our state-of-the-art frozen line in Q4 2018 and is currently undergoing the food safety audits required for the export market. By the end of 2018, we had obtained BPOM (Indonesian food and drug administration) and Halal A Grade certification and expect to have completed the ISO 22000, HACCP (Hazardous and Critical Control Points), BRC (British Retail Certification) FDA and kosher audits in Q2 2019.

Our partner in this venture is AJI HK Limited (Asia Foods group), which acquired 20% of GMIT's new shares in October 2017. Asia Foods is providing technical assistance for the development of the frozen line facility as well as access to the export market.

Recruitment and training for both the field operation and the processing facility were high priorities during the year and we engaged both partner farmers and potential field managers through our innovative 'edamame school'.

To diversify the business and optimize the capacity of the frozen line, we are exploring the potential of other vegetable products. In 2018 we initiated a trial planting of okra, which has strong market potential in Asia. Commercial planting is expected to begin in July 2019.

GMIT also provided agronomic support for the trial production of edamame at the KAL plantation site in Ketapang.

Renewable Energy

Our subsidiary AANE, which was licensed as an independent power producer (IPP) in 2013, operates our renewable energy business in Belitung. In 2014 AANE became the first IPP in Indonesia to operate and sell electricity from a biogas power plant. The power is generated by capturing and burning methane released through the decomposition of palm oil mill effluent (POME) and solid CPO waste from our SMM plantation. The plant has a total installed capacity of 1.8 MW, enabling it to generate sufficient electricity to power 2,000 households at 900 VA per home. AANE sells its product to state electricity company PLN for distribution on the national grid.

In 2018, AANE generated and sold 8,734,408 kWh of electricity, which fell 19.8% short of the targeted 10,885,934 kWh but exceeded the 7,909,133 kWh generated in 2017.

Revenue from electricity sales amounted to IDR7.9 billion, up from IDR 7.7 billion in 2017 but 25.4% below our budget of IDR10.6 billion. There was no increase in the tariff, which remained at IDR975/kWh and is below a commercially feasible level. As AANE's maintenance expenses are denominated in Euros, it incurred a foreign exchange loss due to the weakening of the Rupiah against the Euro in 2018.

Profitability per Segment

The table below summarizes the profitability of each segment:

(million USD)	Palm Oil	Sago	Vegetables	Renewable Energy
December 31, 2018				
Revenue	150.0	0.7	0.4	0.6
Gross Profit (loss)	44.3	(3.4)	(0.1)	0.2
Profit (loss) before tax	19.6	(4.9)	(1.2)	0.1
December 31, 2017				
Revenue	154.7	0.2	2.1	4.8
Gross Profit (loss)	53.6	(7.5)	0.0	2.8
Profit (loss) before tax	69.0	(10.2)	(0.9)	23.8*

* Include gain on sale of investment in DGI

Palm Oil Segment

The palm oil segment remains our core business, contributing USD 150.0 million or 98.8% of our total revenue in 2018 and booking a gross profit of USD 44.3 million and profit before tax of USD 19.6 million.

Sago Segment

In its second year of commercial operation, the sago segment contributed USD 0.7 million or 0.5% to our total revenue. Improvements in the harvesting and mill operations drove production in 2018 to more than triple the volume in the previous year. The profitability of the sago business is expected to improve with further improvements in processing capacity and development of the market.

Vegetables Segment

Revenue from edamame sales contributed USD 0.4 million or 0.3% to our total revenue in 2018. Profitability is expected to improve in 2020, when GMIT will begin exporting its products for a full year.

Renewable Energy Segment

The renewable energy segment contributed USD 0.6 million or 0.4% to our total revenue in 2018. There was no change in the tariff paid by PLN, which remains too low to make AANE's renewable energy business commercially feasible.

Review of Financial Performance

In 2018 ANJT posted **total revenue of USD 151.7 million**, a decline of 6.2% compared to 2017, mainly due to the lower ASP of CPO and PK. Although **CPO and PK sales volumes increased by 17.8% and 26.8% respectively**, the increases were not enough to offset the decline in the ASPs of CPO and PK.

Palm oil contributed by far the largest share of the Company's revenue in 2018, at 98.8% of the total. CPO sales volume in 2018 reached 246,138 tonnes, up 17.8% from 209,000 tonnes in 2017, due to the increase in both internal fresh fruit bunch (FFB) production and FFB purchases to optimize mill utilization. However, our average CPO selling price declined by 17.8% from USD 613 in 2017 to an average of USD 504 per tonne in 2018 and by the end of the year the CPO price reached its lowest point in 15 years.

As a result, our total revenue decreased to USD 151.7 million in 2018, down 6.2% from USD 161.8 million in 2017. Due to the decline in total revenue and the absence of any one-off gains from sales of investment in 2018, the Company booked profit before tax of USD 6.6 million, a decrease of USD 65.4 million from USD 72.0 million in 2017. After deduction of income tax expense, the Company recorded a net loss for the year of USD 0.5 million, which was substantially lower than USD 46.5 million in 2017. Including the non-controlling interest, the net loss attributable to the owners of the Company for 2018 stood at USD 0.3 million, compared to net income attributable to the owners of the Company for 2017 of USD 46.6 million.

The following discussion and analysis of the Company's financial performance in 2018 is based on the Consolidated Financial Statements and Notes to the Financial Statements as of and for the years ended December 31, 2018 and 2017.

In 2018, the Company adopted Indonesian Financial Accounting Standard ("PSAK") No. 69, "Agriculture," which requires the Company to recognize FFB on its palm trees at fair value. For the year ended December 31, 2018, the Company recognized a fair value loss of USD 1.5 million net of tax as a result of the adoption of PSAK No. 69, mainly because of the decline in the price of FFB as of December 31, 2018 compared to the price of FFB as of December 31, 2017. Had the Company not adopted PSAK No. 69, the Company would have reported a net profit of USD 1.0 million for the year ended 31 December, 2018.

The Financial Statements as of and for the years ended December 31, 2018 and 2017 were audited by Siddharta Widjaja & Rekan (Registered Public Accountants) and given an unqualified opinion that they fairly represent the Company's financial position, financial performance and cash flows. Following the adoption of PSAK No. 69, "Agriculture", which requires retrospective application, the Company has restated the comparative information presented in the 2018 consolidated financial statements.

Consolidated Statements of Financial Position

USD thousand	2018	2017*	Change
Current assets	**93,473**	84,760	10.3%
Non-current assets	**508,732**	484,736	5.0%
Total assets	**602,205**	**569,496**	**5.7%**
Current liabilities	**56,069**	55,603	0.8%
Non-current liabilities	**159,746**	118,539	34.8%
Total liabilities	**215,816**	**174,142**	**23.9%**
Equity attributable to owners of the Company	**385,405**	394,871	-2.4%
Total equity	**386,389**	**395,354**	**-2.3%**

* After restatement for implementation of Indonesian Financial Accounting Standard (PSAK) No. 69 "Agriculture".

Assets

The Company's current assets amounted to USD 93.5 million at end of 2018, up 10.3% from USD 84.8 million at end of 2017, largely as a result of the reclassification of investment in available-for-sale financial assets as current assets in 2018. Non-current assets stood at USD 508.7 million at end of 2018, 5.0% higher than USD 484.7 million at end of 2017, which was mainly attributable to new oil palm planting and the purchase of property, plant and equipment, particularly in our West Papua palm oil plantations. This drove an increase in total assets of 5.7% to USD 602.2 million at end of 2018, from USD 569.5 million at end of 2017.

Liabilities

Current liabilities stood at USD 56.1 million at end of 2018, up 0.8% from USD 55.6 million at end of 2017. This was due primarily to the increase in short-term bank loans, mainly from PT Bank CIMB Niaga Tbk., offset by a decrease in income tax payable from the payment of 2017 corporate income taxes payable at end of 2018. Our total outstanding short-term bank loans as at December 31, 2018 amounted to USD 25.0 million, versus USD 9.3 million as at December 31, 2017.

Non-current liabilities increased 34.8% to USD 159.7 million at end of 2018, from USD 118.5 million at end of 2017, largely due to the withdrawal of long-term bank loans. Total outstanding long-term bank loans as at December 31, 2018 stood at USD 147.6 million, versus USD 104.0 million as at December 31, 2017.

Total liabilities increased 23.9% from USD 174.1 million in 2017 to USD 215.8 million in 2018, primarily as a result of the increase in bank loans.

Equity

Total equity reduced 2.3% to USD 386.4 million in 2018 from USD 395.4 million in 2017, as a result of our net loss, other comprehensive income and cash dividends of IDR 39.7 billion (IDR 12 per share), or equivalent to USD 2.8 million (USD 0.001 per share).

Consolidated Statements of Profit or Loss and Other Comprehensive Income

USD thousand except where stated	2018	2017*	Change
Total Revenue	**151,701**	161,797	-6.2%
Total cost of revenue	**110,786**	112,797	-1.8%
Gross profit	**40,915**	49,000	-16.5%
Total operating expenses, net	**(35,923)**	21,247	-269.1%
Operating profit	**4,992**	70,248	-92.9%
Total other income (expenses)	**1,647**	1,766	-6.8%
Income before tax	**6,639**	72,014	-90.8%
Net Income (loss) for the year	**(492)**	46,540	-101.1%
Net Income (loss) attributable to non-controlling interests	**(181)**	(22)	731.7%
Net income (loss) attributable to the owners of the Company to the owners of the Company	**(310)**	46,561	-100.7%
Total comprehensive income (loss)	**(7,131)**	40,835	-117.5%
EBITDA	**25,055**	100,153	-75.0%
EBITDA margin (%)	**16.5%**	61.9%	-45.4%

* After restatement for implementation of Indonesian Financial Accounting Standard (PSAK) No. 69 "Agriculture".

Revenue

Total revenue declined from USD 161.8 million in 2017 to USD 151.7 million in 2018. This figure comprised revenue from sales of USD 151.1 million and revenue from service concessions of USD 0.6 million. Revenue from sales of palm oil contributed 98.8% of total revenue in 2018, while the remaining 1.2% was generated by service concession revenues and sales of edamame and sago starch.

Our CPO sales revenue declined by 2.8% to USD 129.3 million in 2018 from USD 133.1 million in 2017, following a steep 17.8% decline in our average CPO sales price from USD 613 per tonne in 2017 to USD 504 per tonne in 2018. This decline came in spite of the 17.8% increase in CPO sales volume to 246,138 tonnes from 209,000 tonnes in 2017. We booked USD 20.6 million in palm kernel (PK) sales revenue in 2018, 4.9% lower than our 2017 revenue of USD 21.7 million, due to a 24.9% decline in our average selling price to USD 381 per tonne from USD 507 per tonne in 2017. This was despite a substantial 26.8% increase in our PK sales volume to 54,285 tonnes from 42,797 tonnes in 2017.

The Company booked USD 1.2 million in revenue from sales of non palm oil products in 2018, a decrease of 63.3% from USD 2.1 million in 2017. In 2018, sales of non-palm oil products represented sales of edamame and sago starch whereas in 2017, it also included sales of tobacco stock. Excluding the sale of our last batch of tobacco stocks at our subsidiary GMIT in 2017, revenue from sales of edamame and sago starch in 2018 increased by 106.6% compared to the previous year.

Service concession revenue in 2018 consisted of revenue from AANE. In 2017, it also included revenue from DGI, which was sold in September 2017 (DGI was a subsidiary that held an interest in a geothermal energy consortium). Our subsidiary AANE is engaged in generating electricity from biogas, which is sold to PLN in Belitung Island. In 2018 our total service concession revenue was USD 0.6 million, a decrease of 88.3% from USD 4.8 million in 2017. However, the 2017 service concession revenue was contributed largely by DGI until September 2017 when it was sold. Our sago segment contributed USD 0.7 million in 2018, an increase of 239.7% from USD 0.2 million in 2017. The sago segment started commercial operations in 2017.

Cost of Revenue

Cost of sales decreased by 1.8% to USD 110.8 million in 2018 from USD 112.8 million in 2017. The main component was costs relating to sales of CPO and PK, which amounted to USD 105.7 million in 2018, increasing 4.5% from USD 101.1 million in 2017. The increase was largely attributable to third-party FFB purchases. The cost of third-party FFB purchases increased from USD 29.4 million in 2017 to USD 38.4 million in 2018 as a result of the increased FFB purchase volume of 375,181 tonnes, which was up 60.0% compared to 234,452 tonnes purchased in 2017. We also recorded a fair value loss of USD 2.0 million as a result of the adoption of PSAK No. 69, mainly because of the much lower price of FFB as of December 31, 2018 versus December 31,2017. The price decline was offset, however, by the absence of any one-off expense in 2018 from an idle asset write-down in PT Kayung Agro Lestari (KAL) of USD 1.5 million in 2017.

The cost of sales in the edamame business, which also included tobacco business in 2017, decreased to USD 0.6 million from USD 2.0 million in 2017, mainly due to the inclusion of the cost of our last batch tobacco stocks in 2017. The lower cost of sales in 2018 was also due to the inclusion, in 2017, of a one-time expense from the write-down of assets in ANJAP amounting to USD 3.6 million, as well as the allowance of a decline in inventory value in ANJAP amounting to USD 1.2 million.

Cost of service concessions amounted to USD 0.3 million, down from USD 1.9 million in 2017. The decrease was mostly attributable to the absence of cost of service concessions from DGI, which was sold in September 2017.

Dividend income primarily reflects dividends received from investments in entities in which we hold an interest of less than 20%. We received USD 1.2 million in dividend income in 2018, a decline of 11.2% compared to USD 1.4 million in 2017, in line with the decline in the operating results of our minority investments primarily because of the decline in CPO price.

Foreign exchange loss increased to USD 2.1 million from USD 0.7 million in 2017, caused largely by the depreciation of the Rupiah against the US dollar on the US dollar-denominated loans of our subsidiaries in West Papua, which use the Rupiah as their accounting currency.

Selling expenses increased to USD 11.6 million from USD 10.1 million in 2017. This was due to higher CPO exports in 2017, resulting in the higher imposition of the export levy and export tax.

Personnel expenses amounted to USD 13.9 million in 2018, decreasing 18.4% from USD 17.0 million in 2017, as a result of the lower accrual of employee long-term benefit.

General and administrative expenses decreased from USD 14.3 million in 2017 to USD 10.4 million in 2018, primarily because of lower professional fees, travel and transportation expenses and the absence of impairment losses on our service concession receivables.

Other income (expenses), net experienced a substantial decrease from USD 62.0 million in 2017 to USD 0.8 million in 2018, due principally to the absence of one-off gains from the divestments of our geothermal energy business (PT DGI) and our minority investment in PT Agro Muko (AM) in 2017.

Share in net income of associates reflects our share of net income from companies in which we hold a 20% or greater minority interest, or companies over which we have a significant influence. The impact of the unfavourable CPO price in 2018 on the performance of ANJ's associate companies in this sector was reflected in the decrease of 52.3% in the share of income attributable to the Company to USD 2.0 million from USD 4.2 million in 2017.

Finance costs, net reduced from USD 2.4 million in 2017 to USD 0.4 million in 2018 due to the lower loan interest expense from the partial repayment of the short-term and long-term loans utilized by our West Kalimantan estate and North Sumatra I estate and the full repayment of long-term loans in our subsidiary, ANJAP. However, this higher interest expense is not in line with the higher outstanding bank loan, because the main borrowings were utilized for the West Papua project. The interest expense was therefore capitalized until the project starts commercial operation.

Tax expenses declined by 72.0% to USD 7.1 million in 2018 from USD 25.5 million in 2017 due to the lower revenues as well as the absence of one-off gains from the sales of investments.

Net Profit and Total Comprehensive Income

Due to the lower CPO and PK prices than last year and the one-off gains from sales of investments in 2017 that did not recur in 2018, we recorded a net loss for the year of USD 0.5 million, compared to a profit of USD 46.5 million in 2017.

Other comprehensive income consisted of actuarial gain/loss from post-employment benefits, a change in fair value of available-for-sale and foreign exchange differentials from the translation of subsidiaries' financial statements. In 2017, it also included a decrease in the fair value change due to the reclassification from other comprehensive income to profit or loss following the sale of our minority investment in AM. This was because AM was classified as investments in available-for-sale financial assets and measured at fair value.

Some of the Company's subsidiaries use the Rupiah as their accounting currency. As a result of the significant depreciation of the Rupiah against the US dollar in 2018, the net assets of those subsidiaries decreased by USD 8.7 million when their financial statements were translated from Rupiah into US dollars. The foreign exchange effect due to translation of the subsidiaries' financial statements was reported as other comprehensive income. This resulted in the Company reporting a total comprehensive loss of USD 7.1 million, significantly lower than the 2017 comprehensive income of USD 40.8 million.

Consolidated Statements of Cash Flows

USD thousand except where stated	2018	2017	Change
Net cash (used in) provided by operating activities	**(6,385)**	13,801	-146%
Net cash (used in) provided by investing activities	**(70,415)**	21,886	-422%
Net cash provided by (used in) financing activities	**59,630**	(6,148)	1,070%
Net (decrease) increase in cash and cash equivalents	**(17,171)**	29,539	-158%
Decrease in cash and cash equivalents due to change of ownership in subsidiaries	**-**	(17)	-100%
Cash and cash equivalents at the beginning of the year	**46,405**	16,882	175%
Cash and cash equivalents at the end of the year	**29,234**	46,405	-37%

Net cash (used in) provided by operating activities:

A total of USD 6.4 million was used in operating activities in 2018, versus USD 13.8 million provided in 2017. The decrease was attributable to higher cash payments to the suppliers and for income tax expenses.

Net cash (used in) provided by investing activities:
A total of USD 70.4 million was used in investing activities in 2018, compared to the USD 21.9 million provided in 2017, mainly due to the cash proceeds received from sales of our investments in 2017.

Net cash provided by (used in) financing activities:
Financing activities provided USD 59.6 million in 2018, compared to the USD 6.1 million used in 2017. This was largely attributable to the withdrawal of bank loans in 2018, mainly used to finance capital expenditures for our Papua projects.

Operating Ratios

Gross Margin:
Our gross margin in 2018 was 27.0%, compared to 30.3% in 2017. The decrease of 3.3 percentage points was due to the higher cost of sales in palm oil,which was driven by the higher external purchases of FFB and the inclusion of the higher fair value loss from FFB as discussed above under 'Cost of Revenue'. Our gross margin is measured by dividing the gross profit by the sum of the revenue from sales and service concessions.

EBITDA Margin:
Our EBITDA margin in 2018 was 16.5%, versus 61.9% in 2017. The substantial 45.4 percentage point decrease was mainly attributable to one-off gains from sales of investments in 2017. Our EBITDA is calculated from profit before tax, adding back depreciation, amortization, interest expenses, impairment loss and foreign exchange loss, then subtracting foreign exchange gain and interest income. Our EBITDA margin is measured by dividing EBITDA by the sum of revenue from sales and service concessions.

Net Profit Margin:
Our net profit margin in 2018 was -0.3%, compared to 28.8% in 2017. In 2018 our net loss was USD 0.5 million from a total revenue of USD 151.7 million, compared to a net profit of USD 46.5 million from a total revenue of USD 161.8 million in 2017.

Return on Assets and Equity:
Return on assets (ROA) in 2018 was -0.1%, compared to 8.2% in 2017, due to our net loss in 2018. ROA is calculated by dividing net profit for the year by the total assets at the end of the year.

Return on equity (ROE) in 2018 was -0.1%, compared to 11.8% in 2017, due to our net loss in 2018. ROE is calculated by dividing net profit for the year by the total equity at the end of the year.

Account Receivables Collectability

Receivables Turnover:
This is a measure of the average days required by a company to turn receivables into cash collected. Our average receivables turnover in 2018 was around 39 days, compared to 16 days in 2017. Receivables turnover is calculated by dividing the number of days in the year (365) by the quotient of total revenue from sales during the year and trade receivables at the end of the year. The lower the number of days, the faster the receivables are turned into cash. In 2018, our trade receivables were derived from our export sales of palm oil, service concession revenue, edamame sales and sago sales. Local sales of CPO and PK are on a contract basis, with an advance cash payment required from buyers before delivery, thus no trade receivables are incurred. The revenue from local sales of CPO and PK is therefore excluded from this receivable turnover calculation.

Solvability

The Current Ratio is measured by dividing total current assets by total current liabilities at the end of the year. In 2018 our current ratio was 1.67x, slightly higher than 1.52x in 2017. This was attributable to the increase in current assets and particularly the reclassification of one of our investments as a current asset.

The Cash Ratio is calculated by dividing total cash and cash equivalents by total current liabilities. At the end of 2018, 31.3% of our current assets were in the form of cash and cash equivalents, compared to 54.7% in 2017. In 2018 our cash ratio decreased to 0.52x from 0.83x in 2017. Nevertheless, it still demonstrates robust ability to meet our current liabilities.

The Debt-to-Equity Ratio reflects our capacity to meet our total liabilities. The lower the ratio, the better our capacity. In 2018 our total liabilities amounted to USD 215.8 million, increasing from USD 174.1 million in 2017. This drove an increase in our debt-to-equity ratio to 0.56x from 0.44x in 2017. However, it still reflects strong capacity to meet our liabilities.

The Net Debt-to-Equity Ratio is calculated by dividing net debt by equity, where net debt represents the interest-bearing liabilities minus cash and cash equivalents. In 2018 our net debt to- equity ratio was 0.37x versus 0.17x in 2017, reflecting the increase in bank loans.

Capital Structure and Capital Structure Policy

Capital Structure

USD thousand except where stated	2018	2017
Debts		
Short term bank loans	24,982	9,270
Long-term bank loan – current maturities	6,596	3,229
Long-term bank loans- net of current maturities	139,838	99,482
Total debt	171,416	111,981
Total cash and cash equivalents	(29,234)	(46,405)
Net Debt	142,182	65,576
Equity		
Equity attributable to the owners of the Company	385,405	394,871
Net debt to equity ratio	36.89%	16.61%

In 2018, we continued to pursue our strategy of expansion in agribusiness-based food, including palm oil, sago and edamame. To achieve our vision of being a world-class agribusiness-based food company that elevates the lives of people and nature. We are committed to creating stakeholder value across the Group through responsible growth. One of our financing strategies is to maintain a balanced mix between the use of equity and borrowings. To finance the expansion, we have therefore taken advantage of the strong liquidity from our palm oil operations and our cash balance from operations, supplementing this with the utilization of substantial bank loan facilities. In addition, we maintained a modest degree of leverage into the Company's capital structure.

Capital Structure Policy

From time to time, Management reviews the Group's capital structure, taking into consideration the cost of capital and related risk. The Group's capital structure consists of equity attributable to the owners of the Company (comprising capital stock, additional paid in capital, difference in value due to changes in equity of subsidiaries, management stock options, other comprehensive income and retained earnings) and debt. The Group is not required to meet certain capital requirements.

Short-term loans outstanding as at December 31, 2018 amounted to USD 25.0 million. Of this amount, USD 21.9 million or 87.5% was withdrawn from loan facilities from PT Bank CIMB Niaga Tbk, while the remaining balance represented withdrawals from PT Bank OCBC NISP Tbk.

Long-term loans outstanding as at December 31, 2018 totaled USD 147.6 million from the Company's subsidiaries in West Papua (PPM, PMP), West Kalimantan (KAL), SMM and GMIT. A total of USD 137.5 million or 93.1% of this amount was withdrawn from loan facilities from PT Bank OCBC NISP Tbk, with the remaining balance representing withdrawals from PT Bank CIMB Niaga Tbk. Total equity as at December 31, 2018 amounted to USD 385.4 million.

We are cognizant of the fact that a robust capital structure is vital for the sustainability of our businesses. We believe that our net debt to total equity ratio of 0.37x as at December 31, 2018 clearly reflects the strength of our capital structure. We will continue to prudently increase our leverage in our capital structure up to a level of no more than 0.75 times net debt to shareholders' equity, from bank loans, bonds or other resources, to meet our finance requirements to support our oil palm planting program and other business expansion plans.

Changes to Accounting Policy

In 2018, the Group applied several standards, amendments and annual improvements to the PSAK (Statements of Financial Accounting Standards) issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants that were relevant and effective for the accounting period beginning on January 1, 2018:

- PSAK 2, "Statement of Cash Flows" regarding Disclosure Initiative"
- PSAK 15, "Investments in Associates and Joint Ventures"
- PSAK 16, "Property, Plant and Equipment – Agriculture: Bearer Plants"
- PSAK 46, "Income Tax" regarding Recognition on Deferred Tax Assets for Unrealized Losses"
- PSAK 53, "Share-based Payment" regarding Classification and Measurement of Share-based Payment Transactions"
- PSAK 67, "Disclosure of Interests in Other Entities"
- PSAK 69, "Agriculture".

With the exception of certain PSAK as disclosed below, the accounting standards above have been adopted, but did not lead to any substantive changes in the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial periods.

The Group has elected to keep the cost model for subsequent measurement of the bearer plants. Therefore, the amendment to PSAK 16 did not have a significant impact on the amounts and/or disclosures in the consolidated financial statements of the Group.

The Group has adopted PSAK 69, which requires agricultural produce that grows on bearer plants to be measured at fair value less costs to sell at the point of harvest. PSAK 69 was applied retrospectively. Accordingly, the comparative information as of December 31, 2017, the comparative information as of January 1, 2017 (which was derived from the financial statements as of December 31, 2016), as well as the comparative information for the year ended December 31, 2017, have been restated.

The following standards and interpretations were issued or amended, but had not come into effect in 2018:

- PSAK 15, "Investments in Associates and Joint Ventures"
- PSAK 71, "Financial Instruments"
- PSAK 72, "Revenue from Contracts with Customers"
- PSAK 73, "Leases"
- ISAK 33, "Foreign Currency Transaction and Advance Consideration"
- ISAK 34, "Uncertainty over Income Tax Treatments".

Management is still evaluating the effect of the adoption of these standards and interpretations on the consolidated financial statements.

Dividend Policy

In accordance with Indonesian law, dividend payments are determined by a resolution of the annual general meeting of shareholders based on the recommendation of the Board of Directors. The Company may declare dividends in any year if we have positive retained earnings. Our policy is to pay dividends at a rate of up to 50% of our consolidated net income after provisioning all statutory reserves. The dividend rate and our ability to pay dividends in the future, are subject to our cash flow, future retained earnings, financial condition, working capital requirements and investment plans, as well as regulatory restrictions and other requirements. Dividends are paid in Indonesian Rupiah. Shareholders of record on the applicable dates will be entitled to the full dividend amount approved, subject to any Indonesian withholding tax imposed. Dividends paid to shareholders not resident in Indonesia are subject to 20% Indonesian withholding tax, or a lower rate based on tax treaties. Our dividend policy is a statement of present intention and is subject to modification by our Board of Directors, with the shareholders' approval at a general meeting of shareholders.

Dividend Payment

	2017	2016
Total dividend in USD	2,797,470	4,479,379
Net income (loss) in thousand USD	46,540*	9,185*
Dividend per Share	IDR. 12	IDR. 18
Dividend yield	1.0%	1.1%
Dividend Payout Ratio	0.06	0.49
Declaration date	16 May 2018	29 May 2017
Payment date	8 June 2018	22 June 2017

* After restatement for implementation of Indonesian Financial Accounting Standard (PSAK) No. 69 "Agriculture".

At our AGM held on May 14, 2018, the shareholders approved the distribution of a cash dividend of IDR 12 per share for the year 2017 to all shareholders, registered on the recording date of May 24, 2018. The total cash dividend amounted to IDR 39.7 billion, equivalent to USD 2.8 million, representing a 1.0% dividend yield. This compares to the cash dividend of IDR 18 per share paid for the year 2016, which amounted to IDR 59.6 billion, equivalent to USD 4.5 million, representing a 1.1% dividend yield.

Employee Share Allocation Program/ Management Share Ownership Program (ESOP/MSOP)

Employee Stock Allocation Program

In conjunction with the Company's initial public offering in 2013, the shareholders approved a share ownership program for certain employees, including managers and assistant managers, who met certain administrative requirements specified by the Company.

The Employee Stock Allocation Program (ESAP) offered a fixed allotment of up to 1% of the shares offered in the IPO to ESAP participants, in accordance with Bapepam-LK Regulation No.IX.A.7. During the IPO, the Company sold shares to ESAP participants at a 20% discount from the offer price. To finance the purchase of the shares allocated to them, participants were able to access loans from the Company, on condition that the loans were repaid in four annual instalments with funds deducted from participants' bonuses.

The ESAP shares were subject to a lock-up period of at least 12 months commencing from the listing date, or until the participant's loan had been repaid in full, after which they were allowed to sell or otherwise transfer their ESAP shares. Any participant who resigned from the scheme before their loan was fully repaid was allowed to sell or transfer their shares and then repay their ESAP loan in full. All ESAP loans were fully repaid by the end of 2017.

Management Stock Option Plan

In 2013 the shareholders also approved a Management Stock Option Plan (MSOP) for senior management and directors, including the management and directors of ANJ's subsidiaries. The MSOP gave participants an option to buy shares in the Company in the future at a predetermined price. The maximum number of new shares that the Company was able to issue in relation to the MSOP was 1.5% of the Company's subscribed and paid-up capital following the Company's initial public offering.

In compliance with Indonesia Stock Exchange (IDX) rules, the exercise price of the options was at least 90% of the average closing price of the shares over the 25 trading days before the stock option implementation plan was reported to the exchange. The Board of Directors determined the terms and conditions for the exercise of the options issued under the MSOP with due observance of the prevailing laws and regulations.

The stock options were granted as follows: 40% on the first anniversary of the Company's IPO (Cycle I); 30% on the second anniversary (Cycle II); and 30% on the third anniversary (Cycle III). Options were valid for a period of three years after issue, which included a one-year vesting period from the date of issue, during which option holders were not entitled to exercise the options.

Upon expiry of the vesting period, the options could be exercised at specified periods of up to 25 trading days, which occurred up to two times per year for each cycle. The first window in Cycle I for MSOP options to be exercised was opened on November 3, 2014, when 40% of the stock options (equivalent to 20,000,000 shares) were made available to be exercised. At that time, participants exercised a total of 1,550,000 shares at an exercise price of IDR 1,095 per share. The Company notified the IDX of the exercise of the options on December 8, 2014.

Two windows were opened for options to be exercised in 2015, from May 8 to June 15 and from November 2 to 4 December. No Cycle I or Cycle II options were exercised during the first period. During the second period, however, a total of 325,000 Cycle I options and 300,000 Cycle II options were exercised, all at an exercise price of IDR 1,095 per share. The IDX was notified of the exercise of the options on December 8, 2015.

In 2016, the Company opened two more windows for options to be exercised, from May 9 to June 10 and from November 1 to December 5. During the first period, 8,750,000 Cycle II options and 9,900,000 Cycle III options were exercised, all at an exercise price of IDR 1,095 per share. No Cycle II or Cycle III options were exercised during the second period. The Company notified the IDX of the exercise of the options on June 15, 2016 and December 7, 2016, respectively.

In 2017, the Company opened two more windows for options to be exercised, from May 3 to June 9 and from November 1 to December 6. No Cycle II or Cycle III options were exercised during both period. The Company notified the IDX of the exercise of the options on June 13, 2017 and December 7, 2017, respectively.

Windows for options ceased on December 2017.

Employee Stock Option Plan or Employee Stock Purchase Plan

ANJ's AGM on June 1, 2016 approved the transfer of a maximum of 63,000,000 treasury stocks through an Employee Stock Option Plan or Employee Stock Purchase Plan to the Directors and certain employees of the Company. The sale price of the treasury stock to said Directors and employees was IDR 1,271 per share. On June 23, 2016, the Company completed the transfer of 15,000,000 shares to the Directors and certain employees of the Company.

Use of IPO Proceeds

The entire proceeds from the IPO in 2013 have been used for the expansion of the business and investment in capital goods.

Material Information Related to Investment, Expansion, Divestments, Consolidation/Merger, Acquisition, or Debt/Capital Restructuring

Investment

The Company did not make any investment in new subsidiaries or other new entities in 2018, but only increased its investments in fixed assets and palm plantations.

Divestments

- On January 12, 2018, the Company's investment in PT Chevron Geothermal Sekincau Selatan, which represented 5% ownership, was wound up.
- On November 27, 2018, the Company agreed to sell its 14.29% ownership in PT Puncak Jaya Power. However, as of December 31, 2018, certain conditions required in the CSPA had not been met and the Company has therefore not recognized the sale of the investment.

Debt/Capital Restructuring

On July 24, 2018, the Company's direct ownership in GMIT increased from 79.97% to 79.99% due to an increase in issued and paid up capital that was subscribed and paid by the Company and AJI HK Limited.

Changes in Laws and Regulations

There were no material changes of the laws and regulations that affected Company business in 2018.

Material Facts About Related-Party Transactions

ANJ has minimal transactions with related parties. In 2018, our only related-party transactions were within the ANJ Group. All were disclosed to either the Financial Services Authority (OJK) or the Indonesia Stock Exchange (IDX), or both, in compliance with prevailing laws and regulations. Our related-party transactions in 2018 were as follows:

- GMIT used land and buildings owned by AKJ and MDN for its office, employee housing, training center and warehouse in accordance with a lend-use agreement dated May 17, 2012. This agreement has been renewed and is valid until May 17, 2020. Based on the agreement, GMIT has no obligation to pay anything to AKJ or MDN, but must pay land and building tax, fire insurance, repair and maintenance, electricity, water, telephone, security and all other maintenance costs related to the land and buildings during the agreement period.
- Based on a management and technical services agreement dated May 21, 2014, which has been amended several times and most recently on October 31, 2017, SMM charged management fees to AANE of IDR 55 million per month from January to September 2017, reducing to IDR 25 million per month from October 2017 onwards.
- ANJA charged management fees to ANJAS of USD 100,000 per month, based on a management and technical services agreement dated June 27, 2014.
- ANJA charged management fees to SMM of USD 150,000 per month, based on a management and technical services agreement dated June 27, 2014.
- The Company charged management fees to subsidiaries, based on a management services agreement dated December 14, 2015, which was amended on October 31, 2017, at the following rates per month for each subsidiary based on certain conditions as stipulated in the agreement.

Subsidiary	Management Service Fee/ Month
ANJA, SMM, ANJAS and KAL	IDR 853,300,000
PPM, PMP	IDR 446,000,000
ANJAP	IDR 436,900,000
GSB	IDR 135,000,000
AANE	IDR 13,500,000
GMIT	IDR 26,900,000
ANJB	IDR 4,050,000

- ANJA entered into a loan agreement with KAL on June 24, 2015, which has been amended several times. The current loan facility of IDR 500 billion at an annual interest rate of 9% is valid until December 31, 2021. The total outstanding loan as of December 31, 2018, was nil.
- On July 15, 2015, ANJ and ANJAP entered into a loan agreement amounting to IDR 40 billion or its USD equivalent for a one-year period, at an annual interest rate of 11.5% for the rupiah facility or 3% for the US dollar facility. The loan facility was to be used for developing a sago factory in Saga, West Papua. This facility was renewed until July 15, 2017 and was then automatically extended for another one-year period. The total outstanding loan as of December 31, 2018, was nil.

- On October 7, 2016, ANJAS and KAL entered into a loan agreement for IDR 200 billion with KAL as the borrower, at an annual interest rate of 10%. In October 2017, the interest rate for this agreement was amended to 9% per annum, effective from October 1, 2017. This loan facility is valid until December 31, 2021. The total outstanding loan as of December 31, 2018 was IDR 24.0 billion.

- On August 19, 2016, ANJ and PPM entered into a loan agreement for IDR 135 billion, valid until August 18, 2017 and automatically extendable for another one-year period. The facility has an annual interest rate of 10.75% for the rupiah facility or 4.25% for the US dollar facility. The total outstanding loan as of December 31, 2018, was nil.

- On August 19, 2016, ANJ and PMP entered into a loan agreement for IDR 135 billion, which was valid until August 18, 2017 and automatically extendable for another one-year period. The facility has an annual interest rate of 10.75% for the rupiah facility or 4.25% for the US dollar facility. The total outstanding loan as of December 31, 2018, was nil.

- On January 23, 2017, the Company provided a loan facility to AANE amounting to IDR 5 billion or its equivalent in US dollars to finance its operations and working capital. The interest rates for the loan facility in Rupiah and US dollars were 10.5% and 4.25% p.a., respectively, which were subsequently amended, effective September 1, 2017, to 7.5% and 3.0% p.a. This facility was available for one year from the agreement date and was automatically extendable for another one-year period.

- The Company provided a loan facility to AANE amounting to USD 750,000 at an annual interest of 2.75% + LIBOR. The facility was available for three years from the grant date. It has been renewed until December 15, 2020 and will be automatically extendable for another one-year period. This loan facility was to be used for the construction of an extension to AANE's biogas plant. The total outstanding loan as of December 31, 2018, was nil.

- The Company received dividend distributions in 2018 as follows:

	2018 (USD)	2017 (USD)
PT Pangkatan Indonesia	4,057,332	-
PT Surya Makmur	1,585,079	821,296
PT Aceh Timur Indonesia	1,074,292	634,646
PT Bilah Plantindo	676,239	-
PT Simpang Kiri Plantation Indonesia	405,921	-
PT Moon Lion Industries Indonesia	78,211	89,309
PT Sembada Sennah Maju	70,055	-
PT Sahabat Mewah dan Makmur	2,399	6,398
PT Darajat Geothermal Indonesia	-	1,699,971
PT Agro Muko	-	1,300,000
Total	**7,949,528**	**4,551,620**

Material Commitments for Capital Expenditure

Capital Expenditure Realization in 2018

In 2018 our capital expenditure totaled USD 77.2 million. Of this, USD 68.2 million was spent on developing our palm oil estates (PPM, PMP, ANJA, ANJAS, SMM, KAL, GSB) USD 7.7 million on developing our edamame business (GMIT) and the remainder on developing our sago starch (ANJAP)and other businesses. The capex was financed largely by short- and long-term bank loans.

Our overall capital expenditures are denominated in US Dollars. We mitigate our exposure to forex risk by monitoring fluctuations in the foreign currency rates. In addition, Company policy allows us to enter into forward exchange-rate contracts to hedge against fluctuations, on the condition that any such contract does not exceed six months and the value of the contracts does not exceed the amount of Rupiah needed for operational expenses for three months.

For 2019, we have made several material capital expenditure commitments to support our growth strategies for our core businesses, such as the following:

- Continued construction of the first line of a mill with two 45-tonnes-per-hour capacity lines at our West Papua plantation (PMP);
- The construction of associated plantation infrastructure in West Papua (PPM and PMP), including roads and a bridge;
- Replanting of 919 hectares at our Belitung Island plantation (SMM) and new planting of 168 hectares to bring the total cumulative immature plantation since 2015 to 4,751 hectares;
- Replanting of 834 hectares at our North Sumatra I plantation (ANJA);
- Continued the digital transformation by optimizing the use of information technology and Geographic Information System (GIS) to support better decision making by delivering more precise, real-time information from accross our operation to any of our locations and traceability of our raw material supplies;
- Construction of a bulking station and second mill extension in KAL;
- Continued construction of a frozen line facility in GMIT, mainly for additional equipment and supporting facilities for the frozen line;
- Fit of the Company's new head office premises in the BTPN Tower, Jakarta ahead of the move in March 2019.

Our anticipated capital expenditure in 2019 is approximately USD 58.6 million, which will be financed primarily by cash from operations and external financing, including but not limited to bank loans.

Our overall expenditure and the allocation among projects is subject to several uncertainties. We may increase, reduce or suspend our planned capital expenditures, or we may modify the timing and/or location of our capital expenditure spending from the estimates described above in response to market conditions or for other reasons.

Moreover, our actual capital expenditure may be significantly higher or lower than the estimated amount as a result of various factors, including but not limited to unplanned cost overruns, our ability to generate sufficient cash flows from operations and our ability to obtain adequate external financing for planned capital expenditures.

Marketing Review

Given that most of our palm oil production is exported, most of it is sold through sales contracts on an FOB at an International export port basis. Products are shipped from all our mills to an International export port, where we build volume for buyers, who may be either end customers or traders. Our principal export markets are in Asia, including India.

Palm oil customers are increasingly reviewing their supply chains in view of the growing pressure from NGOs and consumers to avoid producers that are perceived to engage in unsustainable practices. Some palm oil customers have adopted a "No Deforestation" policy and this resulted in the termination of one of ANJ's contracts in the middle of 2018 in light of our palm plantation development in West Papua, despite the fact that we are following the RSPO NPP. However, we were able to secure new customers.

The CPO price situation was exacerbated during the year by buyers demanding discounts due to the abundant supply of palm oil in the market. Our sales price for December delivery, for example, dropped to USD 395 per tonne.

As we are able to charge a premium for CPO produced from our RSPO-certified estates, we are endeavoring to increase the volume sold at the premium price by increasing direct sales to end buyers who require RSPO certification for traceability purposes. We are also eligible to charge a quality premium for CPO with a Free Fatty Acid (FFA) content of less than 3.5%.

With the growing recognition of the benefits of **sago** as healthy and sustainable source of native starch with multiple potential applications, we began to see an expansion in both domestic and international markets for sago starch in 2018. ANJAP's higher production in 2018

enabled the Company to pass a significant milestone by supplying two major customers in the modern food industry, both of which have started to use sago starch in their ready-mix flour products. We were also able to expand distribution in the Jakarta and Surabaya markets.

The Company's participation in the Food Ingredients Asia expo in October generated considerable interest from potential domestic and international customers, giving us confidence that there will be a strong market for our sago starch as production volume increases.

We adjusted our contract terms in Q3, offering short (3 or 4 month) sales commitments so that customers can enjoy a stable price and certainty on supply volume. We also secured a new logistics vendor. The new arrangement should significantly reduce costs, improve safety and enable us to build a buffer stock of sago starch in Java, which will improve supply continuity.

In 2018 we took the decision to put on hold our exploration of the US market for sago starch, largely due to the high customs duties and logistic operation scale of economics. All the remaining products were disposed of by the end of October through donations to food banks. We have continued to research new applications and processed products for the domestic and export markets.

In 2018 we continued to sell fresh **edamame** to local distributors in East Java, Central Java and Bali. The market price remained relatively stable but low. A significant portion of our production in the last quarter was used for process trials in the new frozen line and cold storage facility.

Under our export purchase agreement with the Asia Foods group, we will begin exporting frozen edamame in 2019 to our overseas market, In addition, we are developing branded frozen edamame and mukimame products for the local market. These will be produced in two variants, salted and unsalted. We are currently seeking a distributor for these products.

Business Prospects and Strategies

In 2019, ANJ will continue to pursue our objectives as a food-based agribusiness company with a diversified portfolio of high-value agricultural products. We will continue to unlock value across the Group by driving operational efficiency and quality while maintaining our strong commitment to operational excellence and sustainability through responsible growth.

Palm Oil

Prospects: Palm oil prices are expected to rally in 2019 as stocks decrease and demand recovers, particularly from markets in the Middle East, South Asia and Africa. We may also see some growth in demand from China as it reduces its dependence on soybean imports and expands its biodiesel program. On the supply side, there is potential for a moderate El Nino event, which could affect Indonesia's palm oil output in the second half of 2019 and drive a further strengthening of prices. However, prices are not expected to return to 2017 levels; rather, analysts project a range of USD 555-650 per tonne.[1] The government will gradually reinstate the palm oil export levy when the CPO selling price reaches at least USD 570 per tonne.

The B20 biodiesel mandate will be the primary driver of palm oil demand in 2019 and looks set to have a determining effect on prices as it reduces the supply of palm oil available to the global market. To further sustain domestic palm oil consumption and reduce fuel imports, the government is considering stepping up to 30% blended biodiesel (B30) within the next two years, with a preliminary trial planned for early 2019.[2] The goverment is also exploring the implementation of green fuel, which is a full CPO-based fuel to replace fossil fuel and is constructing four power plants powered by CPO. These iniatiatives are expected to further increase the domestic demand for palm oil in future.

The mid- to longer term outlook for CPO remains very positive. Food-based demand for vegetable oils is growing at 3 million tonnes annually.[3] Moreover, for consumer product manufacturers, the affordability and availability of CPO make it hard to find a feasible alternative. Meanwhile, palm oil—in the form of biodiesel—looks likely to play in increasingly important role in meeting global energy demand. However, supply may not be able to keep pace with the expanding demand.[4] Palm oil expansion in Indonesia, the world's largest producer, is slowing down in response to the moratorium on new planting as well as the continued pressure from environmental groups and there

1) Indonesia Palm Oil Supply and Demand', presentation by Togar Sitanggang of GAPKI (the Indonesian Palm Oil Association) and 'Tariffs, sanctions and trade barriers: implications for CPO prices', presentation by James Fry, both at the 14th Indonesian Palm Oil Conference, Bali, November 2018.
2) 'Sawit Indonesia menyongsong awal tahun yang lebih menjanjikan', GAPKI press release, February 6, 2019.
3) 'Palm & Lauric Oils Price Outlook 2019', presentation by Dorab E Mistry at the 14th Indonesian Palm Oil Conference, Bali, November 2018.
4) 'Can Productivity Grow in Step With Demand?' presentation by James Fry, 'Palm and Lauric Oils Price Outlook 2018'. presentation by Dorab Mistry, at IPOC 2018, November 2017; 'CPO Production and Price Outlook to 2042' presentation by James Fry to BPDPKS, November 2017.
5) 'Slow replanting of palm a blow to Indonesia's efforts on environment,' Reuters, January 16, 2019.
6) GAPKI 2017

are indications that production will begin to slow in 2020-2021 as a result of the rising age profile of palms and slow progress of replanting, particularly by smallholders,[5] who own 42% of oil palm plantation land in Indonesia.[6] These trends would exert upward pressure on palm oil prices.

Strategies: Our strategies in 2019 will continue to be underpinned by our commitment to responsible development, in full compliance with RSPO guidelines and the Company's Sustainability Policy. At the same time, we will continue to drive improvements in productivity, quality and efficiency in order to maintain a reasonable profit margin.

Expanding mechanization, investing in R&D to develop and apply agronomic innovations and optimizing energy use will all be part of our strategy to maximize productivity per hectare and reduce costs per tonne of palm product.

Maintaining the age profile of our trees also remains an important priority towards achieving optimal productivity. We will continue the replanting program at the ANJA and SMM plantations, although we may consider adjusting the schedule in light of the current CPO price situation. For the same reason, we do not plan to do any new planting in our development plantation in South Sumatra in 2019.

Most of our major infrastructure projects will be completed in 2019. We will complete the transport infrastructure in West Papua and commission the new CPO mill in the first half of 2019 ahead of the scheduled start of commercial operations at PMP and PPM towards the end of 2019. Having applied advanced techniques to improve fruit set and fruit volume, we expect to reach an FFB yield/ha in West Papua of 12 tons/ha in the first year of production (full year equivalent). By comparison, it took three years to achieve this level at our KAL plantation. We are targeting an OER of 20%, which is also considered high for the first year, due to the use of higher yielding materials and improved collection techniques. Work has already begun to prepare the land for the construction of a bulking station at KAL and this will continue in 2019.

In 2019 we expect to see increasing pressure from palm oil buyers and NGOs to improve traceability and increase transparency over concession boundaries. To address this, we will continue to roll out digital technologies to improve the traceability of the fruit we buy from external suppliers. We will also maintain our commitment to training smallholders on best planting and harvesting practices. We believe this is an important strategy in improving their output and yields, thereby reducing the incentive to illegally expand their plantations into forest lands as a means of increasing income.

Another priority for the Company will be to continue to identify opportunities in new geographical markets.

Sago

Prospects: We continue to see a role for sago starch in Indonesia's food diversification strategy as a sustainable food resource that can reduce dependence on common carbohydrate sources, such as rice and grain. Its health benefits have not yet been fully explored, but independent research has found that sago starch has particular properties that aid digestion, while as a gluten-free product, it also has significant market potential. Over the last year we have seen growing demand for sago starch as an ingredient in processed foods for both the domestic and export markets, including Japan and we expect this trend to continue.

The sago business is also an important component of our sustainability strategy in West Papua, as it creates employment and contributes to the development of local physical and social infrastructure, generating a multiplier effect on the local economy.

The key challenges for the Company going forward will be to increase the relatively low sales price and reduce production cost per unit while increasing our production volume.

Strategies: We will continue to speed up production and reduce costs by automating the front end process with the aim of reaching our break-even target of 3,000 logs per day by the end of 2019. At the same time, we will continue our agronomic research program to improve starch extraction rates and sustainable forest management techniques.

We will continue efforts to penetrate the modern food industry while improving the sales price for sago starch. To put the Company in a better position to capture opportunities in the international market, we will prepare the groundwork for obtaining food safety and quality certification such as ISO 22000 and ISO 9001. We will also continue to research specific applications to add value to the product.

We expect to improve supply continuity and reduce transportation costs in 2019 through more efficient logistics arrangements, which will include warehousing in Java so that we can build up a buffer stock.

In 2019, we also expect to be using 100% renewable energy from our biomass power plant for the entire site (mill, office and housing). This will drive a further reduction in costs.

In the absence of specific certification frameworks for sustainable sago forest management, we will continue to

explore the possibility of referencing existing timber forest certification criteria to get independent verification of our practices. We will also continue to work closely with local communities on managing the sago forest, involving them in decisions on how, where and when we harvest.

Vegetables

Prospects: Japan remains the most significant market for frozen edamame, but we are seeing strong demand growth in Singapore, Malaysia and Thailand and on a smaller scale, in the US and Australia.

In terms of production, Indonesia has a comparative advantage over the other major producing countries, namely China, Taiwan, Thailand and Vietnam, due to a more conducive climate that allows for two to three annual crops.

Strategies: We will complete the final commissioning of the frozen line and cold storage facility and expect to begin exporting to Japan by the end of 2019. The majority of our production will initially be absorbed by the Asia Foods group but we will also explore other potential export markets if it is not covered by the Asia Foods group. In addition, we will develop domestic demand by educating Indonesian consumers on the benefits of edamame as a highly nutritious and inexpensive source of protein.

With regard to production, we will further increase the planted area and improve yields and seed quality to meet our 2019 production target of 1500 tonnes of frozen product. To maintain the strict quality standards demanded by the market, we aim to produce 80% of our volume through an improved arrangement with the farmers, which allows us better control of planting and production in 2019. We will therefore continue to recruit and train field staff to work with our partner farmers on improving quality. At the same time we will begin to mechanize our operation to improve efficiency.

We will continue to explore the potential of other high margin vegetable products, beginning with okra, to optimize the capacity of the frozen line and increase the Company's presence in the frozen vegetables sector.

Renewable Energy

Prospects: In commercial terms, electricity generation from biogas is not compatible with our current business model, for two key reasons. Firstly, the tariff paid by PLN is too low to be economically feasible. Secondly, given that the power plant is on our plantation site, it would be a challenge for the Company to comply with the regulation that requires IPPs to transfer ownership at the end of the contract. Nevertheless, going forward biogas will be an increasingly important component of our internal energy and sustainability strategies.

Strategies: Our immediate priority will be to continue to optimize the operational and cost efficiency of the power plant to minimize losses. In addition, to mitigate further foreign exchange losses, we will create a provision for future maintenance expenses in Euro. Over the longer term, we will develop biogas power plants on other plantations, starting with Kalimantan, to generate electricity for internal consumption as part of our strategy for reducing fossil fuel consumption, lowering greenhouse gas emissions, maximizing the use of by-products and creating additional value.

Comparison of Targets/Realization 2018

Production	Target	Realization	Variance
Palm oil production (metric tons)			
FFB production	774,567	786,104	1.5%
CPO production	219,284	248,694	13.4%
PK production	45,421	54,033	19.0%
Sago starch production (metric tons)	2,555	1,894	-25.9%
Edamame production (metric tons)	1,275	1,229	-3.6%
Renewable energy production (kWh)	**10,885,934**	**8,734,408**	**-19.8%**

The Company ended 2018 with FFB production of 786,104 tonnes, an increase of 7.6% compared to 2017 and higher than our target of 774,567 tonnes. All our estates except North Sumatra II contributed to the improvement as they experienced a strong recovery following the impact of El Nino in 2015 and the long drought in 2016. In line with the increase in FFB production, CPO and PK production also increased by 18.3% and 22.7% to 248,694 tonnes and 54,033 tonnes, respectively, in 2018, which was also higher than our targets of 219,284 tonnes for CPO and 45,421 tonnes for PK.

Sales and Revenues

In 2018, the Company posted total revenue of USD 151.7 million, a decline of 6.2% compared to 2017, mainly due to the lower average selling price of CPO and PK. Our revenue was also lower than our revenue target in 2018. Although CPO and PK sales volumes increased by 17.8% and 26.8% respectively, the increases were not enough to offset the decline in the average selling price of CPO and PK.

Profit

The Company recorded a net loss of USD 492 thousand, compared to net income of USD 46.5 million in 2017, or below our target net income of USD 56 thousand due to the lower ASP for CPO and PK in 2018, combined with the gains from the sale of certain investments in 2017.

2019 Company Targets

Production	2018 Actual	2019 Target	Change
Palm oil production (metric tons)			
FFB production	786,104	744,202	-5.3%
CPO production	248,694	267,839	7.7%
PK production	54,033	56,430	4.4%
PKO production	0	257	100%
Sago starch production (metric tons)	1,894	5,629	197.2%
Edamame production (metric tons)	1,229	1,220	-0.7%
Renewable energy (kWh)	8,734,408	10,058,743	15.2%

Sales and Revenues

The Company's revenue is largely contributed by the palm oil business sector, therefore the sales and revenues significantly depend on the CPO and PK price. The Company has set targets/projection of FFB production of 744,202 metric tons, CPO production of 267,839 metric tons and PK production of 56,430 metric tons. As a result, the Company expects growth in sales and revenues of around 16% in 2019, due to better operating conditions, higher commodity prices and the contribution from our newly matured plantations in Papua.

Profit

The Company expects to maintain its net profit margin for 2019.

Subsequent Events

On 22 March 2019, the Company completed the sale of 98,481 shares, representing 14.288% of our ownership in PT Puncakjaya Power, to Freeport-McMoran Inc. and PT Jaya Tata Jasa for a total cash consideration of USD 2.9 million.

Going Concern Information

High production of global and domestic Crude Palm Oil (CPO) in 2018 contributed to an oversupply that put considerable downward pressure on CPO prices. This had an adverse impact on revenues in the palm oil sector in general. However, the underlying demand trend for palm oil is still increasing, driven by population expansion, GDP growth and the growing demand for biofuel and prices are expected to recover in 2019.

There remains considerable potential for the Group to develop its core business of palm oil. We are pursuing a number of key strategic initiatives that go beyond business orientation (efficiency, costs and productivity) to incorporate community development, in line with government development policies. The Group also has access to a landbank of over 157,000 hectares in North Sumatra, Belitung, West Kalimantan, South Sumatra and West Papua, which is supported by well-developed infrastructure to improve productivity and operational efficiency.

Our nascent edamame and sago businesses are progressing well and we believe that they have the potential to strengthen our position as a world-class agribusiness-based food company that contributes to local economic development. We are seeing growing interest in both edamame and sago as a healthy alternative sources of protein and carbohydrate, respectively, that could contribute to Indonesia's food security. The Group will continue to develop domestic and export markets for value-added sago and edamame products.

In addition to these healthy business prospects, the Group also has a robust capital structure and is strongly committed to delivering the Group's long-term objectives of growing responsibly, generating sustainable value and strengthening our reputation and position in the industry.

Human Resources

ANJ's people are the heart of our organization; their vision, skills and experience drive the Company's growth. Our human resource policies and structure are designed to empower people to optimize their performance to maximize their potential and to harness that potential effectively for the achievement of our business objectives.

In 2018, we placed a strong emphasis on identifying and nurturing leadership skills at all levels of the organisation and on aligning performance more closely with ANJ's vision of elevating the lives of people and nature.

Equality of Opportunity

Our goal is to attract the best people, regardless of their background and we have a policy of zero tolerance for discrimination based on race, religion, nationality, political views, gender or physical condition. This is reflected in our commitment to treating all employees equally in terms of remuneration and opportunities for advancement.

One of our subsidiaries, ANJAS, has established regulations on gender equality and the protection of rights, including SOPs governing recruitment, job rotation, promotion, the protection of reproductive rights for women and the handling of sexual harassment cases. For this, ANJAS received an award from the National Leadership Board of the Indonesian Entrepreneurs Association (DPN APINDO) in June 2018.

In line with our commitment to enhancing local economic conditions where we work, we also prioritize the employment and upskilling of local people as far as possible. In 2018 we ran our first vocational training program for engineers who will be working in our new palm oil mill in West Papua; over half of the participants were indigenous Papuans.

Recruitment, Retention and Succession

In 2018 we continued to invest in future leadership potential to ensure the Company's ability to execute its strategy over the mid to long term. We are developing a pipeline of strong candidates to fill key positions through our management development and training programs.

Our 9-month Management Trainee program is designed to give future leaders a comprehensive preparation for leadership through a balance of off-the-job and on-the-job learning across different departments and business units. Each trainee has access to trained mentors both during the program and for a period of 5 years post-training, after which he or she is expected to be able to take up a managerial position.

The 18th batch of the Management Trainee program began in October 2018 with 25 participants, most of whom graduated from the top 10 universities in Indonesia. Seven participants, or 28%, are women, including our first female agronomy specialist. Women in the plantation sector, particularly in management positions in the field, often have to struggle against discriminatory and erroneous perceptions. Our female Trainees are helping to overturn these attitudes with outstanding performance: women ranked first and second in the 17th batch and have received excellent performance appraisals since completing the program.

Our priority for promotion and succession is to 'Grow from within': where possible, we seek to fill vacant positions through internal promotion. Job openings are posted on our internal communication media, Simpul. In 2018, 80% of promotions in the Company were internal. While we believe that this policy is beneficial for employee engagement, motivation and retention, it is strictly merit-based and if there are no internal candidates that match the skills and experience profile required for the position, we recruit externally through online executive search and recruitment services.

The ability to retain our top talent is a prerequisite for internal succession. Over the year we have been putting in place a strategic retention plan, particularly for our Management Trainee graduates and high performers at general manager level, that focuses on development and leadership opportunities, the work environment and the way ANJ lives up to its values as well as financial remuneration and incentives.

Training and Competency Development

We invest in education, training and development at all levels of the business to ensure that the Company has the capabilities needed to fulfill our strategic objectives and to support our people in achieving their personal and professional development goals. As such, training and development plays a key role in our retention strategy and in building a robust leadership pipeline for key positions.

Every year, we budget to provide external training for every employee, whether staff or non-staff; in 2018, ANJ's investment in training and competency development amounted to USD 352,800 that was paid to external consultants. In addition, the Company conducted many trainings developed and provided by our own staff.

Most of our training falls into the categories of hard skills or technical training, soft skills training and certification training. Technical training covers specific competencies in fields such as agronomy, safety, industrial relations, forest stewardship and factory operations and is planned and provided primarily by the departments concerned, in coordination with the Human Resources department, based on the capabilities required. The provision of soft skills training, which includes leadership and communication skills, training skills, ethics and values, is planned by the Human Resources department, taking into account leadership, managerial and technical capability gaps at the organization and individual levels. Specific certification or accreditation training is provided for people in certain job functions as part of our drive to upgrade and professionalize the workforce. The numbers participating in each type of training are shown in the 'Training Participation' tables below.

Technical and Soft Skills Training Provided in 2018

Technical	Soft skills
Harvesting Supervision	People Productivity Improvement
Integrated Pest Control	The 4 Essential Roles of Leadership
Edamame Cultivation	Becoming an Impactful Mentor
Administration/SAP	Executive Coaching
Fertilization	Training Delivery & Design for Trainers
Palm Oil Mill Production Supervisor	Quality Improvement Project Training
Efficiency Energy and Water Conservation	Finance For Non-Finance
First Aid and Emergency Response Team	Brand Internalization
Domestic Waste Management	Bentara Excellent Front Guide Line
Industrial Relations & Conflict Resolution	Excellent Performance Training

In November 2018, we successfully launched the first in a planned series of Vocational Programs (VP) designed specifically to build capacity for our development estates in West Papua as they prepare to begin operating commercially in 2019. The first VP is for engineers and comprises a 2-month program at the ANJ Learning Center (ALC) in Belitung, followed by on-the-job-training at the SMM and KAL plantations in Belitung and Ketapang, respectively. Of the 18 participants, 55% were indigenous Papuans. A similar Vocational Program for agronomy will commence in early 2019 for 17 local participants.

At the managerial level, ANJ offers a modular 3-day Management Development program that covers key leadership competencies including decision making, coaching, delegating responsibility and communication. In 2018 the program was attended by 22 participants. We have also developed a tailored Executive Coaching program, designed to build specific capabilities in strategic planning and execution in monthly sessions over a 6-month period. There were 9 participants in 2018, all from the General Manager/Head of Department/Director level. In addition, 6 members of the Board of Directors took part in a monthly coaching program facilitated by an executive coach from the United States.

While we make extensive use of external training opportunities and expertise, we also have a growing pool of internal trainers at ANJ. We have an enormous resource of expertise and experience among our own people and we want to leverage this by making every leader a knowledge leader. To this end, we have continued to identify subject matter experts and build their confidence and skills as facilitators, mentors and facilitator/mentors through certified training of trainer programs. We completed the second batch in 2018.

Training Participation in 2018

TECHNICAL	Staff	Assistant Manager	Manager/ Senior Manager	GM/RH/GH*	BOD	Non staff
Grand Total	231	67	67	22	16	2,675

SOFT SKILL	Staff	Assistant Manager	Manager/ Senior Manager	GM/RH/GH*	BOD	Non staff
Grand Total	1,010	308	328	35	2	4,161

CERTIFICATION	Staff	Assistant Manager	Manager/ Senior Manager	GM/RH/GH*	BOD	Non staff
Grand Total	24	7	5	3	-	113

TECHNICAL			SOFT SKILLS			CERTIFICATION		
Total	PERSON-DAYS	PERSON-HOURS	Total	PERSON-DAYS	PERSON-HOURS	Total	PERSON-DAYS	PERSON-HOURS
3,078	3,440	28,977	5,844	3,180	26,392	152	705	6,088

*GM - General Manager, RH - Regional Head, GH - Group Head

All new employees undergo a 2-day induction program that includes a full-day workshop on ANJ's values as well as an introduction to the Company's policies and procedures including those on environment, health and safety, information technology, security, training and development and performance management. During the induction, new employees are expected to sign an Integrity Pact and a statement that they have understood and will comply with Company policies.

Performance Appraisal and Career Development

ANJ's performance management system is designed to evaluate individual as well as corporate performance and forms the basis for determining eligibility for performance-related bonuses and incentives. Individual performance assessments are also being used increasingly in individual career development planning and succession planning for key positions as well as promotion. To be eligible for promotion, employees must maintain an above-average performance appraisal score for at least three years.

Each employee receives an annual appraisal and an interim (6-monthly) progress review from his or her line manager, which is based on the employee's agreed key performance indicators. To ensure that the process is transparent and objective, individual reviews are followed up by a committee review, facilitated by the Human Resources department.

The results of the performance appraisal enable employees and their line managers to identify development and training needs that support both the employee's planned career path as well as the Company's organizational and strategic objectives.

Compensation

Offering a competitive compensation package is a key part of our strategy for attracting and retaining the high caliber people we need to take our company forward. To ensure that our offer remains above the industry average, we participate in an annual survey of salaries and benefits across several peer companies.

We have put in place a number of policies to ensure that across the Group, our employees receive fair and comparable compensation. Given the wide variation in real living costs between the regions where ANJ operates, we apply allowances to offset the higher cost of living in more remote areas. We also compensate employees working on some of our development projects, where conditions can be tough due to the incomplete infrastructure, with a pioneer project allowance. All employees receive at least the statutory minimum wage and holiday allowances as well as health insurance through the national BPJS scheme. At certain levels, employees may also be eligible for performance-based bonuses.

In addition to free housing and utilities, estate staff (including harvesters) have access to a range of other facilities, including a fully staffed medical clinic at each site (except at our development estate in South Sumatra). At both our North Sumatra estates, we have provided schools, libraries and teachers for employees' children, while in West Papua we are working with NGO partners to provide early years education. Each year, we offer a number of scholarships up to university level for employees' children.

Welfare and Safety

Keeping our people safe is an absolute priority. We strive to provide a safe and healthy working environment for all our employees and vendors by adhering to global standards on occupational health and safety (OHS) and OHS management systems. We are building a culture of safety, personal accountability and continuous learning, where safety is a mindset and every employee takes personal ownership for safety in their workplace.

Day-to-day safety and environmental compliance on each estate is monitored by a team of two to three EHS officers, who also provide daily safety briefings for the estate workers. Each subsidiary also has a Safety Committee, which has representatives from non-staff up to management level and works with the EHS team to keep each business unit accident-free through the implementation of operational safety policies and standards in the plantations and mills.

The Environment, Health and Safety (EHS) Department uses its regular assessments of hazards and risks across our operations to inform the development of safety policies, rules and guidelines and provide the basis for risk-based action plans. All high-risk activities, such as working at heights, working in confined spaces, welding, cutting, spraying and harvesting, are covered by SOPs. We also ensure that pregnant women do not work in any capacity that exposes them to chemical substances and any employee working with such substances receives supplemental nutrition, even though exposure is kept strictly within safe limits.

A particular focus in 2018 was standardizing operational policies and procedures, particularly SOPs that had been developed at the individual estate level. By the end of 2018, we had harmonized almost all the SOPs, standards and systems to make them uniform across the Group. This will make it easier to establish clear, Group-wide safety policies and messages right down to the procedural level. We have already begun by standardizing safety campaigns and signage.

We also increased the volume of safety training during the year. In addition to the comprehensive safety training they receive as part of their induction when joining the Company, employees also take part in a range of compulsory safety trainings, demonstrations, simulations

and drills throughout the year at every estate to ensure that they understand the dangers and risks in their respective work areas and what to do to mitigate them. We upgraded the training on certain higher risk operations to certified status to ensure that such jobs are only performed by qualified individuals. We involved third parties for some of the training; for example, the forest fire brigade, Manggala Agni, delivered fire control training for some of our Emergency Response Teams. Emergency Response Teams are now in place at our estates in West Kalimantan (KAL), North Sumatra (ANJA and ANJAS) and West Papua (PMP and PPM).

Clinics on our estates provide quality primary healthcare to employees and their families and the clinics are also open to communities in the vicinity, particularly if there are no comparable facilities in the area. Each clinic is staffed by a doctor and paramedics and is kept stocked with essential medicines. They also offer infant and child health services such as immunization, developmental check-ups and nutrition education, as well as crèche facilities for employees with babies.

EHS Index and Performance

Accident & Incident Performance of ANJ Group

		TOTAL ACCIDENTS					TOTAl INCIDENTS				
		Lost Time Accident (LTA)	Medical Treatment Case (MTC)	Fatality (FAT)	Work-related disease (WRD)	TOTAL	Environmental Pollution Case (EPC)	Property Damage Case (PDC)	Traffic Incident Case (TIC)	Fire Incident Case (FIC)	Total
	PT SMM	2	-	-	-	**2**	-	-	1	2	**3**
	PT ANJA	-	1	-	-	**1**	-	-	-	-	**-**
	PT ANJAS	1	1	-	-	**2**	-	-	-	-	**-**
	PT KAL	1	1	-	-	**2**	-	-	-	-	**-**
	PT GSB	-	-	-	-	**-**	-	-	-	-	**0**
2018	BARAT	4	3	-	-	**7**	-	-	1	2	**3**
	PT ANJAP	4	6	-	-	**10**	-	3	-	-	**3**
	PT PMP	3	21	-	-	**24**	-	5	-	1	**6**
	PT PPM	-	2	-	-	**2**	-	-	-	-	**-**
	TIMUR	7	29	-	-	**36**	-	8	-	1	**9**
	TOTAL	**11**	**32**	**-**	**-**	**43**	**-**	**8**	**1**	**3**	**12**

Our Group-wide safety goal is zero accidents. In 2018, there were no fatalities in any of our business units. However, we saw an increase in the overall accident rate to 43, comprising 11 Lost Time Accidents and 32 Medical Treatment Cases, which largely reflected the intensifying level of activity in our development estates as they prepare for the start of commercial operations in 2019.

Each operational estate calculates its annual EHS index on the basis of all reported incidents, which are classified as Lost Time Accidents, Medical Treatment Cases, Fatalities and Work-Related Disease. In 2017, the average of EHS index for all four operational plantations was 0.15, which was well within our target of <0.38. The highest performing plantation in terms of safety in 2018 was the Binanga estate, in North Sumatra, which reported fewer accidents compared to other plantations.

We are committed to upholding national and international standards on OHS management across the Group. All four of our producing estates are certified to the UK-based OHSAS 18001 standard and its Indonesian equivalent, SMK3, which is governed by the Ministry of Labor and Transmigration. Our development estates work to the same standards and we will apply for certification once they are operational.

Both OHSAS and SMK3 are valid for three years, but all our estates undergo an external compliance audit every 3 (three) years against SMK3 criteria and an annual surveillance audit under the OHSAS requirement. These are carried out by globally recognized accreditation companies TUV Nord and Sucofindo/SGS.

Certification	Finding Classification	Companies			
		ANJA	SMM	ANJAS	KAL
ISO 14001	Major	0	0	0	0
	Minor	0	3	1	0
	Process Improvement Recommendation	2	7	8	0
OHSAS 18001	Major	0	0	0	0
	Minor	0	1	1	0
	Process Improvement Recommendation	8	11	8	0
SMK3	Major	NA	0	NA	NA
	Minor	NA	18	NA	NA
SMK 3 Achievement (%)		NA	89.16%	NA	NA

Our target is to achieve a combined total from the OHSAS 18001 and ISO 14001 (for environmental management systems) of no more than 3 minor findings across all the producing estates. In 2018, we reduced the number of minor findings from 11 to 6 and there were no major findings from any of the audits. Only the Belitung estate underwent an SMK3 audit in 2018. Although its achievement of 89.16% was slightly below our internal target of 95%, the result is within the range for golden flag category, the best category for SMK3 audit result. Progress on the remedial and improvement actions we are taking in response to the audit findings is being assessed through the routine internal monitoring and safety audits we carry out several times a year in all mill and estate operations.

Employee Engagement and Industrial Relations

We seek to engage our people through ANJ's values, our corporate purpose, a challenging yet supportive working environment, fair reward and transparency and equality around opportunities for development and advancement. We are committed to communicating openly with employees about what the Company expects of them and what they can expect from the Company and we endeavor to ensure that they are kept fully informed about training opportunities, HR policies and compensation, including the results of salary surveys.

In November-December 2018, we conducted ANJ's first-ever group-wide Employee Effectiveness Survey. The objective was to gain constructive feedback from employees about the Company's effectiveness on a wide range of aspects, from the vision/mission and values to the HR system, policies and procedures and decision-making processes. Targeting employees at staff level and up in all business units and operational sites, the survey achieved a 78% response rate. The results indicate that over 90% of employees are very positive about the Company's direction and its vision, mission and values. However, they expressed less satisfaction about opportunities for development and promotion. We are already aware of this and will continue to address it in the coming year.

Maintaining a good relationship between the Company and the employee unions also contributes to strong engagement. Our bipartite cooperation institution *(LKS Bipartit)* plays a key role by facilitating and mediating communication between management and the unions, particularly on matters related to employment and the collective labor agreement, to ensure that any issues are resolved through respectful, constructive dialog. As such, the *LKS Bipartit* provides an additional channel, alongside the Company's whistleblowing system (see page 142), for resolving employee grievances. The *LKS Bipartit* is also active in channeling employees' interests and passions into various environmental and community initiatives, such as sports and other recreational activities for employees and their families.

Every subsidiary/estate has an *LKS Bipartit* and all employees and management commit to its ground rules. Each *LKS Bipartit* prepares an annual work plan with specific goals and the Company provides support for monthly meetings, which are facilitated by the HR Department. We are keen to see the *LKS Bipartit* take on a more active role in supporting and motivating employees and we offer an annual award for the best *LKS Bipartit.*

We aim to encourage a healthy work-life balance as well as a friendly and collaborative spirit among our people. Employees at our plantations can take advantage of sports facilities and clubhouses and we organize annual outings for everyone at staff level and above.

As indicated by the Employee Effectiveness Survey, there has been strong buy-in to ANJ's culture and values of Integrity, Respect for People and the Environment and Continuous Improvement, which were strengthened and clarified through a rebranding exercise completed in 2017. ANJ Values Workshops have been conducted for all employees across the Group and these are reinforced by our Values Champions, who support colleagues in internalizing and translating the values into their own behavior and activities. Our values have also been formally incorporated in the Company's appraisal system: all employees must include specific aspects of responsible development in their KPIs. More details about ANJ's corporate culture and values can be found on page 140 and 35 of this annual report.

Human Resources Profile

The Company's workforce increased to 7,998 people in 2018, up from 7,596 people in 2017. The majority of our employees, a total of 7,566 people, work in the palm oil sector. A full breakdown of the employee composition by job level and division, education level, age and employment status can be seen in the Company Profile section of this report on page 51.

05
CORPORATE GOVERNANCE

ANJ's Commitment to Good Corporate Governance (GCG)

The Company is committed to upholding the principles of good corporate governance—transparency, accountability, responsibility, independence and fairness—in every aspect of our business. We believe that this plays a fundamental role in achieving our responsible development goals by protecting the interests of our shareholders and stakeholders, strengthening accountability and promoting public trust in the Company, all of which are vital for sustaining the Company's long-term growth.

ANJ's corporate governance consists of a framework of policies, controls, processes and standards that govern every aspect of the business. The foundation for this framework is the Company's high standards of conduct, as expressed in our Code of Ethics on Business Conduct and our core values of integrity, respect for people and the environment and continuous improvement.

Legal Basis for Corporate Governance at ANJ

The legal and policy foundation for the implementation of corporate governance at ANJ includes the following:

1. Law No. 40/2007 on Limited Liability Companies;
2. Law No. 8/1995 on the Capital Market;
3. OJK Regulation No. 32/POJK.04/ 2014 on the Plans and Organisation of the General Meeting of Shareholders in a Public Company;
4. OJK Regulation No. 33/POJK.04/2014 on the Board of Directors and Board of Commissioners of Issuers and Public Companies;
5. OJK Regulation No. 21/POJK.04/2015 dated 16 November 2015 on the Implementation of the Governance Guidelines for Listed Companies;
6. OJK Circular Letter No. 30/SEOJK.04/2016 on the Form and Contents of Annual Reports Filed by Issuers or Public Companies;
7. The Good Corporate Governance Guidelines issued by the National Governance Policy Committee (KNKG);
8. The ASEAN Corporate Governance Scorecard.

GCG Policy

ANJ's internal corporate governance policy is set out in the following documents:

1. The Articles of Association of the Company;
2. By-laws;
3. The Code of Ethics on Business Conduct;
4. The Charters of the Board of Commissioners, Board of Directors and Committees;
5. The Company's Sustainability Policy;

which, alongside ANJ's operational procedures, business processes and quality management systems, constitute the rules of the Company. All the above undergo regular review and are updated when necessary to ensure that they reflect the growth of the business, the dynamics of the market and changes in the regulatory environment.

Assessment of GCG Implementation

Reflecting the Company's commitment to responsible business growth, we aim for continuous improvement in our corporate governance through an ongoing process of review and development by the Board of Commissioners, Board of Directors, the Committees and the Internal Audit Unit.

To the extent pertmitted by the prevailing laws and regulations, all the Directors of the Company, except for the Independent Director, hold Director and/or Commissioner positions in the Company's subsidiaries, which enables them to oversee the implementation of corporate governance across the Group.

In 2018 corporate governance was assessed against the criteria below.

Criteria and Assessing Party

- Governance Guidelines for Listed Companies issued by OJK through OJK Regulation No. 21/POJK.04/2015 and OJK Circular Letter No 32/SEOJK.04/2015. Assessed by the Board of Directors and Board of Commissioners.
- ASEAN Corporate Governance Scorecard (ACGS). The indicators cover: (1) shareholders' rights; (2) equal treatment of shareholders; (3) the role of stakeholders; (4) transparency and disclosure; and (5) Board responsibility. Assessed by the Board of Directors and Board of Commissioners and verified by the Indonesian Institute for Corporate Directorship (IICD).

Results

- OJK Governance Guidelines for Listed Companies: the Company is compliant with almost all the recommendations, as shown in the matrix on page 146 of this Report.
- ASEAN Corporate Governance Scorecard 2018: Top 10 mid-market cap listed companies; Top 3 non-financial mid-market cap listed companies. We achieved a final score of 77.59, significantly above the average score for MidCap companies (issuers ranked between 101 and 200 in terms of market capitalization, based on the ASEAN CG Scorecard 2018), which was 62.98. Our score was also above the average for the BigCap-100 companies (72.63 points).

Implementation of Recommendations

The Company is addressing the findings of the assessments above as well as the results of our internal audit mechanisms.

Corporate Governance Structure

ANJ's corporate governance structure complies with Law No. 40/2007 on Limited Liability Companies by comprising three mutually independent organs:

- The General Meeting of Shareholders (GMS)
- The Board of Commissioners, which supervises the Company's management and advises the Board of Directors; and
- The Board of Directors, which is responsible for managing the Company for the benefit of the Company and its shareholders.

Both the Board of Commissioners and the Board of Directors are accountable to the GMS.

In carrying out its supervisory functions, the Board of Commissioners is assisted by the Committees (Audit, Risk Management, Nomination and Remuneration and Corporate Social Responsibility and Sustainability) and to perform its management functions effectively, the Board of Directors is supported by the Corporate Secretary and the Internal Audit Unit.

This framework is completed by a series of mechanisms that work together to ensure that corporate governance is implemented effectively and consistently across the organization. These mechanisms include the internal control system, the risk management system, the internal and external audits, the whistleblowing system and the corporate governance documents referred to above.

General Meeting of Shareholders

The general meeting of shareholders (GMS) is where shareholders can exercise their rights to make certain decisions relating to the Company, to receive reports from the Board of Commissioners and the Board of Directors on their performance and accountability and to question the Boards about their actions.

As specified in Indonesian Company Law, OJK Regulation No. 32/POJK.04/2014 on the Planning and Organisation of the General Meeting of Shareholders of a Public Company and the Company's Articles of Association, the annual general meeting of shareholders (AGM) is convened once a year and no later than six months after the end of the Company's financial year. An extraordinary general meeting of shareholders (EGM) can be convened at any time if deemed necessary for the interests of the Company.

GMS Authority

The GMS has authority that is not possessed by either the Board of Commissioners or the Board of Directors, such as the authority to appoint and dismiss commissioners and directors and the right to determine the distribution and appropriation of the Company's net profit.

GMS Procedures

To protect the interests of the shareholders and facilitate their participation in meetings, the Company ensures that all GMS are held in compliance with OJK Regulation No. 32/POJK.04/2014 on the Planning and Organisation of the General Meeting of Shareholders of a Public Company and the Company's Articles of Association. Notices about the GMS, including the agenda, are published in a national daily newspaper, on the Indonesia Stock Exchange (IDX) website and on the Company's own website. Meeting rules and materials are available at the Company's Head Office or by written request to the Company, as of the date of the GMS notice.

Meetings are considered legal and able to issue binding decisions if they are attended by shareholders and/or their proxies who represent more than one half of the total number of shares with valid voting rights issued by the Company.

GMS in 2018

The Company held its AGMS on May 14, 2018 at the Mercantile Athletic Club, World Trade Center, 18th Floor, Jl. Jenderal Sudirman Kav. 31, South Jakarta. There were no EGMS in 2018.

The actions taken to comply with the regulations on holding an AGMS were as follows:

	Action	Date	Medium
1.	Notified OJK of the plan to hold the AGMS and the agenda.	March 28, 2018	Letter to OJK no. 058-03/CS/ANJ/2018
2.	Notified shareholders of the planned AGMS.	April 5, 2018	Kontan daily newspaper, IDX website and Company website
3.	Published Invitation to shareholders to attend the AGMS, with the agenda.	April 20, 2018	Kontan daily newspaper, IDX website and Company website
4.	Held the AGMS.	May 14, 2018	Mercantile Hall
5.	Published the Abridged AGMS of Company.	May 16, 2018	Kontan daily newspaper, IDX website and Company website
6.	Submission for minuted meeting of AGMS	June 16, 2018	IDX

The AGMS was attended by shareholders and/or their proxies representing 3,241,271,661 shares or 97.879% of the total shares with valid voting rights issued by the Company. The quorum for the meeting was therefore legally fulfilled.

The following tables show the resolutions made at general meetings of shareholders held in 2018 and 2017 and their implementation status.

Summary of the Resolutions of the 2018 AGMS Held on May 14, 2018

Agenda Item	AGMS Resolution				Implementation status
1	To approve and ratify the annual report of the Company, for the year ending December 31, 2017 (including the operational report, the supervisory report of the Board of Commissioners and the consolidated financial statements), as well as to give full release and discharge of responsibilities (acquit et décharge) to the members of the Board of Directors and the Board of Commissioners for their management duties and supervisory duties carried out during the year ending on December 31, 2017, to the extent that their actions were reflected in the annual report.				Completed. Financial statements for the year ending December 31, 2017, were delivered on March 12, 2018 and the annual report for the year ending December 31, 2017, was delivered on April 20, 2018, both to the OJK and IDX.
	No questions	No abstentions	No non-approval	Unanimously approved	
2	1. To approve the use of the net profit of the Company for the year ended December 31, 2017, as follows: i. The amount of Rp39,738,064,656 will be distributed as a cash dividend to the shareholders of the Company so that each share will receive cash dividend of Rp12. The exchange rate for book-keeping purposes will use the middle exchange rate of Bank Indonesia on the Recording Date to determine the shareholders who are entitled to the cash dividend, namely on May 24, 2018. ii. The remaining balance will be recorded as retained earnings which will be used for the working capital of the Company. 2. To give powers and authorities to the Board of Directors of the Company to carry out any and all actions required in relation to the abovementioned resolutions in accordance with the prevailing laws and regulations.				Completed. The dividend was distributed to shareholders on May 24, 2018
	No questions	No abstentions	No non-approval	Unanimously approved	
3	To give authorities and powers to the Nomination and Remuneration Committee, one of the committees under the Board of Commissioners of the Company, to determine the salary and/or other allowances payable to the members of the Board of Commissioners and the Board of Directors of the Company for the 2018 financial year.				Completed.
	No questions	No abstentions	No non-approval	Unanimously approved	
4	1. To appoint Mr. Budi Susanto from the public accountants firm Siddharta Widjaja & Rekan to conduct the audit of the Company for the financial year of 2018. 2. To give authority to the Board of Directors to approve and determine the honorarium and the terms of appointment.				Completed.
	No questions	No abstentions	No non-approval	Unanimously approved	

Agenda Item	AGMS Resolution	Implementation status
5	1. To approve the resignation of Mr. Sonny Sunjaya Sukada from his position as a Director of the Company effectively on February 28, 2018 and to release and discharge Mr. Sonny Sunjaya Sukada from his responsibilities during his term of office provided that his management duties have been carried out in accordance with the articles of association of the Company and the prevailing laws and regulations, including but not limited to Law Number 40 of 2007 concerning Limited Liability Companies. 2. To restate the composition of the Board of Commissioners and the Board of Directors of the Company effective as of the closing of this Meeting as follows: **Board of Commissioners:** President Commissioner (Independent) : Mr. Adrianto Machribie Reksohadiprodjo Independent Commissioner : Mr. Arifin Mohamad Siregar Commissioner : Mr. George Santosa Tahija Commissioner : Mr. Sjakon George Tahija Commissioner : Mr. Istama Tatang Siddharta Commissioner : Mr. Anastasius Wahyuhadi Independent Commissioner : Mr. Josep Kristiadi Independent Commissioner : Mr. Darwin Cyril Noerhadi **Board of Directors:** President Director : Mrs. Istini Tatiek Siddharta Independent Director : Mr. Lucas Kurniawan Director : Mr. Geetha Govindan Director : Mr. Naga Waskita The term of office of the Board of Commissioners and the Board of Directors shall be until the closing of the Annual General Meeting of Shareholders in 2020, except that the term of office of Mr. Darwin Cyril Noerhadi as an Independent Commissioner shall be until the closing of the Annual General Meeting of Shareholders of the Company in 2021, the term of office of Mr. Lucas Kurniawan as an Independent Director and the term of office of Mr. Naga Waskita as a Director shall be until the closing of the Annual General Meeting of Shareholders of the Company in 2022. 3. To give authorities and powers to the Board of Directors of the Company, with the right of substitution, to state the composition of the Board of Commissioners and the Board of Directors of the Company in a notarial deed and to notify the relevant authorities as well as to carry out all and any actions required in relation to such resolutions in accordance with the prevailing laws and regulations.	Completed
	No questions / No abstentions / No non-approval / Unanimously approved	

The AGMS on May 14, 2018 was attended by the following:

Board of Directors:
- President Director : Mrs. Istini Tatiek Siddharta
- Independent Director : Mr. Lucas Kurniawan
- Director : Mr. Geetha Govindan
- Director : Mr. Naga Waskita

Board of Commissioners:
- President Commissioner (Independent) : Mr. Adrianto Machribie
- Independent Commissioner : Mr. Arifin Mohamad Siregar
- Commissioner : Mr. George Santosa Tahija
- Commissioner : Mr. Sjakon George Tahija
- Commissioner : Mr. Anastasius Wahyuhadi
- Commissioner : Mr. Istama Tatang Siddharta
- Independent Commissioner : Mr. Josep Kristiadi

Summary of the Resolutions of the 2017 AGMS Held on May 24, 2017

Agenda Item	AGMS Resolution	Implementation status
1	To approve and ratify the Annual Report of the Company for the year ending on December 31, 2016, including the Operational Report of the Company, the Supervisory Report of the Board of Commissioners and the Consolidated Financial Statements of the Company for the year ending on December 31, 2016, including the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income for the year ending on December 31, 2016 as well as to give full release and discharge of responsibilities (acquit et de charge) to the members of the Board of Directors and the Board of Commissioners of the Company for their management duties and supervisory duties carried out during the year ending on December 31, 2016 to the extent that their actions are reflected in the Annual Report of the Company.	Completed. Financial statements for the year ending December 31, 2016, were delivered on March 8, 2017 and the annual report for the year ending December 31, 2016, was delivered on April 25, 2017, both to the OJK and IDX.
2	1. To approve the distribution of the net profit of the Company for the year ended December 31, 2016, as follows: a. In the amount of Rp373,000,000 or equivalent with USD 28,054 by using the middle exchange rate of Bank Indonesia on May 23, 2017, of Rp13,296 per USD 1 will be allocated and recorded as a reverse fund. b. In the amount of Rp59,607,096,984 will be distributed as a cash dividend to the shareholders of the Company so that each share will receive cash dividend of Rp18. The exchange rate for book-keeping purposes will use the middle exchange rate of Bank Indonesia on the Recording Date to determine the shareholders who are entitled to the cash dividend, namely on June 7, 2017. c. The remaining balance will be recorded as retained earnings which will be used for the working capital of the Company. 2. To give powers and authorities to the Board of Directors of the Company to carry out any and all actions required in relation to the abovementioned resolutions in accordance with the prevailing laws and regulations.	Completed. The dividend was distributed to shareholders on June 22, 2017.
3	To give authorities and powers to the Nomination and Remuneration Committee, one of the committees under the Board of Commissioners of the Company, to determine the salary and/or other allowances payable to the members of the Board of Commissioners and the Board of Directors of the Company.	Completed.
4	To give authorities and powers to Board of Commissioners to appoint a Public Accountant to carry out audit on the Company for the financial year of 2017 including to determine the remuneration, subject to the recommendation of the Audit Committee of the Company.	Completed. The Board of Commissioners appointed "Siddharta Widjaja & Rekan" as The Company's auditor for the financial year of 2017 on September 28, 2017.

Agenda Item	AGMS Resolution	Implementation status
5	1. To approve the resignation of Mr. Sucipto Maridjan from his position as a Director of the Company effectively as of the closing of the AGM and to release and discharge Mr. Sucipto Maridjan from his responsibility during his term of office provided that his management duty has been carried out in accordance with the articles of association of the Company, the prevailing laws and regulations, including but not limited to Law Number 40 of 2007 concerning Limited Liability Company. 2. To approve and to appoint of Mr. Naga Waskita as a new Director of the Company which shall be effective as of the closing of the Meeting until the closing of the Annual General Meeting of Shareholders of the Company in 2022. 3. To approve and to re-appoint of Mr. Lucas Kurniawan as an Independent Director of the Company which shall be effective as of the closing of the Meeting until the closing of the Annual General Meeting of Shareholders of the Company in 2022. 4. To restate and stipulate the composition of the Board of Commissioners and the Board of Directors of the Company effectively as of the closing of the Meeting as follows: **Board of Commissioners:** President Commissioner (Independent) : Mr. Adrianto Machribie Reksohadiprodjo Independent Commissioner : Mr. Arifin Mohamad Siregar Commissioner : Mr. George Santosa Tahija Commissioner : Mr. Sjakon George Tahija Commissioner : Mr. Istama Tatang Siddharta Commissioner : Mr. Anastasius Wahyuhadi Independent Commissioner : Mr. Josep Kristiadi Independent Commissioner : Mr. Darwin Cyril Noerhadi **Board of Directors:** President Director : Mrs. Istini Tatiek Siddharta Independent Director : Mr. Lucas Kurniawan Director : Mr. Handi Belamande Syarif Director : Mr. Sonny Sunjaya Sukada Director : Mr. Geetha Govindan Director : Mr. Naga Waskita The term of office of the Board of Commissioners and the Board of Directors is until the closing of the Annual General Meeting of Shareholders in 2020, except that the term of office of Mr. Darwin Cyril Noerhadi as an Independent Commissioners is until the closing of the Annual General Meeting of Shareholders of the Company in 2021 and the term of office of Mr. Lucas Kurniawan as an Independent Director and Mr. Naga Waskita as a Director is until the closing of the Annual General Meeting of Shareholders of the Company in 2022. 5. To give authorities and powers to the Board of Directors of the Company, with the right of substitution, to state the composition of the Board of Commissioners and the Board of Directors of the Company in a notarial deed and to notify the relevant authorities as well as to carry out all and any actions required in relation to such resolutions in accordance with the prevailing laws and regulations.	Completed.

Agenda Item	AGMS Resolution	Implementation status
6	1. To give powers to the Board of Commissioners of the Company to carry out actions in relation to the increase of the issued and paid up capital of the Company in relation to the implementation of the Management Stock Option Plan (MSOP) in accordance with to the resolutions of the Extraordinary General Meeting of Shareholders of the Company as stated in a deed drawn up before Doktor Irawan Soerodjo, Sarjana Hukum, Magister Sains, Notary in Jakarta, dated January 17, 2013, number 161, in relation to the Initial Public Offering of the Company. 2. To reconfirm and approve the issuance of new shares from the portfolio of the Company of maximum 1.5% of the total issued and paid up capital of the Company or maximum 50,000,000 shares with a total nominal value of Rp5,000,000,000 as well as to approve the amendment to the Articles of Association of the Company in relation to the increase of the issued and paid up capital of the Company in conjunction with the implementation of the Management Stock Option Plan (MSOP). 3. Furthermore, for the implementation of each of the issuance of new shares in relation to the Management Stock Option Plan (MSOP), to give powers to the Board of Commissioners of the Company and/or the Board of Directors of the Company and/or the Corporate Secretary of the Company, to carry out all and any actions required, including but not limited to the following: a. To determine the definitive number of the newly issued shares and to determine the increase of the issued and paid up capital and to restate the Articles of Association of the Company in relation to the increase of the issued and paid up capital and to state the above in a notarial deed, including to state the composition of the shareholders in such deed (if required) and to submit for approval of and/or to notify the Minister of Laws and Human Rights and other relevant authorities. b. To register the shares issued in the Management Stock Option Plan (MSOP) on the Indonesia Stock Exchange with due observance to the prevailing capital market laws and regulations as well as to register such shares in the Collective Depository pursuant to the regulations of PT Kustodian Sentral Efek Indonesia as well as other prevailing laws and regulations for the abovementioned matters. c. To carry out all and any actions required pursuant to the prevailing laws and regulations.	Completed. In 2017, the Company opened two windows for the exercise of MSOP options, on May 3, 2017 and November 1, 2017.

The AGMS on May 24, 2017 was attended by the following:

Board of Directors:

- President Director : Mrs. Istini Tatiek Siddharta
- Director : Mr. Sucipto Maridjan
- Independent Director : Mr. Lucas Kurniawan
- Director : Mr. Handi B. Syarif
- Director : Mr. Sonny Sunjaya Sukada
- Director : Mr. Geetha Govindan

Board of Commissioners:

- President Commissioner (Independent) : Mr. Adrianto Machribie Reksohadiprodjo
- Independent Commissioner : Mr. Arifin Mohamad Siregar
- Commissioner : Mr. George Santosa Tahija
- Commissioner : Mr. Sjakon George Tahija
- Commissioner : Mr. Istama Tatang Siddharta
- Commissioner : Mr. Anastasius Wahyuhadi
- Independent Commissioner : Mr. Josep Kristiadi

Summary of the Resolutions of the EGMS Held on February 20, 2017

Agenda Item	EGMS Resolution	Implementation status
1	1. To approve the resignation of Mr. Ridha DM Wirakusumah as an Independent Commissioner of the Company, effective as of December 7, 2016 and to release and discharge Mr. Ridha DM Wirakusumah from his responsibility during his term of office, provided that his supervision of the Company complies with the Articles of Association of the Company, prevailing laws and regulations, including but not limited to Law No. 40 of 2007 regarding Limited Liability Company. 2. To approve the appointment of Mr. Darwin Cyril Noerhadi as an Independent Commissioner of the Company, effective as of the closing this Meeting until the closing of the Annual General Meeting of Shareholders in 2021. 3. To state and to stipulate the composition of the Board of Commissioners and the Board of Directors of the Company as of the closing of the Meeting: **Board of Commissioners:** President Commissioner (Independent) : Mr. Adrianto Machribie Reksohadiprodjo Independent Commissioner : Mr. Arifin Mohamad Siregar Commissioner : Mr. George Santosa Tahija Commissioner : Mr. Sjakon George Tahija Commissioner : Mr. Istama Tatang Siddharta Commissioner : Mr. Anastasius Wahyuhadi Independent Commissioner : Mr. Josep Kristiadi Independent Commissioner : Mr. Darwin Cyril Noerhadi **Board of Directors:** President Director : Mrs. Istini Tatiek Siddharta Independent Director : Mr. Lucas Kurniawan Director : Mr. Sucipto Maridjan Director : Mr. Handi Belamande Syarif Director : Mr. Sonny Sunjaya Sukada Director : Mr. Geetha Govindan The term of office of the Board of Commissioners and the Board of Directors is until the closing of the Annual General Meeting of Shareholders in 2020, except that the term of office of Mr. Lucas Kurniawan as an Independent Director is until the closing of the Annual General Meeting of Shareholders of the Company in 2017 and the term of office of Mr. Darwin Cyril Noerhadi as an Independent Commissioner is until the closing of the Annual General Meeting of Shareholders of the Company in 2021. 4. To give authorities and powers to the Board of Directors of the Company and/or the Corporate Secretary of the Company, with the right of substitution, to state the composition of the Board of Commissioners and the Board of Directors of the Company in a notarial deed and to notify the relevant authorities as well as to carry out all and any actions required in relation to such resolutions in accordance with the prevailing laws and regulations.	Completed

The EGMS on February 20, 2017 was attended by the following:

Board of Directors:
- President Director : Mrs. Istini Tatiek Siddharta
- Director : Mr. Sucipto Maridjan
- Independent Director : Mr. Lucas Kurniawan
- Director : Mr. Handi B. Syarif
- Director : Mr. Sonny Sunjaya Sukada
- Director : Mr. Geetha Govindan

Board of Commissioners:
- President Commissioner (Independent) : Mr. Adrianto Machribie Reksohadiprodjo
- Independent Commissioner : Mr. Arifin Mohamad Siregar
- Commissioner : Mr. George Santosa Tahija
- Commissioner : Mr. Sjakon George Tahija
- Commissioner : Mr. Istama Tatang Siddharta
- Commissioner : Mr. Anastasius Wahyuhadi
- Independent Commissioner : Mr. Josep Kristiadi
- Independent Commissioner : Mr. Ridha DM Wirakusumah

Summary of the Resolutions of the EGMS Held on November 14, 2017

Agenda Item	EGMS Resolution	Implementation status
1	1. To approve the resignation of Mr. Handi Belamande Syarif as a Director of the Company, effective as of September 7, 2017 and to release and discharge Mr. Handi Belamande Syarif from his responsibility during his term of office, provided that his management of the Company complies with the Articles of Association of the Company, prevailing laws and regulations, including but not limited to Law No. 40 of 2007 regarding Limited Liability Company. 2. To state and to stipulate the composition of the Board of Commissioners and the Board of Directors of the Company as of the closing of the Meeting: **Board of Commissioners:** President Commissioner (Independent) : Mr. Adrianto Machribie Reksohadiprodjo Independent Commissioner : Mr. Arifin Mohamad Siregar Commissioner : Mr. George Santosa Tahija Commissioner : Mr. Sjakon George Tahija Commissioner : Mr. Istama Tatang Siddharta Commissioner : Mr. Anastasius Wahyuhadi Independent Commissioner : Mr. Josep Kristiadi Independent Commissioner : Mr. Darwin Cyril Noerhadi **Board of Directors:** President Director : Mrs. Istini Tatiek Siddharta Independent Director : Mr. Lucas Kurniawan Director : Mr. Geetha Govindan Director : Mr. Sonny Sunjaya Sukada Director : Mr. Naga Waskita The term of office of the Board of Commissioners and the Board of Directors is until the closing of the Annual General Meeting of Shareholders in 2020, except that the term of office of Mr. Darwin Cyril Noerhadi as an Independent Commissioner is until the closing of the Annual General Meeting of Shareholders of the Company in 2021 and the term of office of Mr. Lucas Kurniawan as an Independent Director and Mr. Naga Waskita as a Director is until the closing of the Annual General Meeting of Shareholders of the Company in 2022. 3. To give authorities and powers to the Board of Directors of the Company and/or Mr. Naga Waskita, with the right of substitution, to state the composition of the Board of Commissioners and the Board of Directors of the Company in a notarial deed and to notify the relevant authorities as well as to carry out all and any actions required in relation to such resolutions in accordance with the prevailing laws and regulations.	Completed

The EGMS on November 14, 2017 was attended by the following:

Board of Directors
- President Director : Mrs. Istini Tatiek Siddharta
- Director : Mr. Geetha Govindan
- Independent Director : Mr. Lucas Kurniawan
- Director : Mr. Handi Belamande Syarif
- Director : Mr. Sonny Sunjaya Sukada
- Director : Mr. Naga Waskita

Board of Commissioners
- President Commissioner (Independent) : Mr. Adrianto Machribie Reksohadiprodjo
- Independent Commissioner : Mr. Arifin Mohamad Siregar
- Commissioner : Mr. George Santosa Tahija
- Commissioner : Mr. Sjakon George Tahija
- Commissioner : Mr. Istama Tatang Siddharta
- Commissioner : Mr. Anastasius Wahyuhadi
- Independent Commissioner : Mr. Josep Kristiadi

The Board of Commissioners (BoC)

The Board of Commissioners is responsible for supervising the management of the Company and advising the Board of Directors. The scope of this responsibility includes ensuring that the Board of Directors' strategies, policies and actions are in accordance with the provisions of the Company's Articles of Association, its Code of Ethics and the prevailing laws and regulations. The Board of Commissioners is also responsible for monitoring the implementation of good corporate governance at all levels of the Company.

Duties and Responsibilities of the Board of Commissioners

The duties of the Board of Commissioners, as stated in the Board of Commissioners' Charter, are as follows:

1. to carry out the supervision and to be responsible for the supervision of the management of the Company or the business of the Company and to provide advice to the Board of Directors.
2. to approve the annual working plan of the Company at the latest before the commencement of a new financial year.
3. to carry out duties specifically designated to it pursuant to the Articles of Association, the prevailing laws and regulations and/or the resolutions of the GMS.
4. to carry out duties, powers and responsibilities in accordance with the Articles of Association of the Company and the resolutions of the GMS.
5. to examine and review the annual report prepared by the Board of Directors and to sign such annual report.
6. to obey the Articles of Association and the laws and regulations as well as to implement principles of professionalism, efficiency, transparency, independency, accountability and appropriateness.

With regard to those duties, the Board of Commissioners has the following obligations:

1. to supervise the implementation of the annual working plan of the Company.
2. to keep updated with the activities of the Company and in the event the Company shows indications of major impediments, to immediately report to the GMS together with advice on rectification.
3. to provide opinions and advice to the GMS regarding any matter deemed pivotal for the management of the Company.
4. to carry out other supervision duties as determined by the GMS.
5. to provide inputs on the regular reports of the Board of Directors and to provide inputs at any time relating to the development of the Company.

Board of Commissioners' Charter

The Board of Commissioners' Charter defines the duties and responsibilities, values, membership and the rules of procedure of the Board of Commissioners. The charter was drawn up pursuant to the Company's Articles of Association and relevant laws and regulations and is periodically reviewed and updated. The charter is available on ANJ's website at www.anj-group.com/en/boc/index.

Appointment, Dismissal and Term of Office of the Board of Commissioners

The Articles of Association specify that the Board of Commissioners must consist of at least two members, one of whom is to be appointed as the President Commissioner. Commissioners are appointed by the shareholders, upon the recommendations of the Company's Nomination and Remuneration Committee, at a general meeting of shareholders.

A Commissioner's term runs until the fifth AGM following his or her appointment. However, the general meeting of shareholders reserves the right to dismiss a Commissioner during his or her term of office or to re-appoint a Commissioner whose term of office has expired.

Independent Commissioners

Number of Independent Commissioners

In 2018, the Company had four Independent Commissioners, including the President Commissioner, out of a total of eight commissioners. With 50% of the Board being independent, the Company has satisfied the provisions of OJK Regulation No.33/POJK.04/2014 stating that more than 30% of the members of the Board of Commissioners must be independent.

Criteria for Independent Commissioners

The criteria for the appointment of the Company's Independent Commissioners below are aligned with the provisions of OJK Regulation No.33/POJK.04/2014:

1. Has not worked for, or had any authority or responsibility for planning, leading, controlling, or supervising the

activities of the Company within the 6 months prior to his/her appointment, except in the case of independent commissioners who are being reappointed;
2. Does not hold any shares in the Company;
3. Does not have any affiliation with the Company or its majority shareholders or any of the members of the Boards of Commissioners or Directors;
4. Does not have any business relationship, either directly or indirectly, that is related to the Company's business activities.

Independence Statement
Each Independent Commissioner satisfies the appointment criteria above and has made a statement declaring their independence, in compliance with the provisions of OJK Regulation No.33/POJK.04/2014.

Orientation for New Members of the Board of Commissioners

The Corporate Secretary facilitates a comprehensive orientation for each new Commissioner, covering the Company, its business, the operating environment and their duties and responsibilities. No new Commissioners were appointed in 2018, thus no orientations were held.

Composition of the Board of Commissioners

The current Board members were stated pursuant to Notarial Deed No. 61 dated May 14, 2018. The notification of the change in the Company's data was received and recorded by the Ministry of Law and Human Rights (MOLHR) through Letter AHU-AH.01.03-0211996 dated June 4, 2018.

The composition of the Board of Commissioners as at December 31, 2018, is shown in the table below.

Board of Commissioners 2018

Name	Position	Term started	Term ends	Independent
Adrianto Machribie	President Commissioner	2015	2020	✓
Arifin Mohamad Siregar	Commissioner	2015	2020	✓
George Santosa Tahija	Commissioner	2015	2020	
Sjakon George Tahija	Commissioner	2015	2020	
Istama Tatang Siddharta	Commissioner	2015	2020	
Anastasius Wahyuhadi	Commissioner	2015	2020	
Josep Kristiadi	Commissioner	2015	2020	✓
Darwin Cyril Noerhadi	Commissioner	2017	2021	✓

Brief profiles of the members of the Board of Commissioners can be seen on page 42 of this Annual Report.

Meetings of the Board of Commissioners

As specified in the Charter, the Board of Commissioners must meet at least once every two months. These meetings are scheduled in advance. Additional meetings may be held if requested by one or more members of the Board, by the Board of Directors, or by one or more of the shareholders jointly representing at least 10% of the total number of shares with valid voting rights.

A meeting of the Board is valid and may take binding decisions if more than one half of its members are present or represented in the meeting. Resolutions are adopted by consensus, but if a consensus cannot be reached, a resolution may be passed by the affirmative votes of more than one half of the total number of votes validly exercised in the meeting. Each member of the Board has equal voting rights and is entitled to cast one vote and up to one additional vote for another member whom he or she may be representing.

In the year ended December 31, 2018, Board of Commissioners held six meetings.

Board of Commissioners' Meetings in 2018

Name	Position	1 12-Feb-2018	2 03-Apr-2018	3 14-May-2018	4 14-Aug-2018	5 03-Oct-2018	6 19-Nov-2018	Number of Meetings	Number Attended	Attendance Percentage
Adrianto Machribie	President Commissioner (Independent)	✓	✓	✓	✓	✓	✓	6	6	100%
Arifin Mohamad Siregar	Independent Commissioner	✓	✓	✓	✓	✓	✓	6	6	100%
George Santosa Tahija	Commissioner	✓	✓	✓	✓	✓	✓	6	6	100%
Sjakon George Tahija	Commissioner	✓	✓	✓	✓	✓	✓	6	6	100%
Istama Tatang Siddharta	Commissioner	✓	✓	✓	✓	✓	✓	6	6	100%
Anastasius Wahyuhadi	Commissioner	✓	✓	✓	✓	✓	✓	6	6	100%
Josep Kristiadi	Independent Commissioner	✓	✓	✓	✓	✓	✓	6	6	100%
Darwin Cyril Noerhadi	Independent Commissioner	✓	✓	✓	✓	✓	✓	6	6	100%

BOC Meeting Agendas

The agendas included the Company's operational and financial performance, risk and compliance updates and other matters.

Date	Agenda
February 12, 2018	1. Update from the Risk Management Committee. 2. Update from the Audit Committee. 3. Update from the CSR and Sustainability Committee. 4. Update from the Nomination and Remuneration Committee
April 11, 2018	1. Update from the Risk Management Committee. 2. Update from the Audit Committee. 3. Update from the CSR and Sustainability Committee. 4. Update from the Nomination and Remuneration Committee
May 14, 2018	1. Update from the Risk Management Committee. 2. Update from the Audit Committee. 3. Update from the CSR and Sustainability Committee. 4. Update from the Nomination and Remuneration Committee.

Date	Agenda
August 14, 2018	1. Update from the Risk Management Committee. 2. Update from the Audit Committee. 3. Update from the CSR and Sustainability Committee. 4. Update from the Nomination and Remuneration Committee.
October 13, 2018	1. Strategic Plan 2. Update from the Risk Management Committee. 3. Update from the Audit Committee. 4. Update from the CSR and Sustainability Committee. 5. Update from the Nomination and Remuneration Committee..
November 19, 2018	1. Update from the Risk Management Committee. 2. Update from the Audit Committee. 3. Update from the CSR and Sustainability Committee. 4. Update from the Nomination and Remuneration Committee.

Competency Development for the Board of Commissioners

Details of the competency development undertaken by members of the Board of Commissioners in 2018 are provided on page 65 of this Annual Report.

Performance Evaluation of Committees below the Board of Commissioners

The Board of Commissioners supervises four committees, namely the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Corporate Social Responsibility and Sustainability Committee. These Committees support the Board's oversight function.

Evaluation Criteria

The Board of Commissioners makes an annual evaluation of the performance of its supporting committees against the objectives in their respective annual workplans. These objectives are linked to the duties and responsibilities of each Committee.

Evaluation Results in 2018

All the committees completed their respective work programs and reported their findings, opinions and recommendations to the Board. Their input played a valuable role in the application and strengthening of good corporate governance across the business. The Board of Commissioners is therefore of the opinion that all the committees discharged their duties and responsibilities effectively in 2018.

Remuneration of the Board of Commissioners

The policy and procedures for determining the remuneration of the Board of Commissioners are presented on page 116 of this Annual Report.

The Board of Directors (BoD)

The Board of Directors is collectively responsible for managing the Company's interests and objectives in pursuit of its vision and mission and in accordance with the Articles of Association and the prevailing laws and regulations.

Duties and Responsibilities of the Board of Directors

Members of the Board of Directors are jointly and severally liable for the Board's actions. They are responsible for the management of the Company for the interest of the Company in accordance with the purpose and objectives of the Company, the Articles of Association of the Company, the prevailing laws and regulations and the principles of good corporate governance. The Board of Directors is accountable to the shareholders through the GMS.

The Board of Directors is entitled to consult and seek advice from the Board of Commissioners at any time. If the Board of Directors does not share the view of the Board of Commissioners on its advice or recommendations, the two boards will discuss the matter together.

The Directors who are entitled and empowered to act for and on behalf of the Board of Directors and represent the Company are the President Director together with a Director who is responsible for a subject under his/her authority, or a Deputy President Director together with a Director who is responsible for a subject under his/her authority.

The main duties of the Board of Directors are as follows:

1. to lead, manage and direct the Company in line with the objectives of the Company and to continuously improve the efficiency and effectiveness of the Company.
2. to control, maintain and manage the assets of the Company.
3. to draw up annual working plan comprising the annual budget of the Company, which shall be delivered to the Board of Commissioners for its approval prior to the commencement of the relevant financial year.

In addition, each member of the Board of Directors has specific duties and responsibilities which are specified in their respective job descriptions. These are as follows:

President Director: Co-ordinates, supervises and leads the Company's management and ensures that all the Company's business activities are executed in accordance with the vision, mission and values of the Company; monitors and reviews the Company's risk management, internal control system, corporate governance for the interests of the minority shareholders and other stakeholders and compliance with regulations; and leads the Legal, Human Resources, Engineering and Corporate Communication departments.

Independent/Finance Director: Leads the Finance department to ensure that the Company complies with all reporting, accounting and audit requirements imposed by capital market regulations and prepares an annual budget, other budgets and financial plans of the Company; and leads the Business Development, Business Process, Investor Relations, Information & Communication Technology and Supply Chain Management departments.

Sustainability Director: Plans, coordinates, directs, controls, implements and evaluates operational tasks with respect to Community Involvement and Development, Conservation and Sustainability Compliance and Stakeholder Relations.

Operations Director: Plans, coordinates, directs, controls, implements and evaluates agronomic aspects and overall operational processes of our agribusinesses.

Legal Director: Plans, coordinates, directs, controls, implements and evaluates matters related to legal affairs, as well as licensing and permits. He is also responsible for the Corporate Secretary function in addition for goverment relations for region 1 & 2.

Actions Requiring Board of Commissioners' Approval

The Board of Directors has the general authority to carry out corporate actions for and on behalf of the Company. However, they must seek the prior approval of the Board of Commissioners for certain corporate actions, including:

- The acquisition of a new business;
- Approval of any subsidiary's acquisition of a new business;

- The acquisition or sale of assets or properties representing more than 5% of the Company's total assets;
- Approval of the acquisition of new assets or properties by a subsidiary;
- Approval of the transfer or encumbrance of more than 50% of the total net assets or property of a subsidiary;
- Changes in the Company's business plan or budget;
- Approval of any change in the annual business plan and/or budget of a subsidiary;
- Approval of the appointment and dismissal of any member of a subsidiary's Board of Directors or Commissioners or its auditor;
- Incurrence of operating expenditures or indebtedness from a bank;
- Entry into any material contract other than in the ordinary course of business;
- Entry into an agreement with a director, commissioner or shareholder of the Company (or their affiliates) other than on bona fide arms-length terms;
- Approval of any amendment to a subsidiary's articles of association or other constitutional documents, or a merger, acquisition, consolidation and spin-off of a subsidiary, or a bankruptcy, liquidation, winding up or dissolution of a subsidiary.

Oversight of ANJ's Subsidiaries

ANJ's governance structure ensures very strong oversight across the Group by virtue of the fact that, to the extent permitted by prevailing laws and regulations, one or more directors of the Company serve on the Boards of Commissioners of each of the Company's key subsidiaries and each subsidiary has at least one director of the Company serving on its board of directors (for full details of commissioners and directors of ANJ Group subsidiaries, please see pages 57 of this Report). ANJ's Board of Directors thus has direct oversight over each of the Company's subsidiaries and the material actions they take.

Board of Directors' Charter

The duties and responsibilities of the Board of Directors are defined in the Board of Directors' Charter, which is aligned with the prevailing laws and regulations and is periodically reviewed and updated. The Charter is available on ANJ's website at www.anjgroup.com/en/bod/index.

Appointment, Dismissal and Term of Office of the Board of Directors

The Articles of Association state that the Board of Directors must comprise a President Director and at least one Director. Directors are appointed by the shareholders at a General Meeting of Shareholders based on the recommendations of the Nomination and Remuneration Committee.

The Directors are appointed for a term that runs until the fifth AGM following his or her appointment and may be reappointed for a further term. However, the General Meeting of Shareholders reserves the right to dismiss a Director at any time during his or her term of office.

Independent Director

In compliance with IDX Rule No I-A KEP-00001/BEI/01-2014 dated January 20, 2014 stating that at least one of the members of a Company's Board of Directors must be independent, ANJ has one Independent Director out of a total of four Directors.

Orientation for New Members of the Board of Directors

Newly appointed Directors are given a comprehensive orientation to the Company, facilitated by the Corporate Secretary. This covers the Company, its business, the operating environment and their duties and responsibilities. However, as no new Directors were appointed in 2018, no orientations were held.

Composition of the Board of Directors

The composition of the Board of Directors as at December 31, 2018 is shown in the table below. The legal basis for the appointment of the current Board is Notarial Deed No. 61 dated May 14, 2018. The notification of the change in the Company's data was received and recorded by the Ministry of Law and Human Rights (MOLHR) through Letter No. AHU-AH.01.03-0211996 dated June 4, 2018.

Board of Directors 2018				
Name	**Position**	**Term started**	**Term ends**	**Independent**
Istini Tatiek Siddharta	President Director	2016	2020	
Lucas Kurniawan	Director	2017	2022	✓
Geetha Govindan	Director	2015	2020	
Naga Waskita	Director	2017	2022	

Meetings of the Board of Directors

The Board of Directors meets at least once every month, as specified by OJK Regulation No.33/POJK.04/2014 and the Board Charter. These meetings are scheduled in advance. Additional meetings may be convened at the request of one or more members of the Board, the Board of Commissioners or one or more of the shareholders who jointly represent at least 10% of the total number of shares with valid voting rights. Directors of the Company's subsidiaries and other interested parties may be invited to the Board meetings.

A Board meeting is considered valid and may take binding decisions if more than half of the Board members are present or represented in the meeting. Resolutions should be adopted by consensus, but may be passed by the affirmative votes of more than half of the total number of votes validly exercised in the meeting, in the event that a consensus cannot be reached. Each Board member has equal voting rights and is entitled to cast one vote and up to one additional vote for another member he or she is representing.

The Board of Directors held the following meetings in 2018:

- Meeting A: Combined meetings with the Board of Commissioners, at least once every three months. There were four of these meetings in 2018.
- Meeting B: Meetings of the Board of Directors, at least every two weeks where possible. Directors of the Company's subsidiaries and other invitees may also attend these meetings. In 2018 there were a total of 23 Board of Directors' meetings.

Meeting A in 2018								
Name	**Position**	**1 Feb 12, 2018**	**2 May 14, 2018**	**3 Aug 14 , 2018**	**4 Nov 19, 2018**	**Number Attended**	**Number of Meetings**	**Attendance Percentage**
Istini Tatiek Siddharta	President Director	✓	✓	✓	✓	4	4	100%
Lucas Kurniawan	Independent Director	✓	✓	✓	✓	4	4	100%
Sonny Sunjaya Sukada*	Director	✓	-	-	-	1	1	100%
Geetha Govindan	Director	✓	✓	✓	✓	4	4	100%
Naga Waskita	Director	✓	✓	✓	✓	4	4	100%
Adrianto Machribie	President Commissioner (Independent)	✓	✓	✓	✓	4	4	100%
Arifin Mohamad Siregar	Independent Commissioner	✓	✓	✓	✓	4	4	75%
George Santosa Tahija	Commissioner	✓	✓	✓	✓	4	4	100%
Sjakon George Tahija	Commissioner	✓	✓	✓	✓	4	4	100%
Istama Tatang Siddharta	Commissioner	✓	✓	✓	✓	4	4	75%
Anastasius Wahyuhadi	Commissioner	✓	✓	✓	✓	4	4	100%
Josep Kristiadi	Independent Commissioner	✓	✓	✓	✓	4	4	100%
Darwin Cyril Noerhadi	Independent Commissioner	✓	✓	✓	✓	4	4	100%

*until February 28, 2018

Joint Board Meeting Agendas

The agendas covered the Company's strategies, recent market and industry developments and risk and governance, among other matters.

Date	Agenda
February 12, 2018	1. Significant Event and Highlight of ANJ for Q4 2017 2. ANJ's Consolidated Financial Performance for Q4 2017 3. Acquisition Analysis on Excess Capital scenario and PWS Preliminary DD 4. ANJ Office 2019 5. Plasma Concept for ANJ Palm Oil in Papua
May 14, 2018	1. Significant event and highlight of ANJ for Q1 2018 2. ANJ's Consolidated financial performance for Q1 2018 and unbudgeted item 2018 3. ANJ's Sago decision criteria and timeline. 4. Compensation approach on Jamarema jetty area and Tatakera crossing bridge 5. ANJ kitchen lab concept and proposal.
August 14, 2018	1. Significant event and highlight of ANJ for Q2 2018 2. ANJ's Consolidated financial performance Q2 2018 and budget assumption 2019. 3. Summary of ANJ's strategic plan 2019-2023 4. Responsible development projects of ANJ.
November 19, 2018	1. Significant event and highlight of ANJ for Q3 2018 2. ANJ's Consolidated financial performance Q3 2018 and BE 2018. 3. Budget proposal for the year 2019 - Palm oil segment. - Others: sago segment and edamame segment. - Consolidated ANJ Group.

Meeting B in 2018

Name	Position	Number Attended	Number of Meetings	Attendance Percentage
Istini Tatiek Siddharta	President Director	23	23	100%
Lucas Kurniawan	Independent Director	23	23	100%
Sonny Sunjaya Sukada*	Director	1	3	33%
Geetha Govindan	Director	23	23	100%
Naga Waskita	Director	23	23	100%

*until February 28, 2018

Competency Development of the Board of Directors

Details of the Board of Directors' training and competency development in 2018 are presented on page 65 in the Company Profile section of this Annual Report.

Remuneration of the Board of Commissioners and Board of Directors

Remuneration Policy

Members of the Board of Commissioners is entitled to a monthly honorarium, while members of the Board of Directors are entitled to compensation consisting of a basic salary, performance bonus, allowances and benefits. Directors also receive management stock options. All Commissioners and Directors are also covered by liability insurance.

The amount of the remuneration for both the Commissioners and the Directors is determined by the shareholders at a general meeting of shareholders, based on the recommendation of the Nomination and Remuneration Committee.

Procedure for Determining the Remuneration Amount in 2018

1. The Nomination and Remuneration Committee reviewed the amount and structure of the compensation received by the Board of Commissioners and Board of Directors in the current year.
2. The Committee formulated recommendations on the remuneration amount for the following year, taking into consideration the criteria below.

Basis for Determining Remuneration Amount

Board of Directors

The remuneration received by the Directors is based on the achievement of the Company's performance targets. The Nomination and Remuneration Committee takes the following factors into consideration in determining the remuneration amount, such as:

- Financial performance, particularly the level of Economic Value Added (EVA);
- Achievement against corporate Key Performance Indicators (KPIs), including the area planted and other non-financial indicators such as the Board's leadership in developing and improving the internal structures and organisation of the Company and its subsidiaries and their performance on guiding the Company towards its strategic objectives.
- Individual performance, as assessed by the Nomination and Remuneration Committee on the basis of the Board's self-assessment;
- Benchmarking against the compensation offered by peer companies;
- Consideration of the Company's long-term goals and objectives, including strategic development.

Board of Commissioners

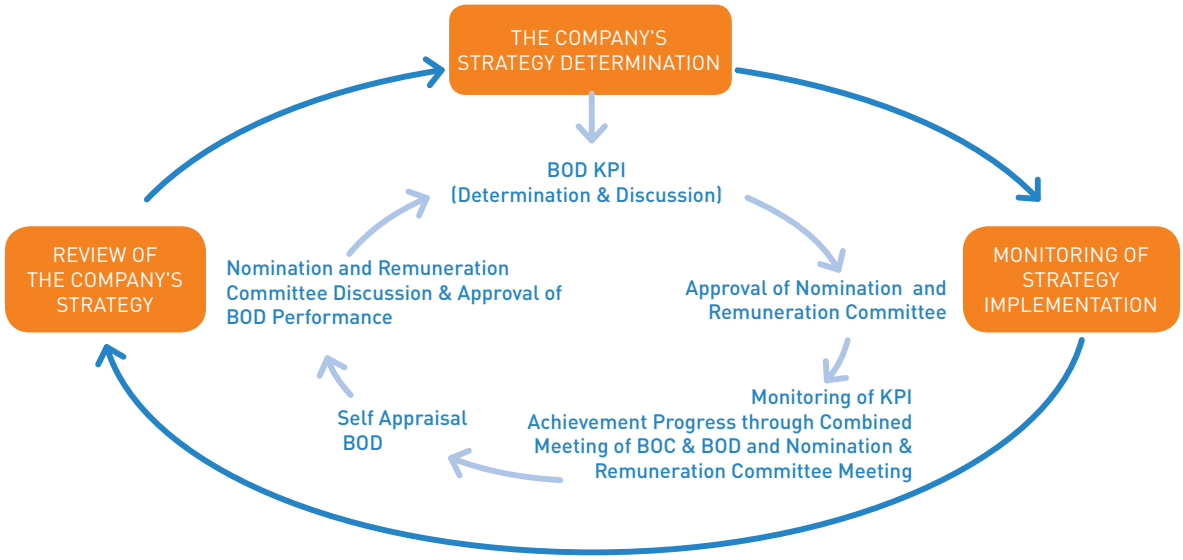
In determining the amount of the remuneration for the Commissioners, the Nomination and Remuneration Committee takes into account the market rates for such positions and the participation of individual commissioners in the various committees under the Board of Commissioners.

Remuneration Amount in 2018

In 2018, the amount of remuneration received by members of the Board of Commissioners and the Board of Directors amounted to USD 737,822 and USD 2,596,028 respectively.

Performance Assessment of the Board of Commissioners and Board of Directors

The collective performance of the Board of Commissioners and Board of Directors is evaluated every year by the Annual General Meeting of Shareholders based on their annual reports. Both Boards also undertake an annual self-assessment of their performance. In 2018, no external parties were appointed to evaluate the performance of either the Board of Commissioners or the Board of Directors.



Performance Assessment Procedure and Criteria

1. Every year, the Boards of Commissioners and Board of Directors are allocated KPIs based on the corporate strategy and implementation plan. Each member also assumes responsibility for at least one of the corporate KPIs for responsible development.
2. At the end of the appraisal period, each Board member evaluates their performance against their respective KPIs through a self-assessment.
3. The results are verified by the President Commissioner and President Director and further discussed with the Nomination and Remuneration Committee.
4. The Nomination and Remuneration Committee takes the results into consideration when making recommendations on the remuneration for the Directors. The Committee also provides guidance on improvement and competency development on the basis of the self-assessment results.

Assessing Parties

The Boards' performance is evaluated by:

- The Board members themselves through a self-assessment process;
- The President Commissioner, President Director and the Nomination and Remuneration Committee, through their verification of the self-assessment results;
- The shareholders at the AGMS.

Majority and Controlling Shareholders

The Company's majority and controlling shareholders are PT Austindo Kencana Jaya, which holds 40.85% of the shares and whose President Director is Mr. Sjakon George Tahija and PT Memimpin Dengan Nurani, which also holds 40.85% of the shares and whose President Director is Mr. George Santosa Tahija.

PT Austindo Kencana Jaya is 100% owned by Mr. Sjakon George Tahija and members of his family, while PT Memimpin Dengan Nurani is 100% owned by Mr. George Santosa Tahija and members of his family.

A chart showing the majority and controlling shareholders and individual shareholders of the Company is presented in the Company Profile section on page 53 of this Report.

Company Profile of PT Memimpin Dengan Nurani (MDN)

MDN is a holding company that was established in 2012 and has interests in the Service Provider and Trade sectors. MDN engages in the following business activities:

1. Engages in business:
   - Services in general
   - Consultancy services
2. Engages in business:
   - Trade in general
   - Export and import
   - Local (domestic) wholesaler
   - Vendor, Supplier, Purveyor and Commission house
   - Distributor, Agent and as a representative corporate entities.

Board Composition

As of December 31, 2018, the composition of the Board of Commissioners and Board of Directors was as follows:

Board of Commissioners

President Commissioner : Laurel Claire Pekar Tahija
Commissioner : Istini Tatiek Siddharta

Board of Directors

President Director : George Santosa Tahija
Director : Sonny Susanto

The membership above was appointed pursuant to Deed No. 851 dated January 12, 2017.

Shareholders Structure

Pursuant to Deed No. 76 dated August 30, 2012, the shareholders composition are as follows:

Share	Par value Rp1,000,000 per share		
	Total Shares	Total Par Value (Rp)	(%)
Authorized capital	680,000	680,000,000,000	
Issued and paid-up capital			
George Santosa Tahija	85,505	85,505,000,000	50.00
Laurel Claire Pekar Tahija	85,502	85,502,000,000	49.9982
Julia Pratiwi Tahija	3	3,000,000	0.0018
Total issued and paid-up capital	**171,010**	**171,010,000,000**	**100.00**
Unissued capital	**508,990**	**508,990,000,000**	

Company Profile of PT Austindo Kencana Jaya (AKJ)

AKJ is a holding company that was established in 2012 and has interests in the Service Provider and Trade sectors. More specifically, AKJ engages in the following business activities:

1. Engages in business:
   - Services in general
   - Consultancy services
2. Engages in business:
   - Trade in general
   - Export and import
   - Local (domestic) wholesaler
   - Vendor, Supplier, Purveyor and Commission house
   - Distributor, Agent and as a representative corporate entity.

Board Composition

As of December 31, 2018, the composition of the Board of Commissioners and Board of Directors was as follows:

Board of Commissioners

President Commissioner : Shelley Laksman Tahija
Commissioner : George Santosa Tahija
Commissioner : Istini Tatiek Siddharta

Board of Directors

President Director : Sjakon George Tahija
Director : Sonny Susanto

The membership above was appointed pursuant to Deed No. 144 dated December 6, 2017.

Shareholders Structure

Pursuant to Deed No. 130 dated September 27, 2012, the shareholders composition are as follows:

Share	Par value Rp1,000,000 per share		
	Total Shares	Total Par Value (Rp)	(%)
Authorized capital	800,000	800,000,000,000	
Issued and paid-up capital			
Sjakon George Tahija	172,883	172,883,000,000	75.00
Shelley Laksman Tahija	23,052	23,052,000,000	10.00
Cynthia Jean Tahija	11,525	11,525,000,000	5.00
Krisna Arinanda Tahija	11,525	11,525,000,000	5.00
Nina Aryana Tahija	11,525	11,525,000,000	5.00
Total issued and paid-up capital	**230,510**	**230,510,000,000**	**100.00**
Unissued capital	**569,490**	**569,490,000,000**	

Affiliations Between the Board of Commissioners, Board of Directors and Controlling Shareholders

The affiliate relationships between members of the Board of Directors, Board of Commissioners and the Controlling Shareholders described below. All such relationships comply with OJK regulations.

1. There are no affiliations between any members of the Board of Directors.
2. Affiliations between members of the Board of Directors and members of the Board of Commissioners:
   - President Director Mrs. Istini Tatiek Siddharta is a sister of Mr. Istama Tatiek Siddharta, who serves as a Commissioner of the Company.
3. Affiliations between the members of the Board of Directors and majority shareholders:
   - President Director Mrs. Istini Tatiek Siddharta is a Commissioner of PT Austindo Kencana Jaya and PT Memimpin Dengan Nurani, which are both majority shareholders of the Company.
4. Affiliations between members of the Board of Commissioners and majority shareholders:
   - Commissioner Mr. George Santosa Tahija is the President Director and majority shareholder of PT Memimpin Dengan Nurani. He is also a Commissioner PT Austindo Kencana Jaya.
   - Commissioner Mr. Sjakon George Tahija is the President Director and majority shareholder in PT Austindo Kencana Jaya.
5. Affiliations among members of the Board of Commissioners:
   - Commissioners Mr. George Santosa Tahija and Mr. Sjakon George Tahija are brothers.

	Name	BOARD OF COMMISSIONERS								BOARD OF DIRECTORS					CONTROLLING SHAREHOLDERS	
		Adrianto Machribie	Arifin Mohamad Siregar	George Santosa Tahija	Sjakon George Tahija	Istama Tatang Siddharta	Anastasius Wahyuhadi	Josep Kristiadi	Darwin Cyril Noerhadi	Istini Tatiek Siddharta	Lucas Kurniawan	Sonny Sunjaya Sukada	Geetha Govindan	Naga Waskita	PT Austindo Kencana Jaya	PT Memimpin Dengan Nurani
BOARD OF COMMISSIONERS	Adrianto Machribie															
	Arifin Mohamad Siregar															
	George Santosa Tahija				✓											✓
	Sjakon George Tahija			✓											✓	
	Istama Tatang Siddharta									✓						
	Anastasius Wahyuhadi															
	Josep Kristiadi															
	Darwin Cyril Noerhadi															
BOARD OF DIRECTORS	Istini Tatiek Siddharta					✓									✓	✓
	Lucas Kurniawan															
	Sonny Sunjaya Sukada															
	Geetha Govindan															
	Naga Waskita															
CONTROLLING SHAREHOLDERS	PT Austindo Kencana Jaya				✓					✓						
	PT Memimpin Dengan Nurani			✓						✓						

Committees under the Board of Commissioners

The Board of Commissioners has established **four committees to support its oversight responsibilities.** These are **the Audit Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Corporate Social Responsibility and Sustainability Committee.** In compliance with Company policy, all these committees operate independently.

Audit Committee from left to right:
Danrivanto Budhijanto, Muljawati Chitro, Darwin Cyril Noerhadi

Audit Committee

The Audit Committee assists the Board of Commissioners by reviewing the quality and integrity of financial disclosures, overseeing the effectiveness of the Company's internal control and risk management systems and overseeing. The legal basis for the Audit Committee is OJK Regulation No. 55/POJK.04/2015 dated December 23, 2015 concerning the Establishment and Working Guidelines of Audit Committees and Resolution of the Board of Commissioners No. 04/BOC/ANJ/GEN/2017 dated February 20, 2017.

Audit Committee Composition as at December 31, 2018

Name	Position	Basis of Appointment	Period
Darwin Cyril Noerhadi	Chairman (from Feb 20, 2017)	BoC Resolution No.04/BOC/ANJ/ GEN/2017 dated February 20, 2017	2017-2021
Muljawati Chitro	Member	BoC Resolution No.001/ ANJ/2013 dated February 6, 2013	2013-2020
Danrivanto Budhijanto	Member	BoC Resolution No.001/ANJ/2013 dated February 6, 2013	2013-2020

Darwin Cyril Noerhadi

Dr. Noerhadi has been the chairman of the Audit Committee since February 20, 2017, pursuant to Resolution of the Board of Commissioners No. 04/BOC/ANJ/GEN/2017 dated February 20, 2017 and is an Independent Commissioner of the Company. His profile can be seen in the Commissioners' profiles on page 45 of this Annual Report.

Muljawati Chitro

Indonesian citizen, born in Jakarta in 1967 (aged 52).

Experience: Ms Chitro was appointed to ANJ's Audit Committee in 2013. She is currently a partner in public accounting firm Muljawati, Rini & Partner (since 2000) and a member of the audit committee at PT Asuransi Wana Artha (since 2011) and at PT Samudera Indonesia Tbk (since 2009). Previously, she served on the audit committees at PT Asuransi Bintang Tbk. (2005-2010), PT Century Textile Industry Tbk. (2002-2008) and PT Metrodata Tbk. (2002-2003). She was an Associate Partner at public accountants Siddharta, Siddharta & Widjaja from 1988 to 2000. Since 2005, she has been on the Education Committee at the Indonesian Institute of Public Accountants.

Education: Ms Chitro holds a degree in economics from Atma Jaya University (1990) and a master's degree in finance from PPM School of Management (2002).

Basis of appointment as a member: Resolution of the Board of Commissioners No.001/ANJ/2013 dated February 6, 2013.

Danrivanto Budhijanto

Indonesian citizen, born in Cimahi in 1971 (aged 47).

Experience: Mr Budhijanto was appointed to ANJ's Audit Committee in 2013. His other current positions include arbitrator (FCBArb.) at the Indonesian National Board of Arbitration since 2010, lecturer in the graduate program at Padjadjaran University in Bandung since 2003 and lecturer in the same university's law faculty since 1998. Prior to that, he was a member of the telecommunications regulatory committee in the Indonesian Telecommunication Regulatory Authority (BRTI) at the Ministry of Communication and Informatics (2009-2012), a member of the audit committee at PT Kimia Farma Tbk (2005-2012), a lecturer in the master's program in the Management, Business and Management School, Bandung Institute of Technology (2007-2008) and an associate lawyer at law firm Makes & Partners (1995-1997).

Education: Mr Budhijanto holds a degree in international law from Padjadjaran University, Bandung (1995), a master's degree in information technology law from John Marshall Law School, Chicago (2003) and a doctorate in the science of law from Padjadjaran University (2009).

Basis of appointment as a member: Resolution of the Board of Commissioners No.001/ANJ/2013 dated February 6, 2013.

Appointment of Audit Committee Members

The Audit Committee consists of a chairman, who is selected from among the Company's independent commissioners and two other members, who are appointed by the Board of Commissioners. Members are appointed for a term that runs until the fifth AGM following his or her appointment.

All the current members satisfy the membership criteria stated in OJK Regulation No.55/ POJK.04/2015 on the Establishment and Working Guidelines of Audit Committees.

Independence of the Audit Committee

The Audit Committee's independence is guaranteed by the fact that the Chairman is one of the Company's Independent Commissioners, while the other two members are professionals with no connection to the Company. Each member of the Committee is required to carry out their duties and responsibilities independently, objectively and professionally.

None of the current Audit Committee members own any shares in the Company and none have any affiliate relationships with any other commissioners, directors or shareholders of the Company.

The Audit Committee reports directly to the Board of Commissioners and is independent of the Company's management.

Audit Committee Charter

The Audit Committee Charter was adopted on February 6, 2013. It is regularly reviewed and was most recently updated in 2018 to comply with OJK Regulations No. 55 /POJK.04/2015, No. 56 /POJK.04/2015 and No. 13/ POJK.03/2017. The Charter defines the Committee's duties and responsibilities. It is available on ANJ's website at www.anj-group.com/en/commissioners-committees.

Duties and Responsibilities of the Audit Committee

As specified in the Audit Committee Charter, the Audit Committee's duties and responsibilities are as follows:

1. The Audit Committee is tasked with providing opinions to the Board of Commissioners on reports or matters submitted by the Board of Directors, identifying matters that require the Commissioners' attention and carrying out other duties related to the duties of the Board of Commissioners, including the following:
   a. Ensuring that there are satisfactory review procedures in place for the information submitted/ issued by the Company to the public, shareholders and/or authorities, including the quarterly financial

statements, projections and other reports related to the Company's financial information.

b. Assessing the planning, implementation and results of audits conducted by the internal and external auditors to ensure that the audit procedures and reporting are done in accordance with the applicable audit standards.
c. Reviewing compliance with the laws and regulations related to the Company's activities.
d. Providing independent opinion in the event of disagreements between management and the external auditor in relation to the services provided by the external auditor.
e. Providing recommendations to the Board of Commissioners on the appointment of an external auditor, based on their independence, the scope of the assignment and service fees.
f. Reviewing complaints relating to the Company's accounting and financial reporting processes.
g. Reviewing and providing advice to the Board of Commissioners regarding potential interests of the Company.
h. Providing recommendations on the strengthening the Company's internal control system and its implementation.
i. Carrying out other duties given by the Board of Commissioners insofar as they are within the scope of duties and obligations of the Board of Commissioners.

10. The Audit Committee receives and reviews the annual work plans of the Internal Audit Unit and their realization and provides input to the Board of Commissioners.
11. The Audit Committee conducts a quarterly review of the implementation of the internal audits and supervises the implementation of follow-up actions by the Board of Directors on the findings of the internal auditors.
12. The Audit Committee reviews and reviews the Risk Management Committee's periodic reports on items that are risks for the Company and the follow-up actions taken to mitigate said risks.
13. The Audit Committee must maintain the confidentiality of documents, data and information regarding the Company forever.

Audit Committee Meetings

The Audit Committee meets at least 4 times a year, in accordance with OJK Regulation No.55/ POJK.04/2015 on the Establishment and Working Guidelines for Audit Committees and the provisions of the Audit Committee Charter. In 2018, the Audit Committee held four meetings in conjunction with the Internal Audit. Three of the meetings were held with the management and one with the external auditor.

Audit Committee Meetings in 2018

Name	Position	Number of Meetings	Number Attended	Attendance Percentage
Darwin Cyril Noerhadi	Chairman	4	4	100%
Muljawati Chitro	Member	4	4	100%
Danrivanto Budhijanto	Member	3	4	75%

Training and Development for Audit Committee Members

No training or development was conducted for members of the Audit Committee in 2018.

Audit Committee Activities in 2018

In 2018 the Audit Committee reviewed:

- The implementation of risk management by the Company's Board of Directors;
- The quarterly financial reports released to the public and the authorities;
- The performance and independence of the external auditor. The external auditor, Siddharta, Widjaja & Rekan provide services other than audit and permissible services for the Company as approved by the Audit Committee in 2018.
- The Company's compliance with applicable laws and regulations;
- The implementation of the internal audit function and management's follow-up to internal audit findings.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee supports the efficient succession and renewal of the Board of Directors and Board of Commissioners and reviews and makes recommendations on the remuneration for the senior management of ANJ and its subsidiaries.

Originally established in 2013 as the Compensation and Benefit Committee, with the current composition as follows:

Nomination and Remuneration Committee Composition as at December 31, 2018			
Name	**Position**	**Basis of Appointment**	**Period**
Adrianto Machribie	Chairman	BoC Resolution No.22B/BOC/ANJ/ GEN/2015 dated June 23, 2015	2015-2020
George Santosa Tahija	Member	BoC Resolution No.22B/BOC/ANJ/ GEN/2015 dated June 23, 2015	2015-2020
Sjakon George Tahija	Member	BoC Resolution No.22B/BOC/ANJ/ GEN/2015 dated June 23, 2015	2015-2020
Istama Tatang Siddharta	Member	BoC Resolution No.22B/BOC/ANJ/ GEN/2015 dated June 23, 2015	2015-2020

The NRC members are all members of the Company's Board of Commissioners. Their profiles can be seen in the Board of Commissioners' profile on page 42 of this Annual Report.

Appointment of Nomination and Remuneration Committee Members

The NRC consists of a chairman and three other members, who are appointed for a term that runs until the fifth AGM following his or her appointment.

The current members all comply with the membership criteria prescribed in OJK Regulation No. 34/ POJK.04/2014 on the Nomination and Remuneration Committee of an Issuer or Public Company.

Independence of the Nomination and Remuneration Committee

Collectively, the Nomination and Remuneration Committee works independently of the Company's management. The Committee is chaired by one of the Company's Independent Commissioners, who does not own any shares in the Company and has no affiliate relationships with any other commissioners, directors or major shareholders of the Company or its subsidiaries. The other members are not independent.

Nomination and Remuneration Committee Charter

The NRC Charter was adopted on February 10, 2015, in compliance with OJK Regulation No. 34/POJK.04/2014 dated December 8, 2014.

The Charter is aligned with the relevant laws and regulations and defines the NRC's duties and responsibilities. It is periodically reviewed and updated as necessary.

Duties and Responsibilities of the Nomination and Remuneration Committee

As specified in the Nomination and Remuneration Committee Charter, the duties and responsibilities of the Nomination and Remuneration Committee are as follows:

Nomination function:

- Provide recommendations to the Board of Commissioners relating to:
  a) the composition of the Board of Directors and the Board of Commissioners;
  b) policy and criteria for nominations to both boards; and
  c) policy on the performance review for both boards.
- Assist the Board of Commissioners in conducting performance evaluations of the Board of Directors and Board of Commissioners based on approved benchmarking.
- Provide recommendations to the Board of Commissioners relating to the capacity development of the Board of Directors and the Board of Commissioners.
- Propose qualified candidates for the Board of Directors and Board of Commissioners.
- Review and update the succession plan of the Board of Directors and Board of Commissioners.

Remuneration function:

- Provide recommendations to the Board of Commissioners relating to the policy, structure and amount of remuneration for the Board of Directors and the Board of Commissioners.
- Assist the Board of Commissioners in evaluating performance against remuneration for each member of the Board of Directors and Board of Commissioners.

Nomination and Remuneration Committee Meetings

The Nomination and Remuneration Committee meets at least once every four months, in accordance with the Committee Charter. Meetings may be held in person or by teleconference and there is a pre-approved agenda for each meeting. The Committee met 4 times in 2018.

Nomination and Remuneration Committee Meetings in 2018

Name	Position	Number of Meetings	Number Attended	Attendance Percentage
Adrianto Machribie	Chairman	4	4	100%
George Santosa Tahija	Member	4	4	100%
Sjakon George Tahija	Member	4	4	100%
Istama Tatang Siddharta	Member	4	4	100%

Training and Development for Nomination and Remuneration Committee Members

No training or development was conducted for members of the Nomination and Remuneration Committee in 2018.

Succession Policy for the Board of Commissioners and the Board of Directors

Succession Policy for the Board of Commissioners

The Company maintains a list of potential candidates for the Board of Commissioners, each of who must fulfil the membership requirements described in the BOC charter. The Nomination and Remuneration Committee reviews and updates the list periodically. If there is a vacancy on the Board, the Committee identifies and recommends suitable candidates to the Board of Commissioners, which will then be subject to the approval of the General Meeting of Shareholders.

Succession Policy for the Board of Directors

To ensure that there is a pipeline of qualified candidates with the necessary experience and expertise to fill positions at senior manager level and above when they become vacant, the Company has drawn up a succession plan.

As Company policy is to promote from within where possible, the human resources division plays a lead role in this process by mapping and identifying talent with leadership potential across the organization; conducting integrated management development programs that give candidates broad exposure to all aspects of the Company through assignment and rotation as well as training, coaching and mentoring; and ensuring that future leaders are kept on track through strategic promotions.

The Nomination and Remuneration Committee is responsible for developing a structured and comprehensive succession process for the Board of Directors. This includes determining appropriate selection criteria and identifying and recommending suitable candidates, including internal candidates. A Director's appointment is subject to the approval of the General Meeting of Shareholders.

Nomination and Remuneration Committee Activities in 2018

The Nomination and Remuneration Committee reports on its activities to the Board of Commissioners at the quarterly Board of Commissioners' meetings. In summary, its activities in 2018 were as follows:

- Provided input on the performance assessment of the BoC and BoD;
- Reviewed the remuneration system and formula and gave recommendations on the amount of the remuneration to be paid to the BoC and BoD;
- Reviewed the range of skills and expertise needed for the Boards;
- Identified and proposed qualified candidates for positions on the Board of Commissioners and Board of Directors;
- Reviewed the succession plan for the Board of Directors.

Risk Management Committee

The Risk Management Committee was established by a Resolution of the Board of Commissioners in 2013, with the current composition as follows:

Risk Management Committee Composition as at December 31, 2018

Name	Position	Basis of Appointment	Period
George Santosa Tahija	Chairman	BoC Resolution No.22B/BOC/ANJ/ GEN/2015 dated June 23, 2015	2015-2020
Adrianto Machribie*	Member	BoC Resolution No. 03-A/BOC/ANJ/GEN/2018 dated April 1, 2018	2018-2020
Anastasius Wahyuhadi	Member	BoC Resolution No.22B/BOC/ANJ/ GEN/2015 dated June 23, 2015	2015-2020
Josep Kristiadi	Member	BoC Resolution No.22B/BOC/ANJ/ GEN/2015 dated June 23, 2015	2015-2020

*since April 1, 2018

Profiles

George Santosa Tahija, Adrianto Machribie, Anastasius Wahyuhadi and Josep Kristiadi are members of the Company's Board of Commissioners and their profiles can be seen on page 42 of this Report.

Independence of the Risk Management Committee

The Risk Management Committee works independently of the Company's management. Two members, Adrianto Machribie and Josep Kristiadi, are Independent Commissioners of the Company.

Risk Management Committee Charter

The Risk Management Committee Charter was adopted on February 10, 2015. It describes the Committee's duties and responsibilities and is aligned with the relevant laws and regulations.

Duties and Responsibilities of the Risk Management Committee

The Risk Management Committee assists the Board of Commissioners in evaluating the Group's risk management system, including the internal control system and assessing the Company's risk tolerance. In addition, it advises the Board of Directors on current and potential risk management and compliance issues. The Committee's roles and responsibilities are specified in the Risk Management Committee Charter.

Risk Management Committee Meetings

The Risk Management Committee Charter states that the Committee must meet at least six times a year, either in person or by teleconference, with a pre-approved agenda for each meeting. The Risk Management Committee held 4 meetings in 2018.

Risk Management Committee Meetings in 2018

Name	Position	Number of Meetings	Number Attended	Attendance Percentage
George Santosa Tahija	Chairman	10	10	100%
Adrianto Machribie	Member	6	7	85%
Anastasius Wahyuhadi	Member	10	10	100%
Josep Kristiadi	Member	7	10	70%

Training and Development for Risk Management Committee Members

No training or development was conducted for members of the Risk Management Committee in 2018.

Risk Management Committee Activities in 2018

Throughout 2018 the Risk Management Committee communicated with management at least once a month, through a meeting or by other means, to:

1. Review the Company's policies on risk management and compliance, giving due consideration to existing and new regulations, the Company's Code of Ethics and any conflicts of interest;
2. Identify and monitor any issues related to risk management and compliance that required the attention of the Board of Commissioners;
3. Seek information on and discuss issues that could potentially negatively impact the Company's performance.

The Risk Management Committee chairman reported the Committee's work to the rest of Board of Commissioners at the Board of Commissioners' meetings.

Corporate Social Responsibility and Sustainability Committee

This committee was originally established in 2013 as the Corporate Social Responsibility Committee, with the current composition as follows:

Corporate Social Responsibility and Sustainability Committee Composition as at December 31, 2018

Name	Position	Basis of Appointment	Period
Sjakon George Tahija	Chairman	BoC Resolution No. 22B /BOC/ANJ/GEN/2015 dated June 23, 2015	2015-2020
Adrianto Machribie*	Member	BoC Resolution No. 22B /BOC/ANJ/GEN/2015 dated June 23, 2015	2018-2020
Anastasius Wahyuhadi	Member	BoC Resolution No. 22B /BOC/ANJ/GEN/2015 dated June 23, 2015	2015-2020
Josep Kristiadi	Member	BoC Resolution No. 22B /BOC/ANJ/GEN/2015 dated June 23, 2015	2015-2020
Arifin Mohamad Siregar	Member	BoC Resolution No.15/BOC/ANJ/ GEN/2016 dated August 8, 2016	2016-2020

*until April 1, 2018

Profiles

Sjakon George Tahija, Anastasius Wahyuhadi, Josep Kristiadi and Arifin Mohamad Siregar are members of the Company's Board of Commissioners and their profiles can be seen on page 43 of this Report.

Independence of the Corporate Social Responsibility and Sustainability Committee

The CSRS Committee works independently of the Company's management. Two members, Josep Kristiadi and Arifin Mohamad Siregar, are Independent Commissioners of the Company.

Corporate Social Responsibility and Sustainability Committee Charter

The CSRS Charter was adopted on February 10, 2015 and defines the duties and responsibilities of the Committee.

Duties and Responsibilities of the Corporate Social Responsibility and Sustainability Committee

The CSRS Committee supports the oversight function of the Board of Commissioners by monitoring the development and implementation of the group's Corporate Social Responsibility and Sustainability Plans. The Committee also advises the Board of Directors on these matters. The Committee's roles and responsibilities are defined in the CSRS Committee Charter.

Corporate Social Responsibility and Sustainability Committee Meetings

The CSRS Committee Charter specifies that the Committee should hold at least two meetings every year, either in person or by teleconference, with a pre-approved agenda for each meeting. The committee held 4 meetings in 2018.

Corporate Social Responsibility and Sustainability Committee Meetings in 2018

Name	Position	Number of Meetings	Number Attended	Attendance Percentage
Sjakon George Tahija	Chairman	4	4	100%
Adrianto Machribie*	Member	1	1	100%
Anastasius Wahyuhadi	Member	4	4	100%
Josep Kristiadi	Member	4	4	100%
Arifin Mohamad Siregar	Member	4	4	100%

*until April 1, 2018

Training and Development for Corporate Social Responsibility and Sustainability Committee Members

No training or development was conducted for members of the CSRS Committee in 2018.

Corporate Social Responsibility and Sustainability Committee Activities in 2018

In 2018, the CSRS Committee reviewed and updated where relevant, the following:

1. The strategic direction of the Company's corporate social responsibility and sustainability program.
2. Company policies and practices relating to corporate social responsibility and sustainability, the environment, politics and government.
3. The Company's response to issues of major concern or material non-compliance related to corporate social responsibility and sustainability.

Corporate Secretary

The Corporate Secretary plays a vital role by facilitating communication both internally, between all the functions and units of the Company and externally, with the capital market authorities, financial regulators, the shareholders and other stakeholders. He also manages and advises the Board of Directors on the Company's compliance with all relevant laws and regulations.

Corporate Secretary Profile

The Company's Corporate Secretary is Mr Naga Waskita, who has also been the Company's Legal Director since May 24, 2017. He was appointed as Corporate Secretary pursuant to a Letter of Appointment No.001/FAD/ANJ/2013 dated January 3, 2013. His profile can be seen in the Board of Directors' profiles on page 47 of this Annual Report.

The Corporate Secretary serves from the date of appointment until such time as a new Corporate Secretary is appointed by the Board of Directors.

Duties and Responsibilities of the Corporate Secretary

The Corporate Secretary's duties and responsibilities include:

- Ensuring full compliance with applicable laws and regulations, particularly the prevailing Indonesia Stock Exchange (IDX) and capital market regulations.
- Providing input and recommendations to the Company's Board of Directors with respect to the Company's compliance with applicable laws and regulations, particularly in the capital market.
- Liaising with and assuming responsibility for correspondence with the OJK, IDX and other relevant parties.
- Keeping abreast of developments and changes in capital market regulations.
- Giving input and recommendations to the Company's Board of Directors regarding legal matters of the Company and corporate action plans.
- Being responsible for organizing meetings of the Board of Directors, Board of Commissioners and shareholders, as well as the Company's annual public exposé.

Training and Development for the Corporate Secretary

Details of the training and development undertaken by the Corporate Secretary in 2018 are provided on page 65 of this Annual Report.

Corporate Secretary Activities in 2018

In 2018, the Corporate Secretary carried out the following activities:

- Ensured full compliance with the prevailing laws and regulations, particularly with Indonesia Stock Exchange (IDX) and capital market regulations.
- Provided input and recommendations to the Board of Directors in respect of the Company's compliance with applicable laws and regulations, particularly pertaining to the capital market.
- Liaised with and submitted the required reports and notices to the OJK, IDX and other relevant parties.
- Kept abreast of developments and changes in capital market and other regulations and communicated these to the Board of Directors.
- Gave input and recommendations to the Board of Directors regarding the Company's legal affairs and corporate action plans.
- Led the organisation of meetings of the Board of Directors and Board of Commissioners and general meetings of shareholders, as well as the Company's annual public exposé.
- Convened the Annual Public Exposé on May 14, 2018 and Annual General Meeting on May 14, 2018.

Internal Audit

The Internal Audit Unit (IAU) provides independent, objective assurance on the Company's financial and operational processes and controls, the risk management systems, compliance and general governance. It also provides consulting services to management to improve the effectiveness of these operations, with the overall aim of ensuring that the Company's resources are managed in a way that will improve results for stakeholders while upholding ANJ's values. The Internal Audit Unit was established pursuant to:

- OJK Regulation No. 56 /POJK.04/2015 on the Establishment and Working Guidelines of the Internal Audit.

Head of Internal Audit

The Head of the IAU is Mr Christian Lunard Sitorus, who was appointed in 2017, based on Resolution of the Board of Directors No 02/BOD/ANJ/GEN/2017 dated December 13, 2017.

Christian Lunard Sitorus

Indonesian citizen, born in Pematang Siantar in 1970 (aged 48).

Experience: Mr Sitorus was appointed as the Head of IAU in December 2017. He previously served as Head of the Corporate Audit Department at PT Triputra Agro Persada (2016-2017), Head of the Internal Audit Division at PT Eagle High Plantation Tbk (2006-2015) and Internal Audit Supervisor at PT RGM Indonesia (Asian Agri) (2002-2006).

Education: He holds a Diploma in Finance (1994) and an Extension in Financial Management (1999), both from the University of North Sumatra.

Appointment of the Head of the Internal Audit Unit

The Head of the IAU is appointed and dismissed by the President Director, subject to the approval of the Board of Commissioners. Any change in the status of the Head of the Internal Audit is reported immediately to the OJK.

Number and Qualifications of Internal Auditors

The IAU comprises 11 people, four of whom are based in the Company's Medan office and the remainder in the Head Office in Jakarta. Reflecting the scope of ANJ's operations, the internal audit team includes auditors with specialist backgrounds in agronomy, agriculture and engineering as well as finance and accounting.

All the current internal auditors satisfy the Company's requirements regarding professionalism, integrity and technical knowledge and experience in relevant disciplines. As yet, none of them have professional internal audit qualifications, but certification training is expected to begin in 2019.

The Company is committed to improving the capabilities of the internal auditors so that they can meet the increasingly demanding standard of the business going forward. The training for the Internal Audit Unit in 2018 is shown on page 65 of this Report.

Training and Development for the Internal Audit Unit

Details of the training and development undertaken by members of the Internal Audit Unit in 2018 are provided on page 65 of this Annual Report.

Structure and Position of the Internal Audit Unit

In compliance with OJK Regulation No. 56 /POJK.04/2015 on the Establishment and Working Guidelines of the Internal Audit, ANJ's Internal Audit Unit is part of the management structure, reporting directly to the President Director and the Audit Committee. The Audit Internal Unit is led by the Head of the Internal Audit Unit. In the day-to-day execution of its duties, the IAU coordinates with the Audit Committee.

Internal Audit Unit Charter

The Internal Audit Charter specifies the duties and responsibilities of the Internal Audit Unit. Since it was first adopted on February 6, 2014, it has been reviewed regularly and was last updated in 2017 to comply with OJK Regulations No. 56/POJK.04/2015. The Charter can be seen on ANJ's website: www. anj-group.com/en/internal-audit.

Duties and Responsibilities of the Internal Audit Unit

The IAU's responsibilities are as follows:

1. Formulate and implement an annual internal audit plan;
2. Report on the implementation and achievement of the annual internal audit plan;

3. Evaluate the relevance, reliability and integrity of internal controls and risk management in line with Company policy and strategic objectives;
4. Perform audits to assess the efficiency and effectiveness of finance, accounting, operations, human resources, marketing, information technology and other functions;
5. Verify the existence of assets and assess the effectiveness of asset safeguarding;
6. Assess compliance with internal policies, procedures and instructions as well as relevant laws and regulations;
7. With the approval of the Company's President Director, Board of Commissioners or Audit Committee, perform special audits in relation to suspected conflicts of interest, unlawful conduct, corruption or fraud, determining the urgency and scope of the audit by taking into account the potential losses and impact of the alleged case and the duration of the intended assignment.
8. Prepare internal audit reports for submission to the President Director and the Audit Committee, with a copy to the Board of Commissioners;
9. Make suggestions and recommendations for improving systems and procedures to prevent inefficiency and fraud at all management levels;
10. Give advice and consultation on strong and effective administrative, operational and financial systems;
11. Monitor, analyze and report on the implementation of suggested improvements;
12. Coordinate with appropriate management levels to execute investigative and corrective actions in the event of any indication of fraud or systems failure;
13. Establish and maintain effective communication and cooperation with the Audit Committee;
14. Prepare programs to evaluate the quality of internal audit tasks.

Internal Audit Reporting Flow

The following IAU reports are submitted to the President Director and the Audit Committee and copied to the Board of Commissioners:

- annual accountability report;
- reports on individual audits; and
- reports on management's follow-up of remedial actions.

Internal Audit Activities in 2018

The IAU annual workplan is focused around the top corporate risks, with additional, ad hoc audits performed were needed. The Internal Audit completed a total of 40 audit projects in 2018, compared to the total 32 projects planned. The types of project are shown in the table below.

The planned audits during the year included the following:

- Land Clearing and Infrastructure Construction at PPM, PMP;
- General Audit (Warehouse, Workshop), Logistic, Procurement at PPM, PMP, KAL;
- Payroll and Contract of Human Resources at PPM, PMP, ANJA, KAL;
- Replanting, Harvesting and Upkeep at ANJA, ANJAS, KAL;
- Commercial and Composting at ANJA, ANJAS;
- Cooperative and Community Involvement & Development (CID) at PPM, PMP, SMM;
- Palm Oil Mill at KAL;
- ANJ new business at GMIT and GSB.

Internal Audit Activities in 2018

Activity	Planned	Realization
Follow Up	1	9
Project Initiatives	5	7
Regular Audit	19	19
Audit Committee + Training	5	5
Whistleblowing System	2	6
Sub Total	**32**	**40**

Internal Audit Focus for 2019

In 2019, the IAU will continue to focus on the Company's strategic objectives, capital expenditure and key risks, with additional risk-based audits performed as required.

In Region 1 and Region 2, the key audit areas will include:

1. Mill Process at ANJA, ANJAS, SMM and KAL;
2. Replanting at SMM;
3. Harvest and Upkeep at ANJA, SMM and KAL;
4. Development of GMIT's Frozen Line;
5. Land Compensation, Palm Planting at GSB;
6. Civil and Infrastructure, CWT at ANJA and ANJAS;
7. Commercial FFB CPO and Kernel at ANJA;
8. Composting at SMM;
9. Enterprise Resource Planning (ERP) at ANJA and ANJAS.

In Region 3, the key audit areas will include:

1. Land Clearing and Infrastructure Construction, Cash & Bank Management at PPM and PMP;
2. Construction of Mill, Civil and Infrastructure at PPM and PMP;
3. Sago Harvesting and Production at ANJAP;
4. Payroll & Contract of Human Resource at PPM and PMP;
5. Enterprise Resource Planning (ERP) at PPM and PMP.

External Audit

The Company's consolidated financial statements for the year ended December 31, 2018 were audited, for the second consecutive year, by the public accounting firm Siddharta Widjaja & Rekan (a member firm of the KPMG network).

This firm was selected through a tender process, conducted under the supervision of the Company's Audit Committee, which included four leading accounting firms in Indonesia. Following the tender, the Board of Commissioners appointed the firm, with Mr Budi Susanto of Siddharta Widjaja & Rekan as the audit partner.

The auditors appointed by the Company in the last five years are shown below.

External auditors for ANJ's financial statements, 2014-2018

Year	Public Accountants	Signing Partner
2018	Siddharta Widjaja & Rekan	Budi Susanto
2017	Siddharta Widjaja & Rekan	Budi Susanto
2016	Satrio Bing Eny & Rekan	Satrio Kartikahadi
2015	Osman Bing Satrio & Eny	Satrio Kartikahadi
2014	Osman Bing Satrio & Eny	Drs. Osman Sitorus

Public Accountant's fee

The fee paid for the audit of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2018 was IDR 3,500,000,000.

Other services rendered

Other than auditing the consolidated financial statements as above, Siddharta Widjaja & Rekan rendered other services to the Company in 2018.

Risk Management

ANJ's Risk Management System

The Company recognizes that while risks are an inherent part of doing business, it has a responsibility to ensure that such risks are properly identified, evaluated and managed in order to minimize the Company's exposure and ensure that they do not impede the achievement of our business goals and objectives.

Our principal objective is to safeguard the long-term continuity of the business by ensuring a consistent, reliable supply of agribusiness products to our customers at a margin adequate to safeguard future growth and ensure shareholder returns. Given the capital-intensive and long-term nature of growing and harvesting, we take a proactive, conservative approach to anticipating and neutralizing risks.

The Board of Directors has primary responsibility for risk management, as specified in the OJK's corporate governance framework. Oversight of risk management is provided by the Board of Commissioners with support from the Risk Management Committee, which also advises the Directors on identifying, assessing and mitigating risks.

Evaluation of Risk Management Effectiveness

In cooperation with the Risk Management Committee and the Internal Audit Unit, the Board of Directors determines Company's risk management needs and activities each year, using the following procedure:

1. Determine the corporate-wide risk appetite;
2. Direct each significant business unit to make an internal assessment of its risks and control initiatives;
3. Formulate an internal audit plan that includes high-risk areas and enables timely identification of areas for follow-up by management, especially to improve productivity and control development costs.

This process ensures the regular reassessment of existing risks, identification of emerging risks and regular testing of the adequacy and effectiveness of the controls. Moreover, the management's responsibilities include identifying and reviewing significant operational and financial risk areas and this is discussed at monthly Board meetings.

Key Risks to our Business and their Mitigation

The table below provides a summary of the Company's principal risk exposure in 2018, as well as the actions we have taken to mitigate or control them. Any of these risks could adversely affect our business, cash flows, results of operations, financial condition and prospects. This summary is not an exhaustive list of all the risks facing the business; in addition there may be risks and uncertainties not currently known to us that could also negatively impact the business.

Risk	Mitigation
International fluctuations in the CPO price CPO prices have in the past been characterized by high volatility and cyclicality and a number of factors affect international prices for our products. These include changes in world production, supply and demand levels for palm oil and other vegetable oils; world consumption and stock levels of CPO and other vegetable oils; import and export tariffs, including Indonesian export taxes and import tariffs applicable to the countries which import CPO; prices of other vegetable oils; environmental and conservation regulations; economic and demographic developments, including population growth, per capita consumption and food demand; weather conditions and other natural influences; and the world economy in general.	Management has anticipated the possibility of low selling prices since 2013 and we have therefore consistently focused on reducing costs and improving efficiency to mitigate the impact. In addition, the Board of Commissioners has authorized management to sell our product by entering into forward contracts if we believe the CPO price trend is declining. The limitations of this in terms of mitigating the risk are: 1) the total volume of outstanding forward contracts may not exceed 30% of monthly CPO production; 2) the forward contract period may not exceed six months. Overriding these limitations requires the approval of the Board of Commissioners.

Risk	Mitigation
Land compensation delays in developing plantations To develop our plantations, we must release the land that we plan to use from third-party claims. This usually involves complicated negotiations with local stakeholders such as communities, tribes and influential community figures. Plantation owners are required to resolve any existing compensation issues in relation to the land in order for land cultivation rights (hak guna usaha, or HGU) to be granted. Achieving resolution can be complex and therefore time-consuming, impacting the plantation's development and operation.	We seek to offer attractive compensation for land and in addition we implement comprehensive development plans that will benefit the community. When we plan to develop a plantation, we involve community leaders and representatives of local authorities and neighbouring industries to facilitate amicable communication. We make concerted efforts to publicize and explain the benefits of our business to the community. These benefits include employment opportunities, improved infrastructure and our corporate social responsibility initiatives and the multiplier effects thereof. We completed the land compensation process for our West Papua land banks in 2017. Land compensation at our South Sumatra land bank is still ongoing and we are following the principles stated above to develop a mutually agreeable land compensation plan.
Delays or difficulties in developing land or obtaining land rights Government policies could limit or delay our ability to obtain adequate land rights to additional land that we may acquire for the development of new plantations or the expansion of our current plantations. To develop a plantation, we need to obtain HGU rights for the plantation. This is a lengthy, complex process that can meet with significant delays.	All but one of our subsidiaries, including our developing estates in West Papua, already hold HGU rights, which considerably reduces this risk. We also ensure that we initiate the extension process for all permits and titles well in advance of their expiry date. We take care to build and maintain good relationships with all stakeholders, including government agencies, based on mutual benefit and respect. We also make sure to comply with all relevant laws and regulations and adhere to the principles of responsible and sustainable plantation development in order to reduce the potential for legal obstacles.
Community social conflict and land disputes Even after land has been acquired for a plantation or other uses, plantation owners commonly face contested land claims from people living or working on such land and are required to solve the issue in amicable way. If the contested land claims is valid the Company is required to negotiate the payment of compensation with such claimants. Resolving such contested land rights issues can be a difficult and time-consuming process.	We seek to build and maintain positive community relationships based on mutual benefit and respect and ensure that we use fair processes and proper administration procedures. We are implementing sustainable corporate social responsibility initiatives to support social and economic development in the communities close to our business operations. We also cooperate with NGOs on community development and environmental management and welcome input from various organizations to improve our programs. Through our CID department, we engage in regular communication and dialogue with community members to communicate the benefits of the Company's presence and listen to their concerns.
Difficulties in attracting or retaining qualified staff Our business success and growth depends on our ability to attract and retain highly qualified, skilled and experienced personnel in the palm oil industry. Our inability to attract, recruit, train and retain either experienced senior management or sufficiently qualified key personnel such as plantation or mill managers, field assistants and engineers could have a material adverse effect on our business, financial condition and operations. In addition, oil palm plantations require extensive labour. Harvesters and other plantation workers are increasingly mobile and if we are unable to hire and retain sufficient workers to maintain our workforce, or if the minimum wage rate is increased significantly, our business and prospects could be adversely affected.	We review our remuneration and benefit programs on an ongoing basis and benchmarking them against the market and seek to improve our performance-related pay program to help retain our employees and attract new candidates. We aim to ensure that our employees enjoy a good quality of life while working on our plantations, with a healthy and safe environment, comfortable living conditions, transportation, water, electricity, health care, clubhouse facilities, childcare facilities, training facilities and schooling. We also regularly update our learning and development programs, with an emphasis on leadership development. We have a dedicated management training program for recent graduates as well as internal training and career path programs to ensure the continuous improvement of capabilities. We also offer retention programs for qualified personnel and senior management and pay retention bonuses where appropriate.

Risk	Mitigation
Transportation or logistics disruptions or mishaps We typically sell our products on an ex-mill, ex-jetty or FOB basis and our customers transport the products they purchase from us. Any disruption of transportation services due to weather, strikes, lock-outs or other events could impair their ability to take delivery of our products or increase their freight costs, thereby making our products more expensive for them. Such disruptions may also result in storage problems at our plantations. It is our practice only to sell CPO once it is available for supply in our storage facilities, thus we rely on efficient transportation for timely off-take by our customers. Our West Papua projects also present logistics and construction challenges, as those project areas are located mainly in the interior (palm oil) and in swampland (sago). Both are relatively far from any town or city and consequently, remote from reliable infrastructure and electricity supplies.	We have made significant investments in developing flexible and reliable transportation systems and we only enter into transport contract agreements with reliable and experienced logistics companies. We anticipated the logistical challenges posed by our West Papua projects early in the planning process. Taking into account the size, remoteness and scale of economic investment, we established a dedicated department to improve logistics planning, develop integrated logistics systems and create logistical synergies between our estates in order to reduce disruption risks.
Adverse weather, climate, crop disease, pests and natural disasters Our business is vulnerable to adverse weather conditions, natural disasters, disease, crop pests and other factors that can affect FFB production and harvesting, potentially having a material and adverse effect on our business, financial condition, results of operations and prospects. In particular, insufficient rainfall causes oil palms to produce fewer flowers that develop into FFB and too much rain inhibits the effective fertilizing of oil palms, which results in reduced harvests of FFB and may delay fertilizing schedules.	We manage the risk of weather and climate-related disruption by applying agronomic best practices, including the use of high quality, high-resilience seeds in all new plantation developments; using water gates and water catchment systems to preserve water during the long dry season; applying FFB waste to plantation land as mulch; implementing soil conservation and anti-erosion measures; planting cover crops to reduce weeds and pests; and conducting chemical soil analyses to determine the best fertilizer regimes.
Disruption by environmental groups, NGOs or interested individuals Environmental groups, charities, nongovernmental organizations (NGOs) or interested individuals may seek to challenge or impair the ability of the Company to engage in lawful plantation activities. Such groups support a variety of causes, such as forest and wildlife preservation and the protection of indigenous wildlife from land clearance. There is a risk that they could influence the relevant authorities to change current regulations and impose more onerous conditions upon our operations, or directly influence public opinion regarding plantation activities, or organize disruptive protest activities at or near our operations. Such activities may generate negative publicity about us and plantation companies in general and potentially delay production activities, adversely affecting our reputation and disrupting our operations.	We understand the importance of conservation and good environmental stewardship in our operations and we are committed to striking a balance between this, commercial development and national socioeconomic development. We are rigorous in applying the highest standards of sustainability in our operations, including adhering to RSPO guidelines; complying in all material respects with applicable Indonesian environmental laws, regulations and standards such as ISPO; commissioning independent, RSPO-certified environmental feasibility assessments of our land banks; and voluntarily setting aside land for conservation initiatives, particularly for orangutan habitats. We seek to minimize the risk of disruption by ensuring responsible environmental management and biodiversity. We are also proactive in our efforts to maintain positive relationships and dialogue with all groups with an interest in plantation activities and we have consistently invited them to partner with us on maintaining a balance between agribusiness and conservation priorities.
Low community understanding of our plasma program activities Under the Indonesian Government's Plasma Program, oil palm plantation companies obtaining a plantation business license (IUP) since 2007 must develop part of the plantation to be operated by local smallholders. Accordingly, our West Kalimantan Plantation currently has a Plasma program. In developing our West Papua and South Sumatra land banks we are setting aside the required 20% of the plantable area. To mitigate the risk of receiving inferior quality of FFB through our plasma program, we develop our programs through cooperative structures. However, these programs may not be accepted by the smallholders and as such, we may be forced to purchase FFB harvested from oil palms grown and maintained by the communities instead of by us.	Our plasma program is based on cooperative ownership, which we believe is in the best interests of both smallholders and the Company. We plan to run any future plasma programs in the same way. We have made management service agreements with our cooperatives to ensure that our standards of maintenance and harvesting are upheld in our plasma areas. In line with our corporate social responsibility objectives, we continue to develop our capacity-building and coaching programs for cooperative members and smallholders to develop their plantation, agronomic and business management capabilities and enable them to grow with us.

Risk	Mitigation
Foreign exchange rate fluctuations Our financial reporting currency is the US dollar and substantially all of our sales are denominated in US dollars, whereas our expenditures, including labour costs, are primarily denominated in Indonesian rupiah. Due to this mismatch, any appreciation of the rupiah against the dollar will reduce our net income and increase our expenditures in US dollar and rupiah terms. In contrast, many of our subsidiaries that are still at the planting stage are required to use rupiah as their operating currency, while their borrowing, if any, is denominated in either US dollars or rupiah. Any appreciation of the dollar against the rupiah will result in foreign exchange losses for these entities.	Company policy allows us to enter into forward exchange-rate contracts to hedge against fluctuations, provided that any such contract does not exceed six months and the value of the contracts does not exceed the amount of rupiah needed for three months' operational expenses. Regarding cash holdings, our general policy is to hold enough rupiah for two weeks' operational requirements, but we may increase our rupiah cash holdings up to a maximum amount sufficient to cover up to three months' operational expenses, if we judge the future trend of the rupiah to be unfavourable. Since 2015 our policy has been that any borrowing by a subsidiary should, as risk management determined, be in the functional currency (i.e. bookkeeping currency) of that subsidiary. This has significantly reduced our exposure to foreign exchange volatility. We only borrowed in USD, for subsidiaries with Rupiah as there bookkeeping records. If based on our assesment, the interest rate differential with rupiah borrowing, we justifies the risk of foreign exchange fluctuation and keep monitoring this risk during 2018. If subsidiaries that maintain their bookkeeping records in rupiah, we have converted their borrowing into rupiah, to minimize the total financing cost (interest and foreign exchange loss).
Increases in labour costs We operate in a labour-intensive industry in which government regulations concerning wages can significantly affect us. The Manpower and Transmigration Ministry Law No.7/2013 stipulates that the minimum wage is determined and implemented annually by provincial governments based on the annual living cost conditions of each respective province. Further, Government Regulation No. 78/2015 specifies a measured annual wage increase based on current growth rates of inflation and gross domestic product. Due to the combined effect of these regulations, we have experienced sharp increases in our labour costs and we expect increases to continue. Over the last five years, the minimum wage has risen by between 5% and 36% annually, depending on the location of our workers. Labour costs are a significant component of our total production costs, typically accounting for about 30%.	Since 2015, we have continually introduced initiatives to control or mitigate labour costs, including by improving productivity and optimizing resources. For example, we introduced an incentive program to boost workers' productivity and applied stricter standards to ensure that our FFB are harvested at the optimal time in order to achieve higher oil extraction rates, which indicate more efficient CPO and PK production. We have initiated mechanized harvesting in non-undulating plantation areas such as Belitung, North Sumatra I and West Papua and in our West Papua sago operation. This has also helped to mitigate the challenge posed by labour constraints in these areas.

Internal Control

The Company's **internal control system** comprises a series of processes that are **designed to provide reasonable**, but not absolute, **assurance of the integrity of the Company's financial reporting** and the progress towards its objectives. This is done by identifying relevant business risks and bottlenecks, **analyzing their impact and managing or mitigating them, as appropriate.**

The Company's internal control system, which includes both financial and operational controls, focuses on providing assurance on the following areas:

- Operational effectiveness and efficiency;
- Asset management and monitoring;
- Timely and accurate reporting; and
- Compliance with laws and regulations.

Alignment of the Company's Internal Control System with the COSO Internal Control Framework

The Company's internal control system was restructured and strengthened in 2015 to align with the internal control framework approach advocated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), a US joint initiative of five private-sector organizations dedicated to global excellence in corporate governance, business ethics, internal control, enterprise risk management, fraud and financial reporting. The COSO approach works across the three principal control objective categories (operations, reporting and compliance) and across all the units and activities of an organisation and comprises five key components. Our application of these components is outlined below.

Components of the internal control system

Control Environment: the behaviour of every individual at every level of the Company is a key element of the internal control system. ANJ's core values and Code of Ethics are embedded throughout the organisation and reinforced throughout our operational sites by regular internal promotion programs, our network of Value Champions and the whistleblowing system (see page 142 of this Report).

Risk Assessment: We have identified and assessed potential operational and strategic risks that could impede the achievement of the Company's objectives. These are reviewed continuously and any change in the risk environment is identified and analyzed.

Control Activities: Several internal control and operational activities have been put in place to mitigate the impact of potentially significant risks. Among these are the ongoing strengthening of existing procedures and policies in accordance with the following principles: segregation of duties; limited access, authority and responsibility; adequate documentation; and a gradual review system. All internal control system activities are aimed at ensuring that the above internal control objectives are achieved.

Information and Communication: Information related to the structures and status of the internal control system, including improvements and challenges, is communicated regularly through quarterly Audit Committee meetings, monthly reports by the Value Champion team, internal audit reports and other management meetings, as well as to relevant external stakeholders as required.

Monitoring Activities: We regularly evaluate all these internal control components to ensure that they are present and functioning. If we identify any deficiencies, we inform the appropriate parties promptly so that remedial actions can be taken.

Management's Evaluation of Internal Control Effectiveness in 2018

The internal control system is subject to regular monitoring by several different organs and functions. The Internal Audit Unit, the Corporate Secretary and the Risk Management Committee monitor the internal control system and the Company's daily operations continuously, while the Audit Committee provides additional oversight through its quarterly review. Finally, the independent auditor appointed by the shareholders conducts an external evaluation of the system as part of its audit of the Company's financial statements.

In 2018, the Company implemented a number of remedial and strengthening actions to improve the effectiveness and responsiveness of the internal control system, as follows:

- Built the capacity of the internal audit team through training based on IIA standards;
- Minimized the risk of misstatement in our financial disclosures by using dedicated computer software to generate statements; ensuring that financial transactions were reviewed by the Internal Audit Unit on a sampling basis; and ensuring that quarterly financial reports were subject to a stringent review by the Audit Committee before being released;
- Ensured that all financial results were reported to the Board of Commissioners and the Board of Directors as well as the Audit Committee for control purposes; and
- Ensured that the financial control system and financial statements were audited by a professional public accountant.
- Ensured that all company data (especially confidential) were managed properly. The Company has its own system, One Database, to manage the Company data properly.

Based on the above, we are confident that the Company's internal control system provides reasonable assurance that any potential challenges will be identified promptly and that appropriate action will be taken to mitigate the impact on the Company and ensure that such challenges will not impede the Company in achieving its business objectives. We acknowledge, however, that no internal control system can provide absolute assurance against human error, poor judgment, intentional misconduct or other irregularities.

Material Litigation

In 2018, neither the Company nor its subsidiaries, nor any members of the Boards of Commissioners or the Boards of Directors of the Company and its subsidiaries, were involved in any material case in civil, criminal, bankruptcy, taxation or arbitration proceedings with any court or arbitration board that would have materially affected the Company or posed a risk to the continuity of the business if the court had found against either the Company or the Board of Commissioners or Board of Directors.

Land Title Claims

As of the end of 2018, there were no major outstanding land title claims against the Company.

Administrative Sanctions

Neither the Company nor its subsidiaries nor any members of the Board of Commissioners or the Board of Directors received any administrative sanctions from the capital market authorities or any other authorities in 2018.

Correspondence to Corporate Data and Information

Up-to-date information on share price movements, corporate actions and other news, as well as our quarterly and annual results, press releases, investor newsletters and other corporate information, can be found on our website, www.anj-group.com.

As of March 2019, inquiries addressed to the Company at any time via the website, by email, by phone/fax or in writing to:

PT AUSTINDO NUSANTARA JAYA Tbk.
BTPN Tower - Floor 40
Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6
Jakarta 12950
Tel. : (62 21) 2965 1777
Fax. : (62 21) 2965 1788
E-mail : corsec@anj-group.com;
investor.relations @anj-group.com

Code of Ethics and Corporate Culture

The Company's Code of Ethics on Business Conduct ("the Code"), which was adopted in 2014, provides guidance for the Company's employees and management on discharging their duties effectively, lawfully and safely. It describes principles and behaviours that all leaders and employees are expected to adopt and display in their work at all times, emphasizing the importance of maintaining the trust and respect of our stakeholders through transparency, accountability, objectivity and equality. The Code is founded on the Company's three core values: Integrity, Respect for People and the Environment and Continuous Improvement. These values embody the corporate culture that the ANJ Group aspires to and that will support the Company in achieving its vision, mission and objectives.

The Code is reviewed periodically to ensure that it remains aligned with and relevant to the development of our business, the interests of our stakeholders and the social, economic and regulatory environment.

Main Principles of the Code of Ethics on Business Conduct

The Company's Code of Ethics on Business Conduct is set out below:

The Corporate Values

Brief information about the Corporate Values of the Company can be seen on page 35 of this Annual Report.

Compliance with Laws and Regulations

The Company complies with all prevailing laws and regulations and will ensure that all obligations are carried out in accordance with the prevailing laws and regulations.

Employees also are obliged to understand the laws and regulations in accordance with their duties and work.

Workplace safety, health and the environment

The Company prioritizes the safety and health of our employees as well as the work environment, starting from employees' mindsets and actions to methods of continued supervision, as well as ways of obtaining commitments to uphold this from all parties.

Work relations, including professionalism, fairness and the separation of personal and corporate interests

Professionalism that enables a focus on the achievement of best performance; fairness and equal treatment based on the principles of transparency and objectivity; a distinct division between personal interests and the interests of the Company.

Relationships with Suppliers and Customers

The Company does not accept the granting of gifts which are exclusive in nature in the form of cash, cash equivalents or others, either personally or from any organisation which is doing or seeking to do business with ANJ or a competitor of ANJ.

Relations with the Government

The Company complies with all laws and regulations to support a clean government to realize a state economic competitive advantage.

Conflicts of Interest

The Company makes a clear and distinct division between personal interests and the interests of the Company and avoids any situation which may result in or be perceived as a conflict of interest between the interests of the Company and personal interests.

Use and Maintenance of Company Property

All employees are responsible for maintaining and using the Company's property and internal information efficiently, effectively and solely to achieve the objectives of the Company in accordance with the prevailing rules.

Company Information and Financial Disclosure

The Company does not provide internal information (including but not limited to the business strategies, contracts to be executed, products to be launched, research results, information on customers or suppliers, acquisitions or divestments and financial data) which has not yet been made available to the public to parties outside of the Company or to unauthorized parties within the Company without the prior approval of an authorized Director.

The Company also will not manipulate accounting treatments, records or preparations of financial statements of the Company. All financial statements of the Company, accounting records, research reports, sale reports, records on liabilities, production reports, reports on the entry of employees and other reports will always be prepared based on accurate and complete data which clearly represent the relevant facts or the true nature of the transactions.

Relationships with investors and the media

The Company will:

1. Not provide information on behalf of the Company to any party (including, among others, the shareholders, share agents, investment analysts, candidate investors and the mass media) if we are not so authorized.
2. Treat each member of the investment community and the mass media fairly, in accordance with reasonable business practices in the investment community and the mass media.

Insider trading

The Company maintains and respects the principle of ensuring that information is released to the market in a balanced and fair manner, so that the activity of a so-called insider in relation to the trading of securities of the Company is done only on the basis of a balance of information, whether it be factual or conjectural, being available on the same basis to both (company) insiders and the general public.

The Code is available on our website: at www.anj-group.com/en/code-of-conduct.

Company-wide application of the Code of Ethics on Business Conduct

The Code applies equally and without exception to all employees and management of the Company, including the Board of Commissioners and the Board of Directors. This is specified in their respective Charters. The Code emphasizes that everyone in the organisation bears joint responsibility for upholding the values and principles in the Code of Ethics in their relations and transactions with our customers, suppliers and shareholders. Moreover, the guidebook to the ANJ Values explains that the corporate culture is to be embraced and practiced on a day-to-day basis by every leader and employee at ANJ.

The Code also applies, where relevant, to our investors, stakeholders and business partners, including contractors and vendors.

Disciplinary Policy

The sanctions that can be imposed for misconduct or violations of the Code are, in order of severity:

1. First warning letter;
2. Second warning letter;
3. Final warning letter;
4. Suspension;
5. Dismissal.

Breaches of the Code of Ethics and Sanctions Imposed, in 2018

Violations of the Code in 2018 were as follows:

1. Misuse of BPJS Employment operational funds.
2. Misuse of BPJS Health operational funds.
3. Manipulation of employee payroll.
4. Misuse of school operational management funds.
5. Misuse of employee recruitment funds.

The majority of these violations were reported through the whistleblowing system. Others were reported through the Value Champions.

The Company imposed the following sanctions in respect of the above violations:

- Work termination.
- Warning letter.

Dissemination of the Code of Ethics and Corporate Values

The Code is introduced to all new ANJ employees through the induction program that is conducted by the Internal Audit Unit and an orientation to the Code is also an integral part of our Management Trainee program. In addition, Commissioners and senior management lead sessions on the Code and ANJ's corporate culture and Code topics are included in many of ANJ's learning and development activities.

Anti-Corruption and Gratuity Control Policies

The Company's policies on preventing and tackling bribery, including the giving/receiving of gratuities or offers of gratuities in any form from any external party, are set out in the Code.

Value Champions

ANJ seeks to build a corporate culture based on our three core values of Integrity, Respect for People and the Environment and Continuous Improvement. These three values inform all our objectives, policies and operations. To ensure that these values are consistently understood, internalized and upheld across the organization, we have appointed Value Champions at all our operational sites. They are employees who, in addition to their regular duties, also help to communicate, implement and disseminate ANJ's values among their co-workers by modelling the values in their day-to-day activities and interactions and guiding others to do the same. In addition, they can function as an intermediary between management and employees, for example, by facilitating employees in making complaints, voicing grievances or finding appropriate assistance. There were a total of 33 Value Champions across the organisation by year end 2018.

Value Champions make monthly reports on what they have observed with regard to a) actions and behaviours that promote or embody the core values and b) actions and behaviours that conflict with or violate the values. The reports are reviewed, analyzed and consolidated by an organizing committee, consisting of a chairman and two secretaries. This analysis is submitted to the Company's 'Value Guardians', currently Commissioners George Santosa Tahija and Anastasius Wahyuhadi, who may take further action if warranted. Value Champions are also encouraged to report immediately to the appropriate personnel if they observe any action that merits urgent attention.

Whistleblowing System

The Company is strongly committed to preventing abuse and misconduct of any kind, including fraud, corrupt practices, breaches of the Code of Ethics or the corporate values, or any violation of laws and regulations. We seek to create a supportive and proactive corporate culture in which employees and business partners are empowered to report any such activities without fear of reprisal, provided that such reports are made in good faith and in the best interests of the Company.

The Company's whistleblowing system (WBS) is designed to contribute to the prevention and early detection of misconduct that could be detrimental to the Company or its reputation. It provides a secure and confidential channel for anyone to report suspected misconduct.

The WBS was launched in May 2016 and is communicated to employees at all of the Company's estates and offices through sessions on the Code and corporate values and during induction. It is also communicated by the internal auditors during their site visits.

Procedure for Reporting Misconduct

Informants can contact the WBS Reporter Protection Unit via one of the following dedicated email or phone/SMS hotlines, stating the initial indication of misconduct and supporting evidence:

- Email: wbs@anj-group.com
- Phone/SMS: 0811 999 3553

Handling of Whistleblower Reports

1. The WBS Informant Protection Team (an independent representative of the Internal Audit Unit) analyses and verifies the incoming report and then assesses whether further investigation is required.
2. If further investigation is required, the case is escalated to the WBS Follow up Team (part of the Internal Audit Unit). This Team assigns a team to investigate, which could be led by the Internal Audit Unit, by legal counsel, or through joint efforts with external investigators. After conducting its investigation, the team makes a report on its findings. If the case does not involve the President Director, this report is submitted to the President Director, the Board of Commissioners and the Audit Committee. However, if the President Director is involved, the report is sent directly to the Board of Commissioners and the Audit Committee, bypassing the President Director.
3. A Supervisory Team, consisting of the Board of Commissioners, the President Director and the Audit Committee, reviews the report and gives its considerations on the action to be taken.

Protection for Whistleblowers

The WBS guarantees the following protection for informants:
1. The identity of the informant is kept confidential.
2. The reported information is kept secure and confidential.
3. Informants are protected against reprisals from any party implicated in the report.

Whistleblowing System Manager

The Manager and Investigator of the WBS is the Internal Audit Unit. The President Director, selected members of the Board of Commissioners and the Audit Committee function as the Supervisory Team.

Whistleblowing Reports in 2018

In 2018, a total of eleven reports were received through the whistleblowing system, of which three were found to be non-whistleblower-related. The remaining eight cases were followed up, investigated by the Internal Audit Unit and passed to the Commissioners, the President Director and Audit Committee for review. Misconduct was proven in seven of the eight cases.

Sanctions

All the proven cases of misconduct, resulted in dismissal.

Description	2018		2017	
	Total	%	Total	%
Reports Received	11	100	9	100
Whistleblower-related	8	73	7	78
Non-Whistleblower-related	3	27	2	22
Proven	7	88	5	71
Not proven	1	12	2	29

Share Ownership Program

Information on the Employee Stock Allocation Program (ESAP) and the Management Stock Option Plan (MSOP) is disclosed in the Management Discussion and Analysis chapter on page 81 of this Report.

Goods and Services Procurement

According to the Company's procurement policy, all procurement of goods and services by the Company must be effective, efficient, professional, independent, performed with integrity, contain no conflict of interest and uphold the GCG principles of transparency, accountability, responsibility, independence and fairness/equality. By upholding these principles, we seek to ensure that our procurement is inclusive and thus empowers and boosts the role of small businesses in our supply chain, including cooperatives and suppliers close to our business locations, in order to support local economies.

Vendors are required to fulfil specific qualifications related to their administrative, financial and technical capability and capacity and fulfil all licensing and tax matters required by law. They must also satisfy the Company's standards with regard to environmental, health and safety management systems, quality management, technical specifications and scheduling and the Company's Sustainability Policy.

In addition, every vendor is required to sign an integrity pact stating explicitly that they will not offer, give or accept any item, including but not limited to money, gifts or facilities, to or from any employee or person associated with the Company and the Group for the purpose of influencing any decision. The Company reserves the right to unilaterally cancel a contract if the vendor is found to have acted in any way that conflicts with the principles of integrity and honesty specified in the pact.

Insurance

To mitigate the various risks to our operational assets, the Company has taken out comprehensive insurance cover. The Company's insurance policies in 2018 include the following:

- Property all risk insurance: this covers the risk of potential loss of buildings, machinery and equipment and vehicles as well as assets under construction, in our head office and in our operating companies across Indonesia.
- Machinery breakdown insurance: some of our plantations are insured against the risk of machinery breakdown.
- Heavy equipment insurance: all our plantations are covered by policies covering damage to hulls and materials, engines and machinery, including all equipment installed therein, which is caused by the ocean, force majeure and navigational perils.
- EEI (Electronic Equipment Insurance): the majority of our operating companies are covered against potential loss or damage to their electronic equipment.
- Motor vehicle insurance: most of our operating companies are covered against the risk of loss or injury resulting from the operation of the Company's vehicles.

- Money insurance: this covers the risk of loss of money in transit or on our premises.
- Fidelity guarantee: this insures against infidelity risk on the part of our employees by providing indemnity to the employer against the loss of money or properties belonging to the Company as a result of acts of fraud or dishonesty by any employee, such as forgery, embezzlement, larceny or fraudulent conversion.
- Public liability: all our operating companies are covered against claims of loss or damage to other parties.
- Marine cargo open cover: this covers most of our operational companies against the risk of potential loss of inventory, including inventory in warehouses and in transit.
- DNO (Directors and Officers Liability Insurance): Our executives, members of the Board of Directors and officers are protected by this liability coverage for losses or advancement of defence costs in the event of a claim against them brought for alleged wrongful acts in their capacity as directors and officers.
- Health Insurance and Life Insurance: provides cover for all ANJ employees.
- Marine hull and machinery insurance: this comprehensively covers loss of or damage to the Company's vessels operating in the oceans or to their hulls and materials, engines and machinery, including all equipment installed therein, which is caused by the ocean, force majeure and navigational perils.

Tax Compliance

The Company consistently complies with the provisions of the prevailing laws and regulations. We have assessed tax compliance throughout the group and each of its subsidiaries to ensure that tax returns are completed accurately and on time. We therefore fully support the government's policy of promoting national development through the optimization of tax revenue.

Diversity

The Company believes that the composition of both the Board of Commissioners and the Board of Directors reflects a level of diversity of work experience, age, qualifications and educational background that ensures that they have the skills, knowledge and experience needed to achieve the Company's objectives.

Compliance with Corporate Governance Guidelines for Public Companies

The table below summarizes ANJ's compliance with the Corporate Governance Aspects and Principles specified in the provisions of OJK Regulation No.21/POJK.04/2015.

Principle	Recommendation	Status
Aspect 1: Relations between Public Companies and Shareholders in Assuring Shareholders' Rights		
Principle 1 **Increase the value of the general meetings of shareholders (GMS)**	Companies should have procedures for voting, whether open or closed, that protect the shareholders' independence and interests.	Status: Fulfilled. The voting procedure is stated in the GMS rules distributed to shareholders at each GMS.
	All members of the Board of Directors and Board of Commissioners attend the annual general meeting of shareholders.	Status: Fulfilled. All members of the Board of Directors and Board of Commissioners attend the GMS unless exceptional circumstances apply.
	A summary of the minutes of AGMs should be available on the company's website for at least one year.	Status: Fulfilled. Minutes are available at www.anj-group.com indefinitely.
Principle 2 **Strengthen the quality of communications between public companies and their shareholders or investors.**	Companies should have a policy on communications with their shareholders or investors.	Status: Fulfilled. The basic principles are stated in the Company's Code of Ethics on Business Conduct.
	The communications policy should be disclosed on the website.	Status: Fulfilled. The Company's Code of Ethics on Business Conduct is available on the website.
Aspect 2: Function and Role of the Board of Commissioners		
Principle 3 **Strengthen the membership and composition of the Board of Commissioners**	The condition of the company determination should be considered in determining the number of members of the Board of Commissioners.	Status: Fulfilled.
	The composition of the Board of Commissioners should take into account the range of expertise, knowledge and experience required by the Company.	Status: Fulfilled.
Principle 4 **Strengthen the quality of execution of the Board of Commissioners' duties and responsibilities.**	The Board of Commissioners should have a policy on self-assessment to evaluate its performance.	Status: Fulfilled. The Board has a policy on annual self-assessment.
	The self-assessment policy should be disclosed in the company's annual report.	Status: Fulfilled.
	The Board of Commissioners should have a policy on the resignation of board members who are involved in financial crimes.	Status: Mostly fulfilled. There is no written policy on resignation but members of the Board are subject to the Company's Code of Ethics and are required to obey all prevailing laws and regulations.
	The Board of Commissioners or the committee that performs the nomination and remuneration functions should have a succession policy for members of the Board of Directors.	Status: Fulfilled. We established a nomination and remuneration committee in 2015 to identify and train potential leadership candidates. The succession policy is described on page 125 of this Report.

Principle	Recommendation	Status
Aspect 3: Function and Role of the Board of Directors		
Principle 5 **Strengthen the membership and composition of the Board of Directors.**	The condition of the company and effectiveness in decision making should be considered in determining the number of members of the Board of Directors.	Status: Fulfilled.
	The composition of the Board of Directors should take into account the range of expertise, knowledge and experience required by the Company.	Status: Fulfilled.
	Members of the Board of Directors who are in charge of accounting or finance functions should have expertise in and/or knowledge of accounting.	Status: Fulfilled.
Principle 6 **Strengthen the quality of execution of the Board of Directors' duties and responsibilities.**	The Board of Directors should have a policy on self-assessment to evaluate its performance.	Status: Fulfilled. The Board of Directors conducts an annual self-assessment based on their KPIs and the results are reviewed by the Nomination and Remuneration Committee.
	The self-assessment policy should be disclosed in the company's annual report.	Status: Fulfilled.
	The Board of Directors should have a policy on the resignation of board members who are involved in financial crimes.	Status: Mostly fulfilled. There is no written policy on resignation but members of the Board of Directors are subject to the Company's Code of Ethics and are required to obey all prevailing laws and regulations.
Aspect 4: Stakeholder Participation		
Principle 7 **Strengthen corporate governance through stakeholder participation.**	Companies should have a policy on preventing insider trading.	Status: Fulfilled. The policy is stated in the Company's Code of Ethics.
	Companies should have anti-corruption and anti-fraud policies.	Status: Fulfilled. The policy is an integral part of the Company's Code of Ethics and all employees and suppliers sign an integrity pact.
	Companies should have a policy on vendor/ supplier selection and improvement.	Status: Partly fulfilled. We have a policy on supplier selection, but it does not cover supplier/vendor capacity improvement. However, we do implement several capacity improvement initiatives for our suppliers.
	Companies should have a policy on fulfilling creditors' rights.	Status: Fulfilled.
	Companies should have a whistleblowing policy.	Status: Fulfilled. Our whistleblowing system is described on page 142 of this Report.
Aspect 5: Information Disclosure		
Principle 8 **Strengthen information disclosure.**	Companies should make use of a range of information technology (in addition to their websites) as a means of disclosing information.	Status: Fulfilled. We use our website, the Indonesia Stock Exchange website and e-mail communications for disclosures.
	The Company's annual report should disclose the ultimate beneficial owners of shareholdings of 5% (five percent) or more of their shares, in addition to disclosing the ultimate beneficial owners of shareholdings in the company through the ultimate and controlling shareholders.	Status: Fulfilled. The information is presented on page 52 of this Report.

06
CORPORATE SOCIAL RESPONSIBILITY

CSR Commitment

ANJ has made a clear commitment to responsible development. This means that in growing the business, we strive to implement the highest standards and best practices that apply to each aspect of our operations. Through this commitment, we aim to ensure that ANJ's growth balances our obligations to people, planet and profit as the triple bottom line of our business:

- **People** : moving forward together with the community as equal partners;
- **Planet** : maintaining environmental balance and community welfare in every ANJ operation;
- **Prosperity** : obtaining a fair return on viable businesses.

To achieve this balance we have identified the principles and standards that we aspire to apply in our business in our Sustainability Policy, which outlines our commitments under our policy pillars of **Environmental Stewardship, Business Policy and Social Responsibilities.**

The Sustainability Policy is aligned with all relevant laws and regulations as well as the Principles and Criteria (P&C) of the Roundtable on Sustainable Palm Oil (RSPO) and other national and global standards for sustainable agribusiness, including the Indonesian Sustainable Palm Oil Standards (ISPO) and the International Sustainability and Carbon Certification (ISCC).

The Sustainability Policy applies throughout ANJ and all its subsidiaries; we also expect our business partners and associates to respect and comply with the commitments therein. If any of them fail to comply, ANJ will either review the contract or take measures to help the partner concerned to resolve the issues or improve the performance.

On November 15, 2018, RSPO adopted a new Principle & Criteria (P&C) that require land clearing not to cause deforestation or damage any area required to protect or enhance High Conservation Values (HSVs) or High Carbon Stock (HCS) forests. Also that HCVs and HCS forest in the managed area are identified, protected or enhanced. In High Forest Cover Landscapes (HFCL) land clearing will need to take into consideration regional and national multi-stakeholder processes and development should be proportional to the needs of the local community with a balance between conservation and development.

We believe that our sustainability concept of responsible development is in line with this new RSPO P&C. RSPO has not clarified a more detailed procedures on development, in HFCL, following of which we will consider adjusting further our sustainability policy.

Due Diligence on the Social, Economic and Environmental Impacts of the Company's Activities

As we fulfill these commitments, we are continuously assessing the Company's impact and identifying the contributions we can make that are both material and aligned with ANJ's sustainability objectives. These assessments are based on the information gathered through our engagement with stakeholders, including daily interactions with the community, the shareholders (through the General Meeting of Shareholders), labor unions, business partners, our CSR partners and beneficiaries, as well as our assessments of market conditions and government laws and regulations.

ANJ'S Stakeholders

Our key stakeholders in our corporate responsibility programs are our employees; our business partners, suppliers and vendors, including independent smallholder farmers; government and the communities that are impacted by our operations, particularly communities living in the vicinity of plantations and other agribusiness operations.

Key Social and Environmental Issues related to ANJ's Operations

The principal social issues related to our operations are relations with the surrounding communities, including human rights and compensation; responsible sourcing, including the inclusion of smallholders in our value chain; occupational health and safety; and employment practices, including gender equality and human rights.

With regard to the environment, the key issues related to our operations are the protection of ecosystems and biodiversity; responsible management of peatlands; waste management; water and energy consumption; CO_2 emissions from our mills and plantations; responsible use of pesticides; and responsible sourcing (ensuring that our suppliers comply with our standards on sustainable palm oil production and environmental management).

Our actions to address these issues through our corporate social responsibility programs are described in the following pages.

Scope of CSR, both Required and Beyond Requirements

Our CSR programs cover the following focus areas: environmental conservation; forest fire fighting and prevention; health and sanitation; education and literacy; economic empowerment; and social infrastructure. All are underpinned by strong stakeholder engagement. Several strategies and initiatives that are related to social responsibility are an integral part of our normal business activities. Some of these are required by law or by the national and international standards we have signed up to on, for example, sustainable palm oil production. These broader social responsibility programs include: responsible agriculture and plantation management; managing peatland; reducing GHG emissions, reducing water and energy consumption; waste management and waste water treatment; responsible sourcing and smallholder inclusion; occupational health and safety; human rights; diversity and gender inclusion; and responsible employment policies and practices.

Programs that go beyond the scope of our direct responsibility include our initiatives on health and sanitation, education and enhancing livelihoods.

CSR Engagement and Value

All our CSR programs are designed to engage stakeholders as beneficiaries and in most cases, as active partners. In addition, they are all designed to deliver added value to our stakeholders and/or shareholders, whether financial, such as our economic empowerment programs, or non-financial, such as conserving biodiversity. These considerations are discussed further below.

CSR Expenditure

The Company's total expenditure on fulfilling its social and environmental responsibility commitments in 2018 was more than USD 2 million.

CSR Strategy

ANJ's CSR strategy is based on our identification of opportunities along our value chain to leverage our business activities into actions that enhance or amplify our social and environmental commitments. The identification also explores the expectations of the Company's stakeholders. Issues, risks and program needs are identified through research, studies and consultations that are carried out through a participatory approach and involve stakeholders in all aspects. The strategy is aligned with Indonesia's development policy, particularly in Papua, where the government has called on the private sector, through Presidential Regulation No 59/2017 on the Achievement of the Sustainable Development Goals, to support the acceleration of equitable social and economic development. The strategy is based on a long-term, integrated approach that seeks, at each of our business units, to maximize the impact of the initiatives in order to deliver tangible and sustainable improvements in livelihoods as well as in the quality and integrity of the surrounding environment.

We have continued to support this responsible development-driven approach to CSR by reviewing and improving controls—including our policies, systems and standard operating procedures—in order to ensure that good governance and sustainability principles are applied more effectively across the Group's operations. The award of a Green PROPER rating (the second highest rating) to our subsidiary SMM by the Ministry of Environment and Forestry in 2018 reflects these efforts.

The implementation of ANJ's CSR strategy in 2018 is summarized under each of the following programs.

Sustainability Initiatives

ANJ is committed to supporting the achievement of the Sustainable Development Goals (SDGs) through our own operations and sustainability initiatives. Our CSR programs are aligned with several SDGs.

Responsibility for the Environment

Policies on Environment

ANJ's environmental policies are founded on our Group-wide commitment to responsible development, with the aim of producing high-quality food products while taking into account the environmental sustainability and biodiversity of the Company's operational areas. All employees are required to support the implementation of this policy and ANJ is committed to building the capacities of both employees and stakeholders to enable this.

The Company's commitments are set out in its Conservation Policy, which covers the protection and sustainable management of conservation areas; the criteria for identifying high conservation value (HCV) and riparian areas, as well as their designation and management; and replanting of natural forest areas.

In compliance with the law, the RSPO guidelines and other environmental standards the Company subscribes to, ANJ is also committed to reducing greenhouse gas emissions, implementing environmentally sustainable waste management and applying responsible agricultural practices.

Activities Implemented and their Outcomes

Conservation of threatened and protected wildlife

At the heart of our responsible development approach is a strong commitment to preserving the integrity and biodiversity of forest and wetland ecosystems. We therefore comply with government regulations and RSPO guidance on identifying high conservation value (HCV) and high carbon stock (HCS) areas before clearing any land for planting, refraining from new planting on peat and wetlands, refraining from the use of burning to clear land, reducing greenhouse gas emissions and reducing the impact of felling in licensed areas.

ANJ is putting this commitment into action by setting aside significant areas for conservation and making substantial investments in applying best practices to their management and protection, with the active engagement of local stakeholders, including the government, local communities, conservation experts and non-profit organizations. At the end of 2018 we had set aside approximately 45% of our total palm oil concession area for conservation, an area covering more than 65,000 hectares.

Strong stakeholder involvement plays a vital role in the success of our conservation initiatives. We have found that this is most effective when we engage on specific issues, such as training local communities and accompanying them to play an active role in patrolling HCV areas, monitoring biodiversity and preventing fires. We back this up with outreach to schools and farmer groups with conservation information and education as well as regular stakeholder meetings. The livelihood projects implemented through our community involvement and development program, such as bee cultivation in ANJAS, mushroom and nipah palm cultivation in KAL and vegetable gardening in PPM and PMP, also play a key role in engagement. By providing communities with alternatives to the illegal and unsustainable exploitation of forest resources, such as hunting and logging, we are beginning to change attitudes and behaviors and in so doing, eliminate some of the threats to conservation.

We have also found that prohibiting all types of hunting, trapping and snaring from plantation and conservation areas has a very significant impact on restoring biodiversity levels and even plantations can provide a supportive habitat for certain species if they are protected. Significant numbers of mynas have been identified in the plantation at KAL, while the epiphytes on oil palms support various types of fauna, including snakes. Flocks of belibis (whistling ducks), which are becoming rare because of overhunting, are regulars on the ponds at our biogas plant in Belitung and Siais attracted by

the organically rich mill effluent (POME). Monitor lizards also live around our Belitung ponds.

While our conservation areas are playing an important role in preserving biodiversity, their value could be multiplied if they form part of a landscape-level effort that connects multiple HCV areas, including national parks. The thriving orangutan population in our conservation area in Ketapang, West Kalimantan, for example, will have a much greater chance of survival over the long term if the animals can range safely over a wider area. We have begun to take a step towards this with the Essential Ecosystem Area (Kawasan Ekosistem Esensial, or KEE) in Ketapang. Initiated by KAL with a large multistakeholder group that includes the local community, the local government, Yayasan Konservasi Alam Nusantara (YKAN), International Animal Rescue Indonesia, Pontianak's Tanjung Pura University and Inisiatif Dagang Hijau (IDH), the Essential Ecosystem Area was formally established at the end of 2017 by West Kalimantan Governor's Decree No. 716/DISHUT/2017. The Essential Ecosystem Area connects the Gunung Palung National Park and the Gunung Tarak Protected Forest with the Sungai Putri peat swamp forest and we hope that this will help the entire area to be planned, managed and conserved as a single connected ecosystem. This is of vital importance to preserving not only the orangutan population but many other threatened, wide-ranging species as well, such as sun bear, gibbon, leopard cat and a variety of birds.

We have seen strong support for this initiative from communities that have already experienced and understood the benefits of conserving and managing forest resources. In August 2018 we secured an agreement with the people of Manjau in Laman Satong village and provided additional compensation for 535.81 hectares which has been designated as part of the Essential Ecosystem Area.

The future development of the Essential Ecosystem Area will provide valuable learnings that we hope to apply to further participatory landscape-level conservation initiatives going forward, for example in West Papua, where we have identified 32,257 hectares of HCV that covers dryland forest, riparian areas and wetlands in PPM and PMP.

Conservation Highlights

KAL (West Kalimantan): We manage a conservation area of 3,844.5 hectares, of which 2,330.8 hectares is compensated area, for which the HGU is still in process. This is managed as part of the aforementioned Essential Ecosystem Area. In 2018 we continued to collaborate closely with International Animal Rescue Indonesia, the Nature Conservation Agency (Balai Konservasi Sumber Daya Alam, or BKSDA) and an independent environmental researcher on inventorying and monitoring biodiversity in our conservation area. The area supports a confirmed population of some 150 orangutan (Pongo pygmaeus wurmbii) and at least eight mammal species that are on the protected lists defined by the International Union for Conservation of Nature (IUCN) and the government. The forest also provides a habitat for Malayan sun bears, pig-tailed macaques, maroon leaf monkeys and monitor lizards; at least 63 different species of birds, including great slaty woodpeckers, rhinoceros hornbills and black hornbills; and a wide variety of other flora and fauna. The forest canopy in our conservation area is higher than that in the adjacent protected forest, indicating that it is well maintained.

Together with local stakeholders, we have continued to develop a nursery for local plant and tree species, which will be planted in the conservation area as a food source for the fauna. We also continued to maintain the rubber 'flying bridges' that facilitate movement between habitats by various species, including orangutans. Researchers and students from local schools regularly make use of the forest for educational purposes.

ANJA (North Sumatra I): The 591.64 hectare conservation area is adjacent to the Siondop Protected Forest and includes riparian buffer zones that contain a variety of flora, including the rare nepenthes. In 2018 we inventoried the biodiversity, restored the river buffer zones and developed forest tracks. We have continued to explore the possibility of cultivating nepenthes (pitcher plants) commercially to provide economic benefits for the local community.

ANJAS (North Sumatra II): We manage a conservation area of 2,271 hectares in partnership with Conservation International (CI) through the Community Conservation Agreement (CCA) program. The CCA program promotes through sustainable oil palm farming, which involves mapping community land use, training and mentoring oil palm farmers and involving communities in managing and safeguarding the Company's conservation area. In 2018 we developed an Environment Education Center and started a field study program with several schools in the surrounding communities to improve awareness and promote a sense of shared responsibility for the forest and the biodiversity. We also discovered traces and photographic evidence of the Malay tapir, which is a protected and endangered species.

SMM (Belitung): The 1,568.49 hectare conservation area includes riparian buffer areas and the Makam Balok forest. In 2018 we continued to inventory the biodiversity, conducted a density survey on the tarsier population and reforested the river buffer zones. We have begun to develop parts of the forest for ecotourism and education, particularly with schools in the surrounding community and other schools interested in studying our responsible development concept.

GSB (South Sumatra): The HCV area at our Empat Lawang landbank has been delineated and 1,564.84 hectares have been set aside for conservation. In 2018 we began to inventory the biodiversity and inform the local community about the conservation area.

West Papua: All three West Papua sites are close to the Suabor Protected Forest.

PMP and PPM: We manage a total conservation area of 32,257 hectares in South Sorong and Maybrat, comprising 12,115.69 hectares at PMP and 20,140.92 hectares at PPM. In 2018 we continued to verify the HCV area on the ground, while inventorying the biodiversity. So far we have identified more than 58 fauna species and more than 25 flora species that are on the IUCN Red List. These include several rare orchid species and numerous bird species. An important recent discovery was Seleucidis melanoleucus, or the Twelve-wired Bird of Paradise, which was first observed (recorded by camera) in the forest at the PPM Hexagon (the area dedicated for offices, employee housing and general facilities) in September 2018. We have been monitoring the bird since the end of 2017, because the voice of the male bird has been heard frequently in various parts of the hexagon forest, which covers an area of approximately 44 hectares. Our assumption is that the entire hexagon forest is a suitable habitat for twelve-wired bird of paradise due to the availability of food sources (we are still identifying their feed trees) and the relative safety of the forest. We have continued to communicate intensively with the local communities, estate workers and contractors about our conservation policy, protected species, the boundaries of the HCV area and the importance of responsible action to prevent forest fire.

ANJAP: We have set aside 8,150 hectares of sago forest for conservation and habitat restoration. In 2018 we continued to inventory the biodiversity and communicate with employees and the local community on our conservation concept.

Our biggest conservation challenges in Papua include the local communities' traditions of hunting and giving birds as a gesture of honor; the trading of animals; the difficulty of accessing the forest to do research; and the consequent lack of research. To overcome these challenges we have held induction sessions for all new workers and contractors on biodiversity protection and the prohibition on taking any biodiversity out of our operational areas and provided training and explanations to all our employees and members of the surrounding communities on the importance of protecting the forest. Access to the conservation area is still challenging, making field study difficult. We currently employ conservation staff who are tasked with documenting biodiversity, communicating the importance of biodiversity to employees and the local people and monitoring and preventing the removal of biodiversity from our areas of operation.

Managing Peatland

As well as supporting important ecosystems, peatlands store more carbon than any other type of vegetation; any damage to peatlands can release significant amounts of carbon into the atmosphere. The Company has committed to doing no new planting on peat and we ensure that any peatlands within our concession areas are identified and managed in compliance with the prevailing regulations and policies on peatland management. These are:

- Ministry of Agriculture Regulation No. 14/2009 on the Guidelines on Peatland Development for Oil Palm Cultivation; and
- Government Regulations No. 71/2014 and No. 57/2016 on the Conservation and Cultivation of Peatland Ecosystems.

Following extensive soil analysis by independent consultants, we have not detected any peatland in our ANJA (North Sumatra I), SMM (Belitung) and GSB (South Sumatra) plantations.

In November 2018, RSPO adopted and ratified the new Principles and Criteria (P&C). As a member of RSPO, we are committed to following these new P&C.

In mid-December 2018, a team from the Directorate General for Law Enforcement and the Directorate General of Forest Protection and Nature Conservation, Ministry of Environment and Forestry, visited three locations in PMP and seven locations in PPM. The visit was focused on the HGU boundary and peat moratorium area. The visit did not find indications of peatland.

In our ANJAS (North Sumatra II) and KAL (West Kalimantan) estates, we had recorded 11,075.82 hectares of peatland as of 31 December 2016, or 48% of the total plantation area.

Within the peatlands in our ANJAS and KAL plantations, we also manage and utilize water to prevent fire and carbon release in a consistent, measurable and transparent manner, in line with ANJ's zero burning policy.

Responsible agricultural practices

We seek to minimize the impact of our operations on the environment and people by implementing best practices, a selection of which are shown below. Some of these have been developed through our own ongoing field and laboratory-based research.

- Reducing water and herbicide use by using ultra-low volume sprayers.
- Optimizing fertilizer use to reduce the volume needed.
- Using compost in place of inorganic fertilizers where possible. This has helped to improve palm sustainability and production levels.
- Where composting is not possible, we use only high-quality fertilizers from reputable manufacturers.
- Applying, wherever possible, natural pest management methods that have little environmental impact. Our methods include using natural biological pesticides such as fungi, encouraging beneficial plants to attract natural predators, encouraging parasitoids to control leaf-eating pests, ensuring proper planting methods and deploying barn owls to control larger pests such as rats and mice.
- Allowing sago trees to reach maturity before being harvested, selective harvesting and replanting as the trees are harvested.
- Replacing earth and biomass that has been removed from paths in sago forest to allow for regrowth.
- Managing water levels in the sago forest.
- Assessing tree health through routine leaf and soil sampling as well as by using unmanned aerial vehicles (UAVs).
- Avoiding harmful emissions by not using incinerators for waste disposal and by upholding our zero burning policy for land clearing. This also promotes soil fertility, as trees are left to decompose naturally.
- Taking the risk of fire very seriously. Mitigating actions include:
  - Response systems and procedures established at all estates, including fully equipped emergency response teams, firefighting teams and patrol teams;
  - Fire towers constructed and fire hazard warning signage placed in strategic locations;
  - Awareness-raising and training conducted for the communities around our estates on fire prevention and response.

All actions have been taken in coordination with local government authorities.

Reducing greenhouse gas (GHG) emissions

We made considerable improvements in energy usage and efficiency across the group in 2018, yielding a significant reduction in diesel consumption and thereby reducing GHG emissions. This was achieved by intensifying our waste-to-energy approach to step up the use of renewable energy. Biomass boilers are now deployed to power the steam turbines in our palm oil mills at ANJA, ANJAS, SMM and KAL. ANJAP began operating a biomass boiler to power its sago mill in August 2018 and is slowly phasing out coal usage in its power plant.

In Belitung, SMM is converting palm oil mill effluent (POME) into biogas to power the plant. This process involves capturing the methane released during POME processing, which contributes to reducing emissions of methane, an important greenhouse gas. We are planning to begin the construction of a small-scale biogas facility at KAL in 2020.

We have derived further energy efficiencies by installing energy-efficient multi-stage turbines in ANJAS's mill. Burning biomass does generate GCG emissions, although they are much lower than those generated by fossil fuels. Nevertheless, emissions from the biomass boilers are tested periodically to ensure they are within the prescribed limits.

Waste Management

In line with our 'zero waste' goal, we have adopted the '4Rs' principle of reduce, reuse, recycle and recover in our operations to minimize the environmental impact of the waste we generate and reduce reliance on non-renewable fuels. We have teams of qualified personnel to conduct routine monitoring of our waste management practices to ensure compliance with environmental quality standards and our own SOPs.

Each type of waste produced is classified to ensure that it is handled appropriately and safely. The same type of waste may be managed differently in different estates depending on local soil, climate and infrastructure conditions. Our key actions on waste management are outlined below.

- Palm kernel shells (PKS) and mesocarp fiber are the materials left after the removal and crushing of palm kernel nuts. Both are used as biomass for the boilers in our palm oil mills, thereby avoiding the use of fossil fuels.
- Empty fruit bunches (EFB), the solid waste left from the processing of FFB, have a high potassium content and excellent soil-enriching and soil-binding properties. For maximum benefit they are composted and applied as organic fertilizer (currently at the ANJAS and SMM estates) and can also be applied directly to the soil.
- 100% of the palm oil mill effluent (POME) produced by the ANJA, SMM and KAL estates is treated anaerobically and used as a high-nutrient organic fertilizer, either through direct application to the soil or as compost. We ensure that all effluents are within the safe limits for biochemical oxygen demand (BOD), a measure of organic pollution in water, defined by local and national regulations.
- POME from the SMM mill in Belitung is also used to produce biogas for electricity generation. Since 2013, Belitung's biogas has been used to power the country's first independent biogas power plant, operated by our subsidiary AANE. The electricity produced is sold to the state electricity company, PLN.
- At ANJAS, POME is discharged safely into the river after being processed anaerobically. Samples of the upstream, midstream and downstream river water are tested on a monthly basis by accredited laboratories to ensure that there is no reduction in local water quality as a result of the discharge of treated effluent or the application of organic and inorganic fertilizers to the soil.
- Organic household waste is also used in the composting program at every estate.
- A reverse osmosis process is being introduced at GMIT's edamame frozen line facility. Edamame is washed three times; waste water from the washing process can be filtered, treated and reused, allowing for a significant reduction in the plant's overall water consumption.

Hazardous and toxic material waste is handled according to our specific SOPs, which are compliant with government regulations and best plantation management practices. This ensures that they do not pollute the environment nor endanger anyone who comes into contact with them. In our operations, such materials mainly consist of used oil, used batteries and packaging waste.

- Used oil and batteries are documented and stored securely in temporary hazardous waste storage units, before being sent to a licensed third party.
- Pesticide packaging waste is cleaned carefully, ensuring that water is not discharged into rivers or the soil, before being disposed of. Empty fertilizer sacks can be cleaned and reused, either to store waste or in soil retaining walls.

Environmental Certification

ANJ complies with all statutory regulations on environmental management. In addition, our environmental management systems have been certified by various national and international certification bodies. Further details can be found in the Company Profile on page 63 of this Report, but the following provides a brief summary of ANJ's compliance.

Government Regulation No.27/2012 and Ministry of Environmental Affairs Decree No.16/2012: The Company's operations are fully compliant. All business units have fulfilled the requirements for an environmental permit, including conducting environmental impact assessments (AMDAL) and preparing environmental management and monitoring plans at each site.

RSPO (Roundtable on Sustainable Palm Oil). RSPO certification indicates that the Company has fulfilled a series of environmental, social and operational best practice principles and criteria in the production of its palm oil products. Palm oil producers are entitled to charge a premium for products from RSPO-certified mills. Certification is awarded on the basis of an audit by the RSPO Certification Body and is valid for 5 years.

Our estates operated by ANJA, ANJAS and SMM (North Sumatra I, North Sumatra II and Belitung) are RSPO certified. Certification for our remaining producing estate, operated by KAL, is pending, as management is still fulfilling the requirements for certification. Compliance is managed through annual internal audits of all producing estates to address any potential findings at an early stage.

As our developing estates in West Papua and South Sumatra are not yet operating commercially, they are not eligible for certification. However, we conduct annual internal audits referring to the RSPO criteria. Our PMP, PPM and GSB estates have been deemed to be compliant with the RSPO's New Planting Procedures (NPP), which is a prerequisite for RSPO certification.

On November 15, 2018, RSPO adopted a new Principle & Criteria (P&C) that require land clearing not to cause deforestation or damage any area required to protect or enhance High Conservation Values (HSVs) or High Carbon Stock (HCS) forest. The new RSPO P&C also require HCVs and HCS forests in the

managed area are identified and protected or enhanced. Our developing estates in West Papua and South Sumatra has either obtained the New Planting Procedure (NPP) approved or already started the process to obtain NPP.

All of these area already gone through HCV assessment by an RSPO – approved asessor and we maintain our land clearing process respecting the HCV assessment report for all area already obtained NPP approval. For ANJ area, our HCV assessment is still pending approval of ALS and therefore no planting can start yet.

On November 20, 2018 we have voluntarily stopped planting in PPM & PMP, pending clarification of some transitioning RSPO procedures to new P&C.

ISPO (Indonesian Sustainable Palm Oil). The Ministry of Agriculture's certification system is designed to provide assurance to consumers that companies with ISPO certification have complied with all palm oil cultivation and production licenses and fulfilled all the obligations attached to such licenses, across the entire value chain from land acquisition to product sales. Certification is valid for 5 years.

All ANJ's producing estates (ANJA, KAL, SMM and ANJAS) are ISPO certified.

ISCC (International Sustainability and Carbon Certification). This certification covers all bio-based feedstocks and renewables and is based on the fulfillment a series of standards that cover the entire supply chain. Criteria include greenhouse gas emissions, biodiversity preservation, agricultural practices and respect for labor and land rights. Re-certification is done on an annual basis by an accredited external agency.

The ANJA and SMM estates have ISCC certification.

ISO 14001: This is the globally recognized quality standard for environmental management systems. Re-certification is done on a 5-year cycle, but the certified company must also undergo an annual audit by a nationally accredited certification body.

All ANJ's producing estates (ANJA, KAL, SMM and ANJAS) have ISO 140001 certification.

PROPER Program: The PROPER scheme, run by the Ministry of Environment and Forestry, evaluates companies on their implementation of sustainable development principles in their operations, environmental management systems, waste management, energy efficiency, natural resource conservation and responsibility to communities. Based on an annual assessment, companies are rated Gold, Green or Blue if they are fulfilling the criteria and Red or Black if they are failing.

SMM was awarded the Green (second highest) rating in 2018, indicating that it has gone 'beyond compliance' with the regulatory and best practice requirements. SMM also achieved the highest score of all palm oil companies in Indonesia in 2018. ANJA has been rated Blue since 2014, while ANJAS has not yet been selected by the local government to participate in the PROPER program.

KAL was selected in 2016 to participate in the Ministry of Environment and Forestry's new PROPER Gambut (peat) program, which assesses compliance with the provisions of Government Regulation No 71/2014 on managing and maintaining peatlands. KAL was awarded a Blue rating.

Traceability

From time to time, some of ANJ's business units purchase FFB from external suppliers to optimize the available mill capacity. Some of this fruit is purchased from brokers, making it difficult to ascertain the plantation of origin. Over the last two years we have been putting in place systems to determine the location of each source, its legal status and the volumes purchased. This information will not only improve the traceability of our palm oil but will also enable us to identify and assist small, independent farmers on improving plantation management and regularizing the ownership status of their land, which is the first step towards sustainability certification.

The group-wide rollout of our SAP-based enterprise resource planning in 2017 and 2018 has provided a platform for the development of a mobile application that will make the process easier, faster and more accurate, as well as giving greater visibility on externally supplied FFB. We anticipate piloting this app in the coming year.

Environmental Grievance Mechanism

In line with ANJ's standard operating procedures on handling grievances, members of the public can voice concerns or complaints related to the Company's environmental management at any time through the Company's Community Involvement & Development (CID) Department, or through the public consultations that are held at the inception of each project and the stakeholder meetings that are held during the development and operational phases.

All grievances are logged and the Company aims to find a resolution within 14 days. If this is not possible, the case is escalated to the Board of Directors.

Reponsibility for Community Involvement and Development

Company Commitment to Social and Community Development

Through the Company's social and community development program, we aim to ensure that our presence has a net positive impact on the quality of life of the communities in and around our operational areas. Our strategies are designed to meet the specific needs of the communities in each location. However, they are all based on common core principles of strengthening community resilience by improving access to quality education and health care, contributing to the improvement of local infrastructure and economic development and fostering community cohesion through support for social, cultural and religious activities.

Social Issues that are Relevant to the Company

ANJ's programs focus on several social issues that have direct relevance for our operations. These include:

- Building the capacity of independent oil palm farmers, to improve livelihoods and enable them to become sustainable suppliers of FFB to support the Company's operations;
- Establishing and building the capacity of cooperatives to support employees' and farmers' livelihoods as well as provide support functions for the Company's operations (as FFB suppliers, transport vendors, etc.);
- Developing alternative livelihood opportunities to compensate for communities' reduced access to forests, reduce illegal logging and poaching and build more conducive relations between the Company and the community;
- Empowering communities by improving access to health, education and life skills training that improve the quality of life while enabling them to participate more effectively in a market economy.

Activities Implemented and their Outcomes

The programs and initiatives described below reflect the Company's efforts to respond to the needs of the communities where we work. In North Sumatra, Belitung and West Kalimantan, we are improving the quality of our engagement with local communities by supporting local health and education infrastructure and services and building the capacities of local independent farmers to improve their livelihoods. In West Papua, which is one of the top priorities of the President of the Republic of Indonesia for development, our approach is closely aligned with government policies to drive social and economic development. Our focus is therefore on transforming livelihoods by establishing access to education and health services, as well as alternative livelihood opportunities for communities that have traditionally been highly dependent on forests. These initiatives are underpinned by strong stakeholder engagement.

Education

Our education initiatives are centered around improving access to quality education from early childhood up to high school level. With many schools in our operational areas severely under-resourced, this is a significant challenge.

In collaboration with our NGO partners, we have continued to support schools to become 'green schools' under the Ministry of Environment and Forestry's Adiwiyata program. This is aimed at making schools centers of excellence for learning in general, but with a particular focus on developing and applying sustainable living principles not only in the school curriculum and environment but also in the community. In November 2018, with SMM's support for developing a strong management plan, one elementary and one middle school close to our Belitung estate were awarded provincial-level Adiwiyata accreditation, while ANJA and KAL continued to support the program in selected schools. KAL also conducted a needs assessment for early childhood education (ECE) in local communities in 2018 and began to obtain the necessary permits in anticipation of beginning the ECE program in 2019.

In our North Sumatra estates, the focus was on expanding literacy and instilling a lifelong love of reading by increasing access to appealing reading materials and quiet spaces in which to read. At the elementary/middle school on our ANJA estate, we built a library, equipping it with hundreds of fun, interesting books to suit all levels and helping teachers to catalog the books. Meanwhile, through ANJAS we donated more than 200 reading books to a local elementary school.

In 2018 we also focused on improving the management and quality of our school on the ANJAS estate in order to get accreditation from the National School/Madrasah Accreditation Board (BAN SM). The school was awarded grade 'A' Accreditation and was one of only four schools to achieve this grade in South Tapanuli district out of a total of 49 elementary schools that underwent the accreditation process in 2018.

Throughout the year we continued to provide support for educational activities in all our operational areas by, for example, renovating school buildings and facilities, donating computers, printers, books and other equipment, offering scholarships and supporting schools' participation in local competitions.

In West Papua, we continued to expand access to quality early childhood education (ECE). ECE, whether classroom-based or home-based, is aimed at developing, during the critical 'golden' years from birth to 8 years old, the social, emotional, cognitive and physical capabilities that will help children to be successful learners and improve their life chances.

The program is being implemented in five locations (Benawa I, Kauri, Puragi , Tawanggire, Sumano and ANJ's school) led by our NGO partner, the Early Child Care and Development Resource Centre (ECCD-RC). As well as training 10 teachers on child-friendly and culture-friendly education, ECCD-RC has identified and trained a number of community change agents, known as 'ECE Mothers', to motivate participation in the program.

Our village empowerment program in West Papua is also benefitting six communities in the vicinity of our palm oil estates and sago business in West Papua. With our partner Yayasan Indonesia Lebih Baik (YILB), we are implementing interventions to build confidence, resilience and self-sufficiency through the program's four pillars of education, village management, household economy and arts and culture. When the program started in 2016, live-in community facilitators played a major role in motivating and engaging community members in program activities, while identifying and training potential change leaders. In 2018, the focus was on empowering these change leaders to become facilitators. Using modules developed by YILB, they have been working with different community groups to develop literacy in parenting, early learning, managing household finances, village governance and developing socio-cultural potential.

With the help of the facilitators and change leaders, each community is developing its own solutions to some of the challenges they face. Ensuring that children attend school regularly was particularly challenging in some villages, not least because in some cases there was no teacher. In Benawa, after the facilitator activated school activities, parents began to take their children to school rather than with them to the estate and the parents petitioned for a teacher. In all the villages, change leaders are helping children with their learning. In Ikana Mukamat, women learned about managing household finances and began to earn income by grouping together to make and sell cakes. They reinvested some of their

earnings to buy cooking equipment. Another objective of the program was developing a greater appreciation for the local cultural heritage and exploring opportunities for developing creative enterprises; some groups are now utilizing local grass traditionally used for grass skirts to make bags. In 2018 those local handicrafts were sold to tourists through the Company's booth in Sorong airport.

The Company's presence is accelerating the pace of social and economic change in the surrounding communities. The community empowerment program has helped the communities to identify and address some of the challenges they are facing and to adapt to the changes, as they transition from a traditional to a modern economy.

Health

In West Papua, our principal health goal is to improve access to quality health care, particularly for mothers and young children, while in our other operational areas we are working to improve the overall standard of public health primarily through WASH (Water Access, Sanitation and Hygiene), particularly in areas where water supplies are limited.

WASH activities include building wells and small reservoirs, public toilets and washing facilities, as well as education on good hygiene habits. This integrated program was implemented in seven villages by ANJA and SMM in 2018. ANJAS and KAL promoted healthy living and nutrition campaigns in schools and supplemental feeding at *posyandu* (village health posts) while the site clinic at ANJAS provided free treatment for multiple victims of flooding in Labalasiak and Binasari.

In West Papua, we continued to deliver the 'Matahariku' integrated health program with our NGO partner, YPCII (Yayasan Pembangunan Citra Insan Indonesia), to support children's fundamental right to healthy growth. The program focuses on the critical first 1000 days, when the nutrition and care that babies and toddlers receive can have a lifelong influence on how they develop, grow and learn. This is a critical need, demonstrated by the high prevalence of stunting in children and chronic energy deficiency (CED) among pregnant women in the villages around ANJ's plantations in South Sorong and Maybrat.

Covering four villages (Kais, Tapuri, Benawa 1 and Sumano) and one hamlet (Kauri) in Kais district, Matahariku is empowering the staff of local primary health centers *(puskesmas)* through capacity building on community health management, including the management of childhood illness, child and infant feeding, community-based sanitation and program planning. Given the wide coverage area of each *puskesmas*, staff are also being supported to do regular outreach in the community and schools, providing immunization, basic treatment and nutrition and hygiene education and counselling.

To strengthen ongoing access to health for babies and children under 5 in the communities, *puskesmas* staff and community facilitators are also training volunteers at *posyandu* (village health posts) to deliver basic immunization, regular developmental checks and informed support and advice. At the same time, in each village we are facilitating mothers' support groups as a forum for parents to learn informally about early childhood development, good childcare and preparing nutritious food, which also helps to drive demand for quality health services.

The Matahariku program is also ensuring that children and pregnant women have access to basic medicines and nutritional supplements, such as Vitamin A capsules, worm medicines and vitamins to promote the healthy development of babies and children.

All the Matahariku interventions at the *puskesmas*, *posyandu* and community level are coordinated through regular meetings between the local health authority, *puskesmas* staff, *posyandu* and mothers' group representatives and community facilities to ensure the integrated and comprehensive coverage of services with a clear focus on objectives and results.

In 2018, some significant outcomes were achieved: coverage of worm medicines increased to 88.9% from under 40% a year earlier; Vitamin A coverage increased from 57.1% to 90%; and the number of assisted births is increasing. Addressing complex problems like stunting and CED takes more time and although we are seeing some improvement as program coverage increases, levels are still unacceptably high. However, thanks to Matahariku's advocacy and the demonstrated benefits of the program, village governments are now beginning to allocate funds for *posyandu*, sanitation and waste disposal facilities, nutrition improvement and equipment, indicating their willingness to support sustained interventions.

Our on-site health clinic also provides services to community members who reside nearer to our clinic than their local *puskesmas*.

Economic empowerment

The presence of our plantations can have a net beneficial impact on local communities and economies in the form of jobs, infrastructure and increased demand for local goods and services. However, the restricted access to forests (because they have been converted to oil palm or protected for biodiversity conservation) can lead to loss of livelihoods for people who previously depended on them. We are therefore developing alternative livelihood initiatives that optimize available resources, generate income and contribute to the social and economic development of the communities. The outcome, we hope, will be increasingly empowered, prosperous communities that can continue to benefit economically and lawfully from the forests without endangering the biodiversity and environmental services within them.

In Siais, ANJAS has been working with Conservation International and some 40 members of our volunteer farmer firefighting groups (KTPA) to develop a honey enterprise using forest bees as a source of supplemental income for the farmers.

In KAL, we continued our collaboration with local smallholders and Tropenbos to support mushroom cultivation. Together with YKAN, KAL launched an initiative with two villages to cultivate nipah palms and explore the applications of nipah palm sugar. We also continued to support volunteer firefighting groups (KTPA) and community forest patrols with equipment and training.

In 2018 we also began to explore the potential of high protein edamame (immature soybeans used in Asian cuisines) to generate additional income for smallholders and improve

diets. With technical assistance from GMIT, operator of our edamame business in Jember, East Java, we launched a pilot project and supported seven local farmers to attend training at GMIT's Edamame School. GMIT helped to initiate a similar pilot close to GSB's Empat Lawang development plantation, with the aim of providing a source of income for farmers before the oil palms can be harvested.

The Edamame School Program was established in 2018 to educate local farmers about growing edamame as a means of supplementing their incomes. In addition to disseminating valuable information about good farming practices, the initiative also enables GMIT to identify potential partners for its edamame business.

Properly managed ecotourism has also shown potential for generating sustainable income in well managed conservation areas and we are developing a number of initiatives with SMM and KAL. The presence of 150 orangutans in KAL and the almost 100% certainty of encountering the species on forest visits, creates high ecotourism potential in these HCV set asides. Similarly, in Belitung, the likelihood for visitors to see the charismatic, nocturnal tarsiers in ANJ's conservation areas is high.

In Binanga, we engaged with local farmers to increase the value of their livestock farming businesses while solving a longstanding problem. The local practice of allowing water buffalo to graze in ANJA's plantation compromised both our best-practice management of oil palm and the safety of the animals themselves by exposing them to the danger of ingesting herbicide or fertilizer. Working with farmer groups and the local agriculture department, we built enclosed areas and sheds for the buffalo, planted grass and provided training for the owners on animal husbandry. This has added value to the animals by ensuring that they have a healthy and abundant supply of food. We are working with the government to scale up this initiative at other locations.

In West Papua, we partnered with the Paramitra Foundation to deliver a sustainable organic farming program. Trained community mobilizers stationed in three villages in South Sorong district facilitated seven groups of farmers, mostly women, to develop organic farming skills. As well as learning how to plant, harvest and make and apply compost, organic fertilizer and biopesticides, the farmers are gaining new organizational and management skills, including basic bookkeeping. By the end of the year, the gardens were being managed independently by the groups; some groups were earning a small income from the sale of their produce to the Company's caterers and vendors; and villagers were gradually beginning to incorporate more vegetables into their diets, improving the nutrient intake of both children and adults.

Cooperatives

Each of our producing estates has a cooperative that is managed by employees for their benefit. The cooperatives offer cheap and convenient shopping for basic necessities, but also provide an opportunity for employees to develop business management skills.

In 2018 we started to establish employee cooperatives at our development estates in West Papua. As the communities in our operational areas are almost completely underserved by financial facilities, the cooperatives will focus on providing basic financial services to employees and the community. In addition, they will provide outreach and education to the community to help develop good money management habits, particularly saving. As part of this process, we are also facilitating people in the community to get identity cards (KTP), which are needed to access financial services.

Infrastructure development

Each subsidiary continued to contribute directly to a variety of projects in their surrounding communities, some of which were initiated by the Company and others proposed by the local community. The projects included the maintenance and repair of roads, bridges and other infrastructure and renovating public facilities such as sanitation facilities, schools, sports facilities, mosques and churches.

Socio-cultural and religious activities

ANJ also supported a wide range of activities that help to consolidate good relations between Company and community and play a key role in making those communities more resilient and cohesive. In 2018 we provided support for the celebration of customary and religious festivals as well as youth, social and sports events. We also donated funds, basic commodities and clean water to people and communities in need and social organizations such as orphanages and homes for the elderly.

In Papua, we started putting signage around places that are sacred for the communities. In SMM, we facilitated a team of archeologists who were researching historical artefacts of an ancient kingdom in our HCV area, including the graveyard of King Balok.

Disaster recovery

In 2018 the Company donated substantial support to community affected by the Palu/Donggala earthquake and tsunami in Central Sulawesi, on September 28, 2018. This was used to build a temporary learning space at a local primary school that was severely damaged by the earthquake. The project includes a library, toilets and clean water facilities, as well as emergency response training and was built by the local people as a community effort under the guidance of our NGO partner, Yayasan Plan International Indonesia.

Stakeholder engagement

At each site, we hold stakeholder meetings routinely every year to update the community about the progress of our projects, announce any new projects, listen to community concerns and discuss future Community Involvement and Development (CID) and community initiatives. These meetings play a particularly important role in Papua, where our plantations are still in the development phase.

In May 2018 we held a large stakeholder meeting in Sorong with provincial and district government, community leaders and stakeholders from local forestry, health, education, cooperatives and social affairs offices. The agenda included the CID program, the Company's grievance mechanisms

and information about the forthcoming plasma program for smallholder farmers.

Several other stakeholder meetings were held during the year in West Papua with customary communities or clans to discuss the plasma program and other community-based initiatives, compensation and so on. We also discussed the need to change the practice of barricading roads as a means of expressing dissatisfaction with Company policies or practices or demands for assistance and continued to inform communities about the acceptable grievance mechanisms, including the whistleblowing mechanism.

Most disputes arise over the issue of compensation. The clearing of land in our licensed concession areas in West Papua is based on Free Prior and Informed Consent (FPIC) principles and extensive further consultation with local communities and government. However, issues have continued to arise and some have disrupted our operations. In the majority of cases, the source of the conflict is disagreement between clans on the boundaries of their respective communal lands, which affects the allocation of the compensation they receive from the Company. We are working to update maps of boundaries of customary land rights that will be agreed by all the groups concerned. Other cases arise from miscommunication or misunderstanding about certain aspects of our operations. Some of these cases led to certain members of the community barricading some roads around the plantations. These incidents were all resolved through a consultative approach, with community members voluntarily opening the barricades after a constructive dialog.

We are preparing to develop plasma in the area by working with the local government to help local community members to obtain identity cards, which are a prerequisite of the program. Land certificates have already been obtained. The local Cooperatives and SMEs authority is holding regular information sessions to prepare the communities for the plasma program.

Transparency, disclosure and media relations

In 2018 the transparency of ANJ's sustainability policies and practices was assessed by the Zoological Society of London under its SPOTT (Sustainability Policy Transparency Toolkit) initiative. ANJ scored 62.7%, putting it near the top of the medium ranking companies (scores between 33% and 66%). The Company achieved particularly high scores on disclosures of Sustainability policy and leadership and on policies on Deforestation and biodiversity. The results of the assessment, which takes into account the public availability, quality and scope of policies and commitments, have given us valuable insights on areas for improvement, which we are already addressing.

In line with our commitment to building open, transparent and constructive relationships with our stakeholders, ANJ continued to engage with the media to build a better understanding of responsible palm oil development. We took a group of journalists from Papua to visit our operations in Belitung, while our corporate communications teams made a number of visits to national media outlets, including Kompas and the Jakarta Post. We were also pleased to support Kompas's consistent efforts to educate the public about the important role sago can play in food diversification and security in Indonesia. We have collaborated with the newspaper on a book, to be published in 2019, about the history and use of sago in this country and ANJ's efforts to develop the industry.

Grievance Mechanism

As for environment-related grievances, members of the public can report concerns or complaints related to the Company's management of community relations at any time through the Company's Community Involvement & Development (CID) Department. The public also has the option of airing complaints through the free prior and informed consent (FPIC) process, public consultations and routine stakeholder meetings. The Company's employees and third party vendors, suppliers and other partners can also report concerns through ANJ's whistleblowing mechanism, which is described in the Good Corporate Governance section on page 142 of this Report. We believe that stakeholders are generally aware of these mechanisms but we acknowledge the need to publicize them more widely and frequently.

All grievances are logged by the CID officer and the Company aims to find a resolution within 14 days. If this is not possible, the case is escalated to the Board of Directors. New and ongoing cases are discussed at weekly grievance meetings at each estate, led by the General Manager.

The majority of grievances and inquiries are related to compensation, desire for employment with the Company, issues surrounding termination from the Company and requests for transport.

Responsibility to Customers

Activities Implemented and their Outcomes

Consumer health and safety

Maintaining strict standards of quality, hygiene and safety is vital for our reputation as an agribusiness-based food company. We have developed comprehensive controls across our operations to ensure that these standards are fulfilled and that the importance of product safety is understood by all employees.

Field operations: In our business, quality begins with the seed, be they oil palm, edamame or the sago we plant in pathways of harvested plants. We only use certified oil palm seeds. Our Research and Development Department has continued to improve the quality of the sago and edamame seeds we use. In all our operations, chemical pesticide and fertilizer use is kept to a minimum and carefully managed to minimize residue and ensure that waterways or food sources in the local environment are not contaminated. Where possible, we use organic, composted by-products from our mills, or, for edamame, composted animal waste. These inputs undergo stringent testing for safety. ANJ's research department continues to develop effective, sustainable agronomic practices and applications that will enable us to further reduce the use of chemical inputs.

Mill and factory operations: All plantation products (fresh fruit bunches, sago logs or edamame) undergo a quality control inspection as soon as they arrive at the mill or factory.

Food safety standards are applied throughout the palm oil mill process. Oil palm fruit bunches are processed as quickly as possible to preserve freshness. Any suspected contamination, spoilage or physical degradation is immediately reported. Waste materials are carefully segregated for further processing, treatment and/or disposal. While in storage, the CPO is monitored for any signs of contamination or spoilage and transport tankers are regularly inspected for cleanliness and contaminants. In 2018, we did not receive any reports of contamination or complaints regarding the quality or safety of our palm oil products, either internally or from customers.

The frozen edamame line operated by GMIT entered the commissioning phase in Q4 2018 and is currently undergoing a series of food safety audits ahead of the anticipated start of commercial production. By the end of 2018, GMIT had obtained BPOM (Indonesian food and drug administration) and Halal A Grade certification and we expect to obtain ISO 22000, HACCP (Hazardous Analysis and Critical Control Points), BRC (British Retail Certification) FDA and kosher certification in early 2019.

Our subsidiary ANJAP produces natural sago starch from its mill in West Papua. The plant operates to strict hygiene standards and is fully equipped with sterilizing and cleaning systems and we are currently preparing the prerequisites for obtaining ISO 22000 (food safety) and ISO 9001 (quality) certification. Nearly all ANJAP's production is sold to food manufacturers for further processing, but we are exploring the possibility of expanding retail sales.

Product information

All our palm oil products have been produced in accordance with the sustainability standards defined by the RSPO. However, only the palm oil products that originate from our RSPO-certified plantations are sold with the RSPO guarantee. As of the end of 2018, three of our four producing estates were RSPO-certified, while the fourth is still in process. We are already managing our developing estates in compliance with the RSPO guidelines and we will apply for certification when they begin operating commercially. We sometimes purchase FFB from external sources to supplement our own production. However, we ensure that any CPO from our RSPO-certified plantations that is blended with CPO from externally sourced FFB is not sold as certified CPO. We have a timebound plan to certify all the plasma/partnership programs under our plantations.

Responsibility for Employment, Occupational Health and Safety

ANJ's policies and practices related to employment practices, including gender equality and occupational health and safety, are presented in the 'Human Resources' section on page 89 of this report.

The Company complies fully with all local and national laws and regulations regarding employment and working conditions. This includes the regulations on statutory minimum wages, holidays, holiday allowances, overtime, social security and health insurance.

Responsibility for Human Rights

ANJ's responsibility for human rights is stated explicitly in our Sustainability Policy, which outlines the Company's commitment to respecting the rights of the child; respecting labor rights; zero tolerance for discrimination, violence, harassment, sexual exploitation, child trafficking and forced labor; and implementing effective grievance mechanisms, among other provisions.

ANJ is also fully committed to the Principles and Criteria (P&C) of the Roundtable on Sustainable Palm Oil (RSPO), which include a commitment to upholding human rights, including labor rights, the right of employees to associate, equal pay and the right to a safe working environment, as well as prohibitions on child labor and exploitation, trafficking and forced labor and discrimination.

These commitments are an integral part of all our operations. We put them into action in our employment practices (see Human Resources on page 89 of this report), for example in our policies on expanding opportunities for women, paying at least the minimum wage, ensuring health and safety in the workplace and guaranteeing freedom to associate. They are also activated in our community empowerment programs, which are designed to uphold human rights, particularly the rights of children, by increasing access to health, education and decent livelihoods.

Security Risk in West Papua

West Papua has among the highest security risk of any of the provinces in Indonesia. An attack by an armed separatist

group in neighboring Papua province killed approximately 19 civilian workers in December 2018 and the threat from such groups still remains to this day. Serious security breaches have also occurred around PPM and PMP: approximately 70 cases of violence against ANJ employees were recorded in 2018.

Security policy and procedures

In 2018, we issued the ANJ Security Policy. The policy establishes ANJ's absolute commitment to complying with the Universal Declaration on Human Rights and Voluntary Principles on Security and Human Rights (VPSHR).

ANJ has also issued 11 Security Procedures to ensure proper security implementation within ANJ's premises. The procedures include the Security Risk Assessment, Community-Based Security, Engagement with Law Enforcement, Security Patrols, Access Control, Security Incident Response, Security Emergency Management, Investigation and Security Grievance Process.

Security strategy

ANJ is committed to protecting all of its employees and assets from security threats by effectively mitigating identified security risks. In implementing its Security Strategy, ANJ will always use preventive and defensive methods. We are continuously building communication and trust with members of all the adjacent communities with the primary goal of achieving Community-Based Security.

Security personnel

As we work in remote areas where local police support is not available, in order to ensure proper law enforcement for our employees and the surrounding communities, the Company works together with the West Papua Police through the South Sorong Police Office which decided to deploy police personnel on our premises, an area under their security jurisdiction. The police presence also ensures that the local people have police protection. Currently, there are three police officers from the South Sorong Police Office and three from the West Papua Police Mobile Brigade assigned to each estate at PPM and PMP. All the police personnel deployed at PPM and PMP have received briefings on the Voluntary Principles on Security and Human Rights. Majority of security incidents involve under alcohol influence violence behavior, on which police has the authority to stop further violance/damage to other community members, our workers and assets. Meanwhile, there is no incidents caused significant effect involving the police against the community occured in 2018.

In addition, all the security personnel stationed at PPM and PMP have received training on the Voluntary Principles on Security and Human Rights (VPSHR).

Responsibility for Fair Operations

ANJ's commitment to fair operations is underlined by our Code of Ethics on Business Conduct, which applies throughout the ANJ Group as well as to our third party vendors and partners. The Code includes provisions on fairness and equal treatment based on the principles of transparency and objectivity for all employees, relationships with suppliers and customers, conflicts of interest and insider trading, among others.

In addition, ANJ's Sustainability Policy articulates our commitment to Responsible Business Practice, which requires the Company to take into consideration ethical, environmental and social factors in striving for profitability. This includes compliance with local laws and regulations and international conventions and commitment to a Fair and Ethical Code of Conduct (as above). The policy applies to ANJ and all its subsidiaries. We expect all business associates to respect and comply with our commitments.

We have also recognized our responsibility to provide transparent, fair and confidential mechanisms for our employees and third parties to raise concerns about the Company's actions, including suspected misconduct, without fear of retaliation from the Company or the subject of the report. More details are provided in the GCG Chapter on page 142 of this Report. Concerns can also be voiced through the other grievance mechanisms described earlier in this Chapter.

07

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for year ended 31 December 2018

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PT AUSTINDO NUSANTARA JAYA Tbk
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

ANJ

THE DIRECTORS' STATEMENT OF RESPONSIBILITY
FOR THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES

We, the undersigned:

1.	Name	:	Istini Tatiek Siddharta
	Office address	:	Menara BTPN 40th Floor, Jalan. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6, Kawasan Mega Kuningan, Jakarta 12950
	Domicile as in ID Card	:	Jl. Gunung Sahari VII B/11
	Office telephone	:	(021) 29651777
	Function	:	President Director
2.	Name	:	Lucas Kurniawan
	Office address	:	Menara BTPN 40th Floor, Jalan. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6, Kawasan Mega Kuningan, Jakarta 12950
	Domicile as in ID Card	:	Jl. Pulau Pelangi II No. 7, Kembangan Utara
	Office telephone	:	(021) 29651777
	Function	:	Director

declare that:

1. We are responsible for the preparation and presentation of the consolidated financial statements of the Company and subsidiaries, and supplementary information;

2. The consolidated financial statements and supplementary information have been prepared and presented in accordance with Indonesian Financial Accounting Standards;

3. a. The disclosures we have made in the consolidated financial statements and supplementary information are complete and accurate;

   b. The consolidated financial statements and supplementary information do not contain misleading information, and we have not omitted any information or facts that would be material to the consolidated financial statements and supplementary information;

4. We are responsible for the internal control.

This statement is made truthfully.

Jakarta, 12 March 2019

Istini Tatiek Siddharta President Director	Lucas Kurniawan Director

PT Austindo Nusantara Jaya Tbk.
Menara BTPN Lantai 40
Jalan Dr. Ide Anak Agung Gde Agung Kav. 5.5 - 5.6
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PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018, 31 DECEMBER 2017 AND 1 JANUARY 2017

	Notes	31 December 2018	31 December 2017*	1 January 2017*
		US$	US$	US$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	29,234,164	46,404,941	16,882,293
Investment in available-for-sale financial asset	13	10,271,880	-	9,148,259
Investments in marketable securities	6	290,209	290,209	290,207
Receivable from service concession arrangement	46	48,104	45,143	205,055
Trade accounts receivable	7	9,740,872	3,132,403	2,829,103
Other receivables	8	548,531	438,832	983,989
Inventories	9,52	10,072,829	8,912,362	8,327,890
Biological assets	12,52	1,573,973	2,618,428	4,482,939
Prepayments and advances	10	27,397,717	22,368,061	26,369,298
Other current assets	20	4,294,470	549,524	-
TOTAL CURRENT ASSETS		**93,472,749**	**84,759,903**	**69,519,033**
NON-CURRENT ASSETS				
Receivable from service concession arrangement	46	873,227	983,966	8,115,802
Investments in associates	11	19,602,345	24,317,576	25,097,944
Investments in available-for-sale financial assets	13	8,685,517	18,960,621	16,594,435
Deferred tax assets	39,52	13,026,841	12,048,402	11,608,561
Bearer plants	14	228,812,801	202,893,845	181,015,668
Property, plant and equipment	15	193,309,303	175,682,881	177,347,866
Intangible assets	16	1,945,608	2,010,720	801,594
Advances	17	13,383,347	10,937,894	11,999,172
Goodwill	18	4,967,256	4,967,256	4,967,256
Claims for tax refund	19	5,790,109	4,375,230	115,284
Other non-current assets	20	18,335,813	27,557,879	21,757,198
TOTAL NON-CURRENT ASSETS		**508,732,167**	**484,736,270**	**459,420,780**
TOTAL ASSETS		**602,204,916**	**569,496,173**	**528,939,813**

* *As restated (See Note 52)*

See Notes to the Consolidated Financial Statements, which form an integral part of these consolidated financial statements.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 DECEMBER 2018, 31 DECEMBER 2017 AND 1 JANUARY 2017

	Notes	31 December 2018	31 December 2017*	1 January 2017*
		US$	US$	US$
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans	21	24,981,911	9,270,000	22,733,039
Trade accounts payable	22	5,432,526	12,661,523	6,247,916
Taxes payable	23	867,475	17,119,957	1,649,247
Other payables	24	11,829,441	8,131,761	6,332,225
Accrued expenses	25	6,362,351	5,025,843	7,108,626
Long-term bank loan–current maturities	21	6,595,726	3,228,879	905,478
Provision for service concession arrangement–current maturities	46	-	165,017	64,358
TOTAL CURRENT LIABILITIES		**56,069,430**	**55,602,980**	**45,040,889**
NON-CURRENT LIABILITIES				
Long-term bank loans–net of current maturities	21	139,838,445	99,482,000	105,382,449
Provision for service concession arrangement–net of current maturities	46	383,034	232,275	2,376,955
Deferred tax liabilities	39	120,302	-	3,721,577
Post-employment benefits obligation	26	16,521,461	16,964,071	13,937,925
Other non-current liabilities		2,883,031	1,860,427	-
TOTAL NON-CURRENT LIABILITIES		**159,746,273**	**118,538,773**	**125,418,906**
TOTAL LIABILITIES		**215,815,703**	**174,141,753**	**170,459,795**
EQUITY				
Capital stock–Rp 100 par value per share Authorized–12,000,000,000 shares Issued and paid-up – 3,354,175,000 shares as of 31 December 2018 and 2017	27	46,735,308	46,735,308	46,735,308
Additional paid in capital	28	50,307,877	50,307,877	50,251,938
Treasury stock	1c,27	(3,926,668)	(3,926,668)	(3,926,668)
Management stock options	29	-	-	55,939
Difference in value due to changes in equity of subsidiaries	30	30,706,366	30,439,382	30,607,591
Other reserves	13,30	(39,674,986)	(31,046,623)	(26,614,314)
Retained earnings				
Appropriated		6,824,453	6,824,453	6,796,399
Unappropriated	52	294,432,452	295,537,097	254,416,985
Equity attributable to the owners of the Company		385,404,802	394,870,826	358,323,178
Non-controlling interests	31	984,411	483,594	156,840
TOTAL EQUITY		**386,389,213**	**395,354,420**	**358,480,018**
TOTAL LIABILITIES AND EQUITY		**602,204,916**	**569,496,173**	**528,939,813**

* *As restated (See Note 52)*

See Notes to the Consolidated Financial Statements, which form an integral part of these consolidated financial statements.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEARS ENDED 31 DECEMBER 2018 AND 2017

	Notes	Year ended 31 December 2018 US$	2017* US$
Revenue	32	151,701,360	161,797,280
Cost of revenue	33,52	(110,786,077)	(112,796,949)
GROSS PROFIT		**40,915,283**	**49,000,331**
Dividend income	36	1,235,798	1,392,332
Foreign exchange loss, net	48	(2,116,342)	(724,575)
Selling expenses		(11,635,291)	(10,123,939)
Personnel expenses	34	(13,860,249)	(16,995,554)
General and administrative expenses	35	(10,346,239)	(14,264,691)
Other income, net	38	799,069	61,963,627
OPERATING PROFIT		**4,992,029**	**70,247,531**
Share of profit of equity-accounted investees	11	2,001,472	4,197,744
Finance costs, net	37	(354,783)	(2,431,466)
PROFIT BEFORE TAX		**6,638,718**	**72,013,809**
Income tax expense	39,52	(7,130,330)	(25,474,190)
(LOSS) PROFIT FOR THE YEAR		**(491,612)**	**46,539,619**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Changes resulting from actuarial remeasurements of post-employment benefits obligation	26	2,734,109	(1,534,397)
Income tax on items that will not be reclassified to profit or loss	39	(683,527)	383,600
		2,050,582	(1,150,797)

* *As restated (See Note 52)*

See Notes to the Consolidated Financial Statements, which form an integral part of these consolidated financial statements.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
YEARS ENDED 31 DECEMBER 2018 AND 2017

	Notes	Year ended 31 December 2018 US$	2017* US$
Items that will be reclassified subsequently to profit or loss:			
Changes in fair value of investments in available-for-sale financial assets	13,30	(3,224)	3,837,099
Reclassification to profit or loss related to investments in available-for-sale financial assets	30	-	(7,702,351)
Difference in translation of subsidiaries' financial statements in foreign currencies		(8,686,898)	(688,645)
		(8,690,122)	(4,553,897)
OTHER COMPREHENSIVE INCOME NET OF TAX		**(6,639,540)**	**(5,704,694)**
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(7,131,152)**	**40,834,925**
(LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(310,437)	46,561,403
Non-controlling interests		(181,175)	(21,784)
		(491,612)	**46,539,619**
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(6,935,538)	40,863,536
Non-controlling interests	31	(195,614)	(28,611)
		(7,131,152)	**40,834,925**
(LOSS) EARNINGS PER SHARE	40		
Basic (loss) earnings per share		(0.000093)	0.013882
Diluted (loss) earnings per share		(0.000093)	0.013882

* *As restated (See Note 52)*

See Notes to the Consolidated Financial Statements, which form an integral part of these consolidated financial statements.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEARS ENDED 31 DECEMBER 2018 AND 2017

		2018										
						Other reserves						
	Notes	Capital stock	Additional paid in capital	Treasury stock	Difference in value due to changes in equity of subsidiaries	Unrealized gain (loss) on investments in available-for-sale financial assets	Difference in translation of subsidiaries' financial statements in foreign currencies	Retained earnings		Equity attributable to the owners of the Company	Non-controlling interests	Total equity
								Appropriated	Unappropriated			
		US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Balance as of 31 December 2017 after restated		**46,735,308**	**50,307,877**	**(3,926,668)**	**30,439,382**	**2,280,776**	**(33,327,399)**	**6,824,453**	**295,537,097**	**394,870,826**	**483,594**	**395,354,420**
Changes in equity due to the increase of ownership in subsidiary	1d, 30	-	-	-	266,984	-	-	-	-	266,984	696,431	963,415
Loss for the year		-	-	-	-	-	-	-	(310,437)	(310,437)	(181,175)	(491,612)
Other comprehensive income:												
Changes resulting from actuarial remeasurements of post-employment benefits obligation, net of tax		-	-	-	-	-	-	-	2,003,262	2,003,262	47,320	2,050,582
Changes in fair value of investments in available-for-sale financial assets	13, 30	-	-	-	-	(3,224)	-	-	-	(3,224)	-	(3,224)
Difference in translation of subsidiaries' financial statements in foreign currencies	30	-	-	-	-	-	(8,625,139)	-	-	(8,625,139)	(61,759)	(8,686,898)
Cash dividends	42	-	-	-	-	-	-	-	(2,797,470)	(2,797,470)	-	(2,797,470)
Balance as of 31 December 2018		**46,735,308**	**50,307,877**	**(3,926,668)**	**30,706,366**	**2,277,552**	**(41,952,538)**	**6,824,453**	**294,432,452**	**385,404,802**	**984,411**	**386,389,213**

See Notes to the Consolidated Financial Statements, which form an integral part of these consolidated financial statements.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
YEARS ENDED 31 DECEMBER 2018 AND 2017

		2017											
							Other reserves						
	Notes	Capital stock	Additional paid in capital	Treasury stock	Management stock options	Difference in value due to changes in equity of subsidiaries	Unrealized gain (loss) on investments in available-for-sale financial assets	Difference in translation of subsidiaries' financial statements in foreign currencies	Retained earnings		Equity attributable to the owners of the Company	Non-controlling interests	Total equity
									Appropriated	Unappropriated			
		US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Balance as of 1 January 2017 as previously reported		**46,735,308**	**50,251,938**	**(3,926,668)**	**55,939**	**30,607,591**	**6,362,967**	**(32,977,281)**	**6,796,399**	**250,584,848**	**354,491,041**	**156,840**	**354,647,881**
Adjustment in relation to adoption of PSAK 69	52	-	-	-	-	-	-	-	-	3,832,137	3,832,137	-	3,832,137
Balance as of 1 January 2017 after restated		**46,735,308**	**50,251,938**	**(3,926,668)**	**55,939**	**30,607,591**	**6,362,967**	**(32,977,281)**	**6,796,339**	**254,416,985**	**358,323,178**	**156,840**	**358,480,018**
Changes in equity due to the dilution of ownership in subsidiary	1d, 30	-	-	-	-	(168,209)	-	331,700	-	-	163,491	355,365	518,856
Expired management stock options	29	-	55,939	-	(55,939)	-	-	-	-	-	-	-	-
Reclassification of realized loss to retained earnings	30	-	-	-	-	-	(216,939)	-	-	216,939	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	46,561,403	46,561,403	(21,784)	46,539,619
Other comprehensive income:													
Changes resulting from actuarial remeasurements of post-employment benefits obligation, net of tax		-	-	-	-	-	-	-	-	(1,150,797)	(1,150,797)	-	(1,150,797)
Changes in fair value of investments in available-for-sale financial assets	13, 30	-	-	-	-	-	3,837,099	-	-	-	3,837,099	-	3,837,099
Reclassification to profit or loss related to investments in available-for-sale financial assets	30	-	-	-	-	-	(7,702,351)	-	-	-	(7,702,351)	-	(7,702,351)
Difference in translation of subsidiaries' financial statements in foreign currencies	30	-	-	-	-	-	-	(681,818)	-	-	(681,818)	(6,827)	(688,645)
Appropriation for retained earnings	41	-	-	-	-	-	-	-	28,054	(28,054)	-	-	-
Cash dividends	42	-	-	-	-	-	-	-	-	(4,479,379)	(4,479,379)	-	(4,479,379)
Balance as of 31 December 2017 after restated		**46,735,308**	**50,307,877**	**(3,926,668)**	**-**	**30,439,382**	**2,280,776**	**(33,327,399)**	**6,824,453**	**295,537,097**	**394,870,826**	**483,594**	**395,354,420**

See Notes to the Consolidated Financial Statements, which form an integral part of these consolidated financial statements.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED 31 DECEMBER 2018 AND 2017

	Year ended 31 December	
	2018	**2017**
	US$	**US$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	144,991,396	145,816,270
Cash received from interest income	849,419	432,456
Cash received from income tax restitution	1,878,700	5,301,659
Cash received from claims for tax refund	2,086,108	-
Payments of post-employment benefits	(1,289,415)	(1,953,122)
Income taxes paid	(26,212,869)	(11,652,100)
Payments to employees	(35,233,508)	(34,368,724)
Payments to suppliers	(76,526,519)	(64,729,285)
Payments for other operating activities	(16,928,608)	(25,046,010)
Net cash (used in) provided by operating activities	**(6,385,296)**	**13,801,144**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	7,767,937	1,183,936
Proceeds from sale of property, plant and equipment	171,178	63,224
Proceeds from sale/winding up of investments in subsidiaries, associates and available-for-sale financial assets	12,481	71,202,199
Acquisitions of property, plant and equipment	(29,191,934)	(11,930,189)
Additions of bearer plants	(42,069,283)	(27,213,395)
Additions of advances	(3,545,964)	(1,681,705)
Additional investments in available-for-sale financial assets	-	(1,469,251)
Acquisitions of intangible assets	(275,248)	(659,842)
Acquisitions in other non-current assets	(3,284,410)	(7,608,747)
Net cash (used in) provided by investing activities	**(70,415,243)**	**21,886,230**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from additional capital by non-controlling interests of a subsidiary	964,567	527,421
Payments for interest expenses	(1,963,126)	(3,699,882)
Payments of cash dividends	(2,742,619)	(4,391,808)
Proceeds from short-term bank loans	83,577,701	61,936,100
Payments of short-term bank loans	(67,817,015)	(51,326,631)
Proceeds from long-term bank loans	52,170,860	27,357,272
Payments of long-term bank loans	(4,185,279)	(37,923,357)
Proceeds from related-party loan	-	1,459,144
Payments for deferred financing costs	(375,327)	(86,247)
Net cash provided by (used in) financing activities	**59,629,762**	**(6,147,988)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(17,170,777)**	**29,539,386**
Decrease in cash and cash equivalents due to change of ownership in subsidiaries	-	(16,738)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**46,404,941**	**16,882,293**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**29,234,164**	**46,404,941**

See Notes to the Consolidated Financial Statements, which form an integral part of these consolidated financial statements.

1. GENERAL

a. Establishment and General Information

PT Austindo Nusantara Jaya Tbk (the Company), formerly PT Austindo Teguh Jaya, was established by Deed No. 72 of Notary Mr. Sutjipto, S.H., dated 16 April 1993 which was approved by the Minister of Justice of the Republic of Indonesia in its Decision Letter No. C2-3479.HT.01.01.TH.93 dated 21 May 1993, and was published in Supplement No. 4010 to the State Gazette No. 70, dated 31 August 1993. The Company's Articles of Association have been amended several times, among others, by Deed No. 161 of Notary Dr. Irawan Soerodjo, S.H., M.Si., dated 17 January 2013, pertaining to the Initial Public Offering (IPO) of the Company, which included the change in the Company's status, the IPO plan through the issuance of new shares from Company's portfolio, the approval of share allocation program to employees and the management stock option program, changes in composition of the Board of Commissioners and the Board of Directors and the change in the Articles of Association in order to comply with the regulation of Financial Service Authority ("OJK", formerly Bapepam-LK). The deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-03796.AH.01.02. Tahun 2013 dated 31 January 2013.

The amendment to the entire Articles of Association by the Deed No. 270 of notary Dr. Irawan Soerodjo, S.H., M.Si., dated 22 June 2015, pertaining to the merger between the Company and PT Pusaka Agro Makmur ("PAM"), changes to the Company's principal business activities and the change to the Company's Articles of Association in order to comply with the regulation of OJK. The deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter of the Changes to the Articles of Association No. AHU-0937905.AH.01.02. Tahun 2015 dated 23 June 2015. The Notification of Merger and Notification of Amendment to the Articles of Association of the Company has been recorded in the database of the Legal Entity Administrative System of the Ministry of Law and Human Rights of the Republic of Indonesia under No. AHU-AH.01.10-0105667 and No. AHU-AH.01.03-0944887, respectively, both dated 23 June 2015. The Articles of Association have been further amended by the Deed No. 98 of notary Dr. Ir. Yohanes Wilion, S.H, S.E., M.M. dated 31 May 2016 pertaining to the issuance of new shares from the Company's portfolio in relation with the management stock option program. The deed has been accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter of the Changes to the Articles of Association No. AHU-AH.01.03-0053226 dated 31 May 2016.

In accordance with the latest amendment in Article 3 of the Company's Articles of Association, the scope of its activities is to engage in the general trading, services and integrated palm oil plantation with its processing into crude palm oil and palm kernel. The Company is eligible to, among others, pursue business opportunities and investments. The Company started its commercial operations in 1993. Currently, the Company provides management services, operates in palm oil plantations and also operates as a holding company for its subsidiaries and associates operating in the agribusiness industry, which are palm oil plantation, sago processing, tobacco processing and horticultural agriculture as well as renewable energy.

As of 31 December 2018 and 2017, the Company and its subsidiaries (the Group) had 7,167 and 7,166 permanent employees (unaudited), respectively.

The Company is domiciled in Jakarta and its head office is located at Atrium Mulia 3A floor, Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910. Effective from 11 March 2019, the Company's head office is located at Menara BTPN 40 floor, Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5 – 5.6, Kawasan Mega Kuningan, Jakarta 12950.

Based on Deed No. 144 of Notary Dr. Irawan Soerodjo, S.H., M.Si., dated 20 February 2017, the Company held Extraordinary General Meeting of Shareholders (EGMS) in relation to the resignation of Mr. Ridha D.M. Wirakusumah from his position as the Company's Independent Commissioner effectively on 7 December 2016 and the appointment of Mr. Darwin Cyril Noerhadi as the Company's new Independent Commissioner effectively on 20 February 2017. The deed was reported to the Minister of Law and Human Rights of the Republic of Indonesia and accepted in its Decision Letter No. AHU-AH.01.03-0083956 dated 23 February 2017.

1. GENERAL (Continued)

a. Establishment and General Information (Continued)

Based on Deed No. 35 of Notary Christina Dwi Utami, S.H., M.Hum., M.Kn., dated 24 May 2017, the Company's shareholders approved the resignation of Mr. Sucipto Maridjan from his position as the Company's Director effective from 24 May 2017 and the appointment of Mr. Naga Waskita as the Company's Director effective from 24 May 2017. The deed was reported to the Minister of Law and Human Rights of the Republic of Indonesia and accepted in its Decision Letter No. AHU-AH.01.03-0141221 dated 31 May 2017.

Based on Deed No. 61 of Notary Dr. Irawan Soerodjo, S.H., M.Si., dated 14 May 2018, the Company's shareholders approved the resignation of Mr. Sonny Sunjaya Sukada from his position as the Company's Director effective from 28 February 2018. The deed was reported to the Minister of Law and Human Rights of the Republic of Indonesia and accepted in its Decision Letter No.AHU-AH.01.03-0211996 dated 4 June 2018.

As of 31 December 2018 and 2017, the composition of the Company's Board of Commissioners and Board of Directors are as follows:

	2018	2017
President Commissioner	Mr. Adrianto Machribie Reksohadiprodjo	Mr. Adrianto Machribie Reksohadiprodjo
Commissioners	Mr. George Santosa Tahija	Mr. George Santosa Tahija
	Mr. Sjakon George Tahija	Mr. Sjakon George Tahija
	Mr. Arifin Mohamed Siregar	Mr. Arifin Mohamed Siregar
	Mr. Istama Tatang Siddharta	Mr. Istama Tatang Siddharta
	Mr. Anastasius Wahyuhadi	Mr. Anastasius Wahyuhadi
	Mr. Josep Kristiadi	Mr. Josep Kristiadi
	Mr. Darwin Cyril Noerhadi	Mr. Darwin Cyril Noerhadi
President Director	Mrs. Istini Tatiek Siddharta	Mrs. Istini Tatiek Siddharta
Directors	Mr. Lucas Kurniawan	Mr. Lucas Kurniawan
	Mr. Geetha Govindan Kunnath Gopalakrishnan	Mr. Geetha Govindan Kunnath Gopalakrishnan
	Mr. Naga Waskita	Mr. Sonny Sunjaya Sukada
		Mr. Naga Waskita

The Company paid benefits to its Commissioners and Directors as follows:

	2018	2017
	US$	US$
Short-term benefits	3,333,849	4,405,651

Based on the Decree of Board of Commissioners No. 04/BOC/ANJ/GEN/2017 dated 20 February 2017, the Company approved the resignation of Mr. Ridha D.M. Wirakusumah as the Chairman of the Company's Audit Committee and approved the appointment of Mr. Darwin Cyril Noerhadi as the Chairman of the Company's Audit Committee.

The members of the Audit Committee as of 31 December 2018 and 2017 were as follows:

	2018 and 2017
Chairman	Mr. Darwin Cyril Noerhadi
Members	Mr. Danrivanto Budhijanto
	Mrs. Muljawati Chitro

1. GENERAL (Continued)

b. Initial Public Offering

On 1 May 2013, the Company obtained an effective statement from Otoritas Jasa Keuangan (OJK) by virtue of its letter No. S-101/D.04/2013 for its initial offering of 333,350,000 shares to the public at par value of Rp 100 per share on the Indonesia Stock Exchange at an initial offering price of Rp 1,200 per share. On 8 May 2013, all of these shares were listed on the Indonesia Stock Exchange.

Based on Deed No. 100 of Notary Dr. Irawan Soerodjo, S.H., M.Si., dated 14 June 2013, in accordance with the shareholders register dated 31 May 2013, the shares issued by the Company to the public in the Initial Public Offering were 333,350,000 shares, representing 10% of the outstanding shares. The deed was reported to the Minister of Law and Human Rights of the Republic Indonesia and accepted in its Decision Letter No. AHU-AH.01.10-25577 dated 24 June 2013.

As of 31 December 2018, all of the Company's 3,354,175,000 outstanding shares have been listed at the Indonesian Stock Exchange.

c. Merger with PT Pusaka Agro Makmur and Treasury Stock

The Extraordinary General Meeting of Shareholders (EGMS) of the Company on 22 June 2015 approved the merger of the Company and PAM (subsidiary), as stated in Deed No. 270 dated 22 June 2015 of notary Dr. Irawan Soerodjo, S.H., M.Si. The effective date of the merger is 23 June 2015, which is the approval date of the merger by the Minister of Law and Human Rights of the Republic of Indonesia as stated in its decision letter No. AHU-AH.01.10-0105667 dated 23 June 2015. Prior to merger, PAM was a wholly-owned subsidiary of the Company and its financial statements were consolidated to the Group's consolidated financial statements. Accordingly, the merger does not have any impact to the consolidated financial statements of the Group. At the effective date of the merger, all assets and liabilities were transferred to the Company, and PAM was liquidated in accordance with laws and regulations in Indonesia. The approval by the Capital Investment Coordinating Board was obtained on 29 January 2016.

In accordance with Law No. 40 of 2007 regarding Limited Liability Company ("Company Law") and Government Regulation No. 27 of 1998 regarding Merger, Consolidation and Acquisition of a Limited Liabilty Company ("PP 27/1998"), the shareholders of the Company who disagreed with the EGMS resolution as discussed above can exercise their rights to have their shares purchased by the Company at a fair price determined by the Company which is Rp 1,224 per share. On 30 June 2015, the Company completed the purchase of 115,651,300 shares from the shareholders who disagreed with the EGMS resolution for total acquisition cost of Rp 141,840 million (including other direct acquisition costs of Rp 283 million) or equivalent to US$ 10.6 million.

In December 2015, the Company submitted its application to use the book value in relation with this merger to the Directorate General of Taxation (DGT). On 19 February 2016, DGT issued the approval letter No. KEP-563/WPJ.07/2016 for using the net book value in the merger between the Company and PAM.

1. GENERAL (Continued)

d. Subsidiaries

i. Details of the Group's subsidiaries at the end of the reporting periods are as follows:

Subsidiaries' name and principal activities	Location	Year of commercial operation	Percentage of Group's ownership		Total assets before elimination	
			2018	2017	2018	2017*
			%	%	US$	US$
Direct Subsidiaries						
Renewable Energy						
PT Austindo Aufwind New Energy (AANE)	Belitung, Bangka Belitung	2013	99.22	99.18	1,149,721	1,258,838
Agribusiness						
PT Austindo Nusantara Jaya Agri (ANJA)	Binanga, North Sumatera	1995	99.99	99.99	391,018,370	379,615,792
PT ANJ Agri Papua (ANJAP)	South Sorong, Papua	2017	99.99	99.99	16,800,286	18,689,040
PT Gading Mas Indonesia Teguh (GMIT)	Jember	2000	79.99	79.97	10,486,917	2,623,750
Consumer Products						
PT Austindo Nusantara Jaya Boga (ANJB)	Jakarta	2014	99.99	99.99	95,952	116,152
Indirect Subsidiaries						
Agribusiness						
PT Sahabat Mewah dan Makmur (SMM) (1)	Belitung, Bangka Belitung	1994	99.99	99.99	43,636,107	36,981,537
PT Austindo Nusantara Jaya Agri Siais (ANJAS) (1)	South Angkola, North Sumatera	2009	99.99	99.99	54,897,653	53,545,931
PT Kayung Agro Lestari (KAL) (1)	Ketapang, West Kalimantan	2014	99.99	99.99	93,309,878	100,775,637
PT Galempa Sejahtera Bersama (GSB) (3)	South Sumatera	Pre-operating	99.99	99.99	9,617,734	8,116,553
PT Putera Manunggal Perkasa (PMP) (3)	South Sorong and Maybrat, Papua	Pre-operating	99.99	99.99	101,415,433	66,368,855
PT Permata Putera Mandiri (PPM) (3)	South Sorong, Papua	Pre-operating	99.99	99.99	83,464,974	55,084,714
PT Lestari Sagu Papua (LSP) (2)	South Sorong, Papua	Pre-operating	51.00	51.00	253,727	269,683

(1) *Owned by ANJA*
(2) *Owned by ANJAP*
(3) *2018: 75.00% is owned by ANJA and 25.00% is owned by the Company; 2017: 95.00% is owned by ANJA and 5.00% is owned by the Company*
(*) As restated for ANJA, SMM and ANJAS

PT Darajat Geothermal Indonesia (DGI)

Based on Deed No. 79 of Notary Jose Dima Satria, S.H., M.Kn., dated 27 September 2017, the Company agreed to sell its 59,957,507 shares which represents 99.99% ownership in DGI to Star Energy Geothermal (Salak-Darajat) B.V. and PT Barito Pacific Tbk, for US$ 30,141,946. The completion of the sale and purchase of the shares has been approved by the Investment Coordinating Board of the Republic of Indonesia.

1. GENERAL (Continued)

d. Subsidiaries (Continued)

i. Details of the Group's subsidiaries at the end of the reporting periods are as follows (Continued):

DGI's financial position as of 27 September 2017 was as follows:

	27 September 2017
	US$
Cash and cash equivalents	2,325,608
Receivable from service concession arrangement	6,062,643
Trade accounts receivable	845,981
Other receivable	215,033
Inventories, net	323,072
Prepayments and advances	1,423,492
Other assets	51,795
Total assets	11,247,624
Trade accounts payable	(19,054)
Taxes payable	(172,240)
Accrued expenses	(141,427)
Provision for service concession arrangement	(2,664,818)
Deferred tax liabilities	(552,575)
Total liabilities	(3,550,114)
Net assets and liabilities	7,697,510

The calculation of gain on sale of investment in DGI was as follows:

	2017
	US$
Selling price	30,141,946
Less:	
Net assets and liabilities	(7,697,510)
Gain on sale of investment in DGI (Note 38)	22,444,436

Net cash received from sale of investment in DGI:

	2017
	US$
Cash received from sale of investment in DGI	30,141,946
Cash and cash equivalents of DGI disposed of	(2,325,608)
Net cash received	27,816,338

PT Aceh Timur Indonesia (ATI) and PT Surya Makmur (SM)

In July 2017, the Company's ownerships in PT Aceh Timur Indonesia (ATI) and PT Surya Makmur (SM) were diluted due to the increase in ATI and SM share capital, which were fully paid by PT Evans Indonesia. The Company's ownerships in ATI and SM decreased to 25% from 99.99%. ATI and SM have been classified as investments in associates since then. See Note 11 for further details.

1. GENERAL (Continued)

d. Subsidiaries (Continued)

i. Details of the Group's subsidiaries at the end of the reporting periods are as follows (Continued):

PT ANJ Agri Papua (ANJAP)

Based on Deed No. 567 of Notary Kartika, S.H., M.Kn. dated 6 December 2017, the shareholders of ANJAP approved the increase of issued and paid up capital from Rp 579,592,000,000 to Rp 742,292,000,000 by issuing 162,700 new shares, all of which was subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0206160 dated 28 December 2017. The Company's direct ownership in ANJAP increased from 99.717% to 99.779%.

Based on Deed No. 1767 of Notary Kartika, S.H., M.Kn. dated 13 November 2018, the shareholders of ANJAP approved the increase of issued and paid up capital from Rp 742,292,000,000 to Rp 798,092,000,000 by issuing 55,800 new shares, all of which was subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0264582 dated 15 November 2018. The Company's direct ownership in ANJAP increased from 99.779% to 99.794%.

PT Galempa Sejahtera Bersama (GSB)

Based on Deed No. 860 of Notary Kartika, S.H., M.Kn. dated 13 December 2017, which has subsequently been restated by Deed No. 2458 of Notary Kartika, S.H., M.Kn. dated 25 January 2018, the shareholders of GSB approved the increase of issued and paid up capital from Rp 118,000,000,000 to Rp 160,500,000,000 by issuing 425,000 new shares, of which 403,750 shares were subscribed and paid by ANJA and 21,250 shares were subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03.0036970 dated 25 January 2018.

Based on Deed No. 1768 of Notary Kartika, S.H., M.Kn. dated 13 November 2018, the shareholders of GSB approved the increase of issued and paid up capital from Rp 160,500,000,000 to Rp 197,200,000,000 by issuing 367,000 new shares, of which 348,650 shares were subscribed and paid by ANJA and 18,350 shares were subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0264585 dated 15 November 2018.

PT Putera Manunggal Perkasa (PMP)

Based on Deed No. 568 of Notary Kartika, S.H., M.Kn. dated 6 December 2017, the shareholders of PMP approved the increase of issued and paid up capital from Rp 256,454,000,000 to Rp 275,824,000,000 by issuing 19,370,000 new shares, of which 18,401,500 shares were subscribed and paid by ANJA and 968,500 shares were subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03.0206969 dated 29 December 2017.

Based on Deed No. 760 of Notary Kartika, S.H., M.Kn. dated 4 April 2018, the shareholders of PMP approved the increase of issued and paid up capital from Rp 275,824,000,000 to Rp 412,497,040,000 by issuing 136,673,040 new shares, of which 47,339,980 shares were subscribed and paid by ANJA and 89,333,060 shares were subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0178207 dated 4 May 2018.

1. GENERAL (Continued)

d. Subsidiaries (Continued)

i. Details of the Group's subsidiaries at the end of the reporting periods are as follows (Continued):

PT Putera Manunggal Perkasa (PMP)

Based on Deed No. 1770 of Notary Kartika, S.H., M.Kn. dated 13 November 2018, the shareholders of PMP approved the increase of issued and paid up capital from Rp 412,497,040,000 to Rp 511,722,000,000 by issuing 99,224,960 new shares, of which 74,418,720 shares were subscribed and paid by ANJA and 24,806,240 shares were subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0264595 dated 15 November 2018.

PT Permata Putera Mandiri (PPM)

Based on Deed No. 569 of Notary Kartika, S.H., M.Kn. dated 6 December 2017, the shareholders of PPM approved the increase of issued and paid up capital from Rp 249,055,000,000 to Rp 262,670,000,000 by issuing 13,615,000 new shares, of which 12,934,250 shares were subscribed and paid by ANJA and 680,750 shares were subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03.0202890 dated 20 December 2017.

Based on Deed No. 759 of Notary Kartika, S.H., M.Kn. dated 4 April 2018, the shareholders of PPM approved the increase of issued and paid up capital from Rp 262,670,000,000 to Rp 387,134,700,000 by issuing 124,464,700 new shares, of which 40,814,525 shares were subscribed and paid by ANJA and 83,650,175 shares were subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0160668 dated 24 April 2018.

Based on Deed No. 1769 of Notary Kartika, S.H., M.Kn. dated 13 November 2018, the shareholders of PPM approved the increase of issued and paid up capital from Rp 387,134,700,000 to Rp 464,160,000,000 by issuing 77,025,300 new shares, of which 57,768,975 shares were subscribed and paid by ANJA and 19,256,325 shares were subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0264588 dated 15 November 2018.

PT Gading Mas Indonesia Teguh (GMIT)

Based on Deed No. 40 of Notary Desman, S.H., M.Hum. dated 10 November 2017, the shareholders of GMIT approved the increase of issued and paid up capital from Rp 28,058,820,000 to Rp 35,073,525,000 by issuing 43,035 new shares, all of which was subscribed and paid by AJI HK Limited. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0189804 dated 10 November 2017.

1. GENERAL (Continued)

d. Subsidiaries (Continued)

i. Details of the Group's subsidiaries at the end of the reporting periods are as follows (Continued):

PT Gading Mas Indonesia Teguh (GMIT)

Based on Deed No. 1055 of Notary Kartika, S.H., M.Kn. dated 5 July 2018, the shareholders of GMIT approved the increase of authorized capital from Rp 40,750,000,000 to Rp 285,250,000,000 and issued and paid up capital from Rp 35,073,525,000 to Rp 78,334,377,000 by issuing 265,404 new shares. The Company subscribed for 212,323 shares and paid for Rp 34,608,649,000; AJI HK Limited subscribed for 53,081 shares and paid for Rp 8,652,203,000 as paid up capital and for Rp 4,514,099,703 as additional paid in capital. The increase in authorized, issued and paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0225092 dated 24 July 2018. The Company's direct ownership in GMIT increased from 79.97% to 79.99%.

PT Austindo Aufwind New Energy (AANE)

Based on Deed No. 2204 of Notary Kartika, S.H., M.Kn. dated 12 July 2018, the shareholders of AANE approved the increase of issued and paid up capital from US$ 5,350,000 or equal to Rp 48,610,100,000, to US$ 5,651,000 or equal to Rp 51,344,986,000 by issuing 301 new shares, all of which was subscribed and paid by the Company. The increase in paid up capital was reported and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in its decision letter No. AHU-AH.01.03-0223517 dated 19 July 2018. The Company's direct ownership in AANE increased from 99.18% to 99.22%.

ii. Details of non-wholly owned subsidiaries that have non-controlling interests to the Group are further disclosed in Note 31.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS ("PSAK") AND INTERPRETATIONS OF PSAK ("ISAK")

a. Standards, amendments and annual improvements effective in the current year

In the current year, the Group has applied a number of standards, amendments and annual improvements to PSAK issued by the Financial Accounting Standard Board of the Indonesian Institute of Accountants that are relevant and effective for accounting period beginning on 1 January 2018, as follows:

- PSAK 2, "Statement of Cash Flows" regarding Disclosure Initiative
- PSAK 15, "Investments in Associates and Joint Ventures"
- PSAK 16, "Property, Plant and Equipment – Agriculture: Bearer Plants"
- PSAK 46, "Income Tax" regarding Recognition on Deferred Tax Assets for Unrealized Losses
- PSAK 53, "Share-based Payment" regarding Classification and Measurement of Share-based Payment Transactions
- PSAK 67, "Disclosure of Interests in Other Entities"
- PSAK 69, "Agriculture".

Except for certain PSAK as disclosed below, the above mentioned accounting standards have been adopted, but did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial periods.

The Group has elected to keep the cost model for subsequent measurement of the bearer plants. Therefore, the amendment to PSAK 16 did not have a significant impact to the amounts and/or disclosures in the consolidated financial statements of the Group.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (”PSAK”) AND INTERPRETATIONS OF PSAK (”ISAK”) (Continued)

a. Standards, amendments and annual improvements effective in the current year (Continued)

The Group adopted PSAK 69, which requires agricultural produce that grows on bearer plants to be measured at fair value less costs to sell at the point of harvest.

PSAK 69 was applied retrospectively. Accordingly the comparative information as of 31 December 2017, the comparative information as of 1 January 2017 (which was derived from financial statements as of 31 December 2016), as well as the comparative information for the year ended 31 December 2017 have been restated.

The impact of the implementation of PSAK 69 has been disclosed in Note 52.

b. Standards and interpretation issued, but not yet adopted

The following standards and interpretations were issued or amended, but are not yet effective in 2018:

- PSAK 15, “Investments in Associates and Joint Ventures”
- PSAK 71, “Financial Instruments”
- PSAK 72, “Revenue from Contracts with Customers”
- PSAK 73, “Leases”
- ISAK 33, “Foreign Currency Transaction and Advance Consideration”
- ISAK 34, “Uncertainty over Income Tax Treatments”.

As of the issuance date of the consolidated financial statements, management is still evaluating the effect of adoption of these standards and interpretations on the consolidated financial statements.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods in these consolidated financial statements.

a. Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Indonesian Financial Accounting Standards.

b. Basis of Preparation

The Company’s directors approved the consolidated financial statements for issuance on 12 March 2019.

The consolidated financial statements, have been prepared on the accrual basis using the historical cost concept, except where the accounting standards require fair value measurement at the end of each reporting period, as explained in the accounting policies below. These consolidated financial statements are presented in United States Dollar (US$), which is the Company’s functional currency.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The consolidated statements of cash flows are prepared using the direct method with classification of cash flows into operating, investing and financing activities.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The accounting policies adopted in these consolidated financial statements are consistently applied by the Company and subsidiaries.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by the applicable accounting standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under PSAK 55, Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

d. Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Business Combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value except for certain assets and liabilities that are measured in accordance with the relevant standards.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after the reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase option.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another accounting standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured subsequent to reporting dates at fair value, with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if the interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amount recognized as of that date.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Business Combination Under Common Control

Business combination of entities under common control that qualifies as a business is accounted for using pooling of interest method where assets and liabilities acquired in the business combination are recorded by the acquirer at their book values.

The difference between the transfer price and the book value is presented as Additional Paid in Capital and is not recycled to profit or loss.

The pooling of interest method is applied as if the entities had been combined from the period when the merging entities were placed under common control.

f. Foreign Currency Transactions and Translation

The individual financial statements of each Group's entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the financial statements of the Company are presented in United Stated Dollar, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowing relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowing.
- Exchange differences on transaction entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign currency operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

g. Transactions with Related Parties

A related party is a person or entity that is related to the Group (the reporting entity):

a. A person or a close member of that person's family is related to the reporting entity if that person:

   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Transactions with Related Parties (Continued)

b. An entity is related to the reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiaries and fellow subsidiaries is related to the other).

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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring entities are also related to the reporting entity.

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

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

viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Significant transactions with related parties, whether or not made at similar terms and conditions as those done with third parties, are disclosed in the consolidated financial statements.

h. Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group's financial assets are classified as follows:

- Fair Value Through Profit or Loss (FVTPL)
- Available-for-Sale (AFS)
- Loans and Receivable

<u>Financial Assets at Fair Value Through Profit or Loss (FVTPL)</u>

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading, if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of an identified portfolio of financial instruments that the entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial Instruments (Continued)

Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition, if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel (as defined in PSAK 7, Related Party Disclosures), for example the entity's Board of Directors.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset, and is included in dividend income and interest income in the consolidated statements of profit or loss and other comprehensive income.

Available-for-Sale (AFS)

AFS financial assets are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and bonds held by the Group that are traded in an active market are classified as AFS and are stated at fair value.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in equity as AFS investment revaluation, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative of gain or loss previously accumulated in AFS investment revaluation is reclassified to profit or loss.

Investments in unlisted equity instruments that are not quoted in active market and whose fair value cannot be reliably measured are also classified as AFS, measured at cost less impairment.

Dividends on AFS equity instruments, if any, are recognized in profit or loss when the Group's right to receive the dividends are established.

Loans and receivable

Cash in banks and cash equivalents, trade accounts receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivable" and measured at amortized cost using the effective interest method less impairment.

Interest income is recognized by applying the effective interest rate method, except for short-term receivable when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial Instruments (Continued)

Effective interest method (Continued)

Income is recognized on an effective interest basis for debt instruments other than those financial instruments at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be an objective evidence of impairment.

For all other financial assets, an objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial asset that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experiences of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced directly by the impairment loss for all financial assets, except for receivables, which the carrying amount is reduced by impairment loss through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in equity are reclassified to profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial Instruments (Continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an equity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments (treasury shares), the consideration paid, including any directly attributable incremental costs is recognized and deducted directly in equity until the shares are cancelled or reissued. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Financial liabilities at amortized cost

Trade and other payable, accrued expenses, bank loans and other borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial Instruments (Continued)

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative Instruments

The Group uses derivative financial instruments to manage their exposures to interest rate and foreign exchange rate fluctuations. Further details on the use of derivatives are disclosed in Note 43.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately as these derivatives are not designated and do not qualify as hedge accounting although they were entered into as economic hedge of exposures against interest rate fluctuation risk and foreign exchange rate risks.

A derivative is presented as non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Netting of Financial Assets and Financial Liabilities

The Group only offsets financial assets and liabilities and present the net amount in the statements of financial position when they:

- currently have a legal enforceable right to set-off the recognized amount; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

i. Cash and Cash Equivalents

For cash flow presentation purposes, cash and cash equivalents consists of cash on hand and in banks and investments which (i) have maturities of three months or less from the date of placement, (ii) are not pledged as collateral and (iii) are unrestricted.

j. Time Deposits

Time deposits with maturities of three months or less which are pledged as collateral or restricted and time deposits with maturities of more than three months that are realizable within one year from reporting period are presented separately.

k. Receivable from Service Concession Arrangement

Receivable due from concession project represents services provided in connection with the service concession arrangement for which guaranteed minimum payments have been agreed irrespective of the extent of use. Due to the length of the payment plans, receivables are measured at present value of amortized cost. The annual accumulation of interest on these discounted values is presented as interest income under revenue. Customers' payments divided into a portion to be deducted from the receivable and interest on the unpaid amounts and a portion for the other concession services.

If collection is expected in one year or less, it is classified as current assets. Otherwise, it is presented as non-current assets.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Inventories

Inventories are stated at cost or net realizable value, whichever is lower.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated selling cost.

Cost of palm-oil finished goods comprises fair value less costs to sell of fresh fruit bunch at the date of harvest and processing cost. Cost of edamame transferred from biological assets is at its fair value less costs to sell at the date of harvest. Cost of finished goods inventories are determined using the weighted average method.

Materials, spare parts and supplies are stated at cost, which is calculated using the weighted average method.

Allowance for decline in value of inventories is provided based on a review of the condition of the inventories at year end.

m. Investment in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangements have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results of operations and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with PSAK 58, Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture) the Group discontinues recognizing it's share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate or a joint venture recognized at the date of acquisition, is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Investment in Associates and Joint Ventures (Continued)

The requirements of PSAK 55, Financial Instruments: Recognition and Measurement, are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with PSAK 48, Impairment of Assets, as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PSAK 48 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures any retained investment at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with PSAK 55. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain that had previously been recognized in other comprehensive income relating to that reduction in ownership interest (if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities).

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of its interest in the associate or joint venture that are not related to the Group.

n. Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Interests in Joint Operations (Continued)

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the PSAKs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

o. Property, Plant and Equipment - Direct Acquisitions

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write-off the cost of assets using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Buildings, roads and bridges	4 - 20
Machinery and equipment	4 - 8
Computer and communication equipment	4
Office equipment, furniture and fixtures	4 - 8
Motor vehicles	4 - 8

The estimated useful lives and depreciation method are reviewed at each year end. The effect of any changes in estimate is accounted for on a prospective basis.

The cost of maintenance and repairs is charged to profit or loss as incurred. Other costs incurred subsequently related to addition, replacement or service of property, plant and equipment are recognized as asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

When assets are retired or otherwise disposed of, their carrying values are removed from the accounts and any resulting gain or loss is reflected in profit or loss.

Construction in progress is stated at cost, which include borrowing costs during construction on debts incurred to finance the construction. Accumulated cost will be transferred to the respective property, plant and equipment account when the construction is completed and the asset is ready for use.

Land

Land is stated at cost and not depreciated.

Land cost consists of acquisition cost, land compensation cost and all legal processing cost of landrights.

During the process of obtaining legal landrights (i.e. Land Cultivation Rights or Hak Guna Usaha/HGU title), all relevant expenses incurred will be recognized as advances and will be reclassified as land cost when the HGU is obtained.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent periods.

On the disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy regarding goodwill arising from acquisition of associates is explained in Note 3m.

q. Bearer Plants

Bearer plants (palm plantations) are classified as immature and mature plantations.

Immature plantations are stated at cost which represents accumulated costs incurred on the palm plantations before they mature and produce crops. Such costs include the cost for nurseries, field preparation, planting, fertilizing, maintenance, interest on debts incurred to finance the development of plantations until maturity, and allocation of other indirect costs based on hectares planted. These costs are accumulated up to the time the plantations are ready for harvest, for as long as the carrying value of such immature plantations do not exceed the higher of replacement cost or recoverable amount.

Palm plantations are considered mature when (1) the age of the plantations in a block are at the minimum 36 months old with the productivity at a minimum of 3.5 ton per hectare per year or (2) the age of the plantations in a block has reached 48 months. At the time palm plantations are considered mature, immature plantations are reclassified to mature plantations account and are depreciated from the date of transfer.

Mature plantations are stated at cost as of the date of transfer, less accumulated depreciation. Mature plantations are depreciated using the straight line method based on the estimated productive lives of the mature plantations which is 20 years.

r. Biological Assets

Biological assets comprise of agricultural produce growing on bearer plants up to the point to be harvested, which are referred as Fresh Fruit Bunches ("FFB") that grows on mature palm plantations and edamame plants. Biological assets measured at fair value less costs to sell. Gains or losses arising from the initial recognition and changes in fair value are recognised in the profit or loss for the period when they arise.

The fair value of FFB biological assets is estimated by reference to the projected harvest quantities and market price of FFB as at the financial position date, net of depreciation, maintenance and harvesting costs and estimated costs to sell. The fair value of edamame plants biological assets is estimated by reference to the estimated harvesting yields and market price of edamame as at the financial position date, net of maintenance and harvesting costs and estimated cost to sell. FFB and edamame plants biological assets are presented as part of current assets in the consolidated statement of financial position.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. Intangible Assets

Intangible assets comprise of deferred charges for landrights and computer software, which have finite useful lifes, and are measured at cost less accumulated amortization. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date they are available for use. The Group's estimated useful life of the computer software is 4 years while for deferred charges of landrights is over the legal term of the renewal extension or over the economic life of the asset, whichever is shorter, ranging from 20 – 55 years.

t. Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amount of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Estimated recoverable amount is the higher of fair value less cost to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of a non-financial asset (cash generating unit) is less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss.

Further policy for impairment of financial assets is discussed in Note 3h, while for impairment of goodwill is discussed in Note 3p.

u. Leases

Leases are classified as finance leases whenever the terms of the lease substantially transfers all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As Lessee

Operating Lease

Operating lease payments are recognized as an expense on straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as expense in the period in which they are incurred.

v. Provisions

Provision is recognized when: (i) the Group has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that the Group will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v. Provisions (Continued)

Provision for Service Concession Arrangements

Under the concession arrangement, AANE as the service provider is responsible for the maintenance of Electricity Generation Facility under its management. In this case, AANE is responsible to conduct a major overhaul of gas engine for every 64,000 hours (approximately 8 years) of its operation.

Since AANE are not specifically remunerated for its maintenance activities, such maintenance costs are then recognized and measured in accordance with PSAK 57, Provision, Contingent Liabilities and Contingent Assets, that is, at the present value of the expenditures expected to be required to settle the obligations using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

w. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets including development of immature plantations, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

x. Revenue and Expense Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of Goods

Revenue from sales of goods is recognized when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

x. Revenue and Expense Recognition (Continued)

Service Concession Arrangement

Group recognizes a financial asset arising from a service concession arrangement when it has unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor. Such financial assets are measured at fair value on initial recognition and classified as loan and receivables. Subsequent to initial recognition, the financial assets are measured at amortized cost.

Construction services related to service concession arrangement are recognized as revenue in accordance with PSAK 34, Construction Contracts using the percentage of completion method based on the assumption of zero profit margin, considering that the construction cost is approximate to the fair value of construction revenue.

Under the service concession arrangement, AANE received only one consideration for its services. Management is of the opinion that the margin of the overall consideration should then be split into two different activities i.e. (1) financing activities and (2) operation and maintenance activities. AANE employed the residual value method in allocating the margin of the overall consideration into financing, and operation and maintenance activities. The finance income from the financing activities is determined based on prevailing rate of lending for a similar concession arrangement.

Dividend Income

Dividend income from investments is recognized when the shareholders' rights to receive the payment have been established.

Interest Income

Interest income is recognized on a timely basis, by reference to the outstanding principal and at the applicable effective interest rate.

Expenses

Expenses are recognized when incurred.

y. Post Employment Benefits

The Company and certain subsidiary established defined benefit pension plan covering all the local permanent employees. In addition, the Group also provides post-employment benefits as required under Labor Law No. 13/2003 (the "Labor Law"). For normal pension scheme, the Group calculates and recognizes the higher of the benefits under the Labor Law and those under such pension plan.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earning and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

y. Post Employment Benefits (Continued)

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs. Gains or losses arising from actuarial remeasurements of the net defined benefit liability are recognized immediately in other comprehensive income.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

z. Share-Based Payments

The Company provides Management Stock Option Plans (MSOP) for the Group's eligible management. The MSOP will be settled through issuance of shares of the Company (equity-settled share-based payment arrangement).

The cost of equity-settled share-based payment transactions is measured at fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is recorded as expense by the Group on a straight line basis over the vesting period of the awards, based on the Company's estimation of equity instruments value that will eventually vest. The same amount corresponds to increase in equity. At the end of each reporting period, the Company revises its estimated number of equity instruments expected to vest. The impact of the revision against the original estimates, if any, is recognized in profit or loss, so that the cumulative expense will reflect the revised estimation, and its corresponding adjustment to equity.

aa. Income Tax

The tax currently payable is based on taxable profit to the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current tax expense is determined based on the taxable income for the period computed using prevailing tax rates.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arises from the initial recognition of goodwill.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

aa. Income Tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates (and tax regulation) that have been enacted, or substantively enacted, by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside of profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when there is an intention to settle its current tax assets and current tax liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

ab. Earnings per Share

Basic earnings per share is calculated by dividing net income attributable to the owners of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing net income attributable to the owners of the Company by the weighted average number of shares outstanding which has taken into account all effects of all dilutive potential ordinary shares.

ac. Segment Information

Operating segments are identified based on internal reports on components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performances.

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to the transaction with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker responsible for resources allocation to the segments and assessment of its performance; and

c) for which discrete financial information is available.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ac. Segment Information (Continued)

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of their performance is specifically focused on the category by industry.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 3, the Board of Directors are required to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are made based on historical experience and other relevant factors. Actual results may differ from these estimated amounts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Critical Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies described in Note 3, management has not made any critical judgment that has significant impact on the amounts recognized in the consolidated financial statements, apart from those involving estimates, which are described below.

Key Sources of Estimation Uncertainty

Information about the assumptions and estimation uncertainties that may result in causing a material adjustment to the carrying amounts of assets and liabilities within the following year, are discussed below:

i. Impairment Loss on Loans and Receivables

The Group assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, management makes judgment as to whether there is objective evidence that loss event has occurred (Note 3h on impairment of financial assets). Management also makes judgment as to the methodology and assumptions for estimating the amount and timing of future cash flows which are reviewed regularly to reduce any difference between the estimated loss and actual loss. The carrying amount of loans and receivables are disclosed in Notes 5, 6, 7, 8, 20 and 46.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

ii. Estimated Useful Lives of Bearer Plants and Property, Plant and Equipment

The useful life of each item of the Group's palm oil plantations as well as property, plant and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is made based on internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectation differs from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. Future results of operation could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The carrying amount of bearer plants and property, plant and equipment are disclosed in Notes 14 and 15.

iii. Biological Assets Valuation

As described in Note 3r, the fair value of FFB biological assets is estimated by reference to the projected harvest quantities and market price of FFB as at the financial position date, net of depreciation, upkeep and harvesting costs and estimated costs to sell. The estimation of fair value of biological assets is highly dependent on the weather, price and the related cost at the time of harvesting. The carrying amount of biological assets is disclosed in Note 12.

iv. Impairment of Goodwill

Determination of goodwill impairment requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected from the cash-generating unit using an appropriate growth rate and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill is disclosed in the statement of financial position and Note 18.

v. Allowance for Decline in Value of Inventories

The Group provides allowance for decline in value of inventories based on estimated future usage of such inventories. While it is believed that the assumptions used in the estimation of the allowance for decline in value of inventories are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of the allowance for decline in value of inventories, which ultimately will affect the result of the Group's operation.

The carrying value of inventories after the provision of the impairment loss of inventories is disclosed in Note 9.

vi. Realizability of Deferred Tax Assets

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets to be utilized. Based on current assessment, management believes that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

The carrying amount of deferred tax assets is disclosed in Note 39.

vii. Employment Benefits

The cost of defined benefit plan and present value of the pension obligation are determined based on actuarial valuation which makes use of various assumptions such as discount rates, expected rates of return on plan assets, rates of compensation increases and mortality rates. The defined benefit obligation is highly sensitive to changes in the assumptions.

The carrying amount of the obligation is disclosed in Note 26.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

viii. Impairment of Non-Financial Assets

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 is calculated based on the available data from binding sales transactions done at an arm's length term of similar assets or observable market price less incremental costs for disposing the asset. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the specific risks to the asset.

ix. Valuation of Financial Instruments

As described in Note 50, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 50 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
	US$	US$
Cash on hand	53,746	65,776
Bank - third parties		
Rupiah		
PT Bank Mandiri (Persero) Tbk	3,690,013	2,643,100
PT Bank OCBC NISP Tbk	924,268	970,815
PT Bank CIMB Niaga Tbk	723,554	900,634
PT Bank Syariah Mandiri	371,024	344,009
PT Bank Rakyat Indonesia Tbk	267,067	254,139
PT Bank Pembangunan Daerah Sumatera Selatan dan Bangka Belitung	71,308	86,745
PT Bank Central Asia Tbk	69,523	48,196
Citibank N.A.	14,606	15,612
PT Bank DBS Indonesia	1,279	1,577
PT Bank Negara Indonesia (Persero) Tbk	889	972
PT ANZ Panin Bank	-	3,219
PT Bank Maybank Indonesia Tbk	-	2,825
U.S. Dollar		
J.P. Morgan International Bank Ltd.	1,996,975	3,693,976
PT Bank CIMB Niaga Tbk	711,151	458,634
PT Bank OCBC NISP Tbk	668,165	2,177,427
PT Bank Mandiri (Persero) Tbk	548,561	2,141,010
Bank OCBC Singapore	198,675	200,743
PT Bank DBS Indonesia	96,582	96,492
Credit Suisse Singapore	54,857	42,060
Citibank N.A.	26,574	26,574
PT Bank Central Asia Tbk	4,420	4,517
PT Bank Negara Indonesia (Persero) Tbk	470	470
PT ANZ Panin Bank	-	360,238

5. CASH AND CASH EQUIVALENTS (Continued)

	31 December 2018	31 December 2017
	US$	US$
Euro		
PT Bank Mandiri (Persero) Tbk	1,344	4,528
PT ANZ Panin Bank	-	17,010
PT Bank Central Asia Tbk	-	2,509
Time deposits - third parties		
Rupiah		
PT Bank Mandiri (Persero) Tbk	170,568	-
U.S. Dollar		
PT Bank OCBC NISP Tbk	16,700,000	10,000,000
Credit Suisse Singapore	1,868,545	21,788,376
PT Bank UOB Buana Tbk	-	52,758
Total	29,234,164	46,404,941
Interest rate per annum of time deposits		
Rupiah	4.25%	-
U.S. Dollar	2.00%-2.75%	0.55%-1.39%

As of 31 December 2018 and 2017, all of the Company's, ANJA's, ANJAP's, PPM's and PMP's bank accounts at PT Bank OCBC NISP Tbk were used as collateral for the bank loan obtained from PT Bank OCBC NISP Tbk (Note 21).

6. INVESTMENTS IN MARKETABLE SECURITIES

The fair value of the investments in money market fund and bonds is based on market value at the end of reporting period.

	31 December 2018		
	Acquisition cost	Unrealized loss	Fair value
	US$	US$	US$
Money market fund	290,209	-	290,209
Bonds	65,000	(65,000)	-
Total	355,209	(65,000)	290,209

	31 December 2017		
	Acquisition cost	Unrealized loss	Fair value
	US$	US$	US$
Money market fund	290,209	-	290,209
Bonds	65,000	(65,000)	-
Total	355,209	(65,000)	290,209

All investments in marketable securities are placed with third parties.

7. TRADE ACCOUNTS RECEIVABLE

	31 December 2018	31 December 2017
	US$	US$
Third parties		
Palm oil	9,483,833	3,025,421
Electricity power	111,473	52,189
Others	145,566	54,793
Total	9,740,872	3,132,403

	2018	2017
	US$	US$
Changes in the allowance for impairment losses of trade accounts receivable:		
Beginning balance	-	193,336
Write-off	-	(193,336)
Ending balance	-	-

Details of trade accounts receivable based on their currencies are as follows:

	31 December 2018	31 December 2017
	US$	US$
U.S. Dollar	9,303,002	3,025,421
Rupiah	437,870	106,982
Total	9,740,872	3,132,403

The summary of the aging profile of trade accounts receivable not impaired is as follows:

	31 December 2018	31 December 2017
	US$	US$
Not yet due	641,584	3,077,610
Overdue < 30 days	8,852,141	51,685
Overdue 31 – 60 days	128,474	3,108
Overdue > 60 days	118,673	-
Total	9,740,872	3,132,403

In 2017, AANE wrote down its trade account receivable because PLN has declined to pay the invoices using the new tariff (Notes 45e and 46). There is no allowance for impairment losses on AANE's trade account receivable as of 31 December 2018 and 2017.

Management believes that no allowance for impairment losses on trade accounts receivable is necessary.

8. OTHER RECEIVABLES

As of 31 December 2018 and 2017, this account mainly consisted of receivables from employees.

Management believes that the allowance for impairment losses as of 31 December 2018 and 2017 of US$ 235,079 and US$ 21,068, respectively are adequate to cover any possible losses from uncollectible other receivables.

9. INVENTORIES

	31 December 2018	31 December 2017*	1 January 2017*
	US$	US$	US$
Palm oil	3,609,596	3,966,272	3,463,626
Sago starch	893,538	1,266,011	-
Supplementary materials, spareparts and others	6,545,180	5,030,243	5,676,090
Total	11,048,314	10,262,526	9,139,716
Allowance for decline in value of inventories	(975,485)	(1,350,164)	(811,826)
Net	10,072,829	8,912,362	8,327,890

	31 December 2018	31 December 2017
	US$	US$
Changes in the allowance for decline in value of inventories:		
Beginning balance	1,350,164	811,826
Addition	63,761	1,204,917
Write-off	(438,440)	(666,579)
Ending balance	975,485	1,350,164

Management believes that the allowance for decline in value of inventories is adequate.

As of 31 December 2018 and 2017, ANJA's palm oil inventories amounting to US$ 4.5 million were used as collateral for the bank loan obtained from PT Bank OCBC NISP Tbk (Note 21).

Palm oil inventories were insured against losses from fire and other risks under a blanket policy amounting to US$ 16.9 million and Rp 17 billion as of 31 December 2018 and US$ 15 million and Rp 6 billion as of 31 December 2017. Management believes that the insurance coverage is adequate to cover possible losses to the Group.

** As restated (See Note 52)*

10. PREPAYMENTS AND ADVANCES

	31 December 2018	31 December 2017
	US$	US$
Prepayments:		
Insurance	345,454	252,396
Rent	314,671	306,726
Other	93,554	48,722
Value added taxes	25,086,718	20,798,323
Advances	1,557,320	961,894
Total	27,397,717	22,368,061

11. INVESTMENTS IN ASSOCIATES

	31 December 2018		
	Acquisition cost	Accumulated share of profit less dividends received	Carrying amount
	US$	US$	US$
PT Pangkatan Indonesia	2,959,700	8,367,224	11,326,924
PT Aceh Timur Indonesia	3,769,075	(290,486)	3,478,589
PT Surya Makmur	4,915,445	(299,757)	4,615,688
PT Evans Lestari	488,998	(307,854)	181,144
Total	12,133,218	7,469,127	19,602,345

	31 December 2017		
	Acquisition cost	Accumulated share of profit less dividends received	Carrying amount
	US$	US$	US$
PT Pangkatan Indonesia	2,959,700	11,034,404	13,994,104
PT Aceh Timur Indonesia	3,769,075	549,944	4,319,019
PT Surya Makmur	4,915,445	807,129	5,722,574
PT Evans Lestari	488,998	(207,119)	281,879
Total	12,133,218	12,184,358	24,317,576

As of 31 December 2018 and 2017, details of the Group's associates and their principal activities are as follows:

Associates name	Principal activities	Domicile
PT Pangkatan Indonesia	Agribusiness	Pangkatan, Labuhanbatu, North Sumatera
PT Aceh Timur Indonesia	Agribusiness	Jakarta
PT Surya Makmur	Agribusiness	Medan
PT Evans Lestari	Agribusiness	Musi Rawas, South Sumatera

As explained before in Note 1d, the Company's ownerships in ATI and SM were diluted in July 2017 from 99.99% to 25%, due to increase of ATI's and SM's share capital which was fully paid by PT Evans Indonesia. Accordingly, as of 31 December 2018 and 2017, ATI and SM were not subsidiaries of the Group but instead associates of the Company. As a result of the decrease of the Company's ownerships in ATI and SM, SKPI and BP were not associates of the Company anymore as of 31 December 2018 and 2017 although ATI's and SM's ownerships in SKPI and BP increased respectively from 20% to 60% in July 2017 because the Company no longer has significant influence in SKPI and BP. In addition, in March 2017, the Company has acquired 5% ownership in SKPI and BP with acquisition cost of US$ 636,729 and US$ 832,522, respectively (see Note 13).

Changes in investments in associates:

	2018	2017
	US$	US$
PT Pangkatan Indonesia		
Balance at beginning of year	13,994,104	11,925,847
Share of profit	1,390,152	2,068,257
Cash dividend for the year	(4,057,332)	-
Balance at end of year	11,326,924	13,994,104

11. INVESTMENTS IN ASSOCIATES (Continued)

Changes in investments in associates (Continued):

	2018	2017
	US$	US$
PT Aceh Timur Indonesia		
Balance at beginning of year	4,319,019	-
Addition	-	3,769,075
Share of profit	233,862	549,944
Cash dividend for the year	(1,074,292)	-
Balance at end of year	3,478,589	4,319,019
PT Surya Makmur		
Balance at beginning of year	5,722,574	-
Addition	-	4,915,445
Share of profit	478,193	807,129
Cash dividend for the year	(1,585,079)	-
Balance at end of year	4,615,688	5,722,574
PT Evans Lestari		
Balance at beginning of year	281,879	356,651
Share of loss	(100,735)	(74,772)
Balance at end of year	181,144	281,879
PT Bilah Plantindo		
Balance at beginning of year	-	7,309,616
Share of profit	-	521,015
Deduction	-	(7,830,631)
Balance at end of year	-	-
PT Simpang Kiri Plantation Indonesia		
Balance at beginning of year	-	5,505,830
Share of profit	-	326,171
Deduction	-	(5,832,001)
Balance at end of year	-	-

The summary of the above associates' financial information is set out below:

	31 December 2018			
	PT Pangkatan Indonesia	PT Aceh Timur Indonesia	PT Surya Makmur	PT Evans Lestari
	US$	US$	US$	US$
Percentage of ownership interest	20%	25%	25%	20%
Current assets	73,531,130	18,300,177	26,226,868	14,854,203
Non-current assets	14,853,463	7,945,360	9,407,709	43,578,742
Current liabilities	(28,123,642)	(963,206)	(2,496,504)	(53,845,861)
Non-current liabilities	(1,790,262)	(1,457,278)	(1,162,383)	(3,553,296)
Net assets (100%)	58,470,689	23,825,053	31,975,690	1,033,788
Non-controlling interests	(1,326,048)	(9,569,016)	(12,485,914)	-
Adjustment	(510,021)	(341,680)	(1,027,023)	(128,068)
	56,634,620	13,914,357	18,462,753	905,720
Group's share of net assets	11,326,924	3,478,589	4,615,688	181,144
Carrying amount of interest in associate	**11,326,924**	**3,478,589**	**4,615,688**	**181,144**

11. INVESTMENTS IN ASSOCIATES (Continued)

The summary of the above associates' financial information is set out below (Continued):

	2018			
	PT Pangkatan Indonesia	PT Aceh Timur Indonesia	PT Surya Makmur	PT Evans Lestari
	US$	US$	US$	US$
Revenue	24,177,420	4,284,160	7,652,630	532,493
Profit (loss) (100%)	7,056,343	1,528,369	3,141,997	(503,679)
Other comprehensive income (100%)	-	-	-	-
Total comprehensive income (loss) (100%)	7,056,343	1,528,369	3,141,997	(503,679)
Less: total comprehensive income attributable to non-controlling interests	(105,580)	(592,919)	(1,229,225)	-
Total comprehensive income (loss) attributable to owners of the Company (100%)	6,950,763	935,450	1,912,772	(503,679)
Group's share of total comprehensive income (loss)	**1,390,152**	**233,862**	**478,193**	**(100,735)**

	31 December 2017			
	PT Pangkatan Indonesia	PT Aceh Timur Indonesia	PT Surya Makmur	PT Evans Lestari
	US$	US$	US$	US$
Percentage of ownership interest	20%	25%	25%	20%
Current assets	63,933,511	26,307,625	35,773,258	12,810,466
Non-current assets	14,738,689	6,623,612	8,728,213	28,044,764
Current liabilities	(5,524,439)	(1,767,582)	(3,146,938)	(35,211,024)
Non-current liabilities	(1,726,316)	(1,536,262)	(1,070,622)	(4,107,670)
Net assets (100%)	71,421,445	29,627,393	40,283,911	1,536,536
Non-controlling interests	(1,368,240)	(12,121,932)	(16,475,312)	-
Adjustment	(82,685)	(229,386)	(918,302)	(127,137)
	69,970,520	17,276,075	22,890,297	1,409,399
Group's share of net assets	13,994,104	4,319,019	5,722,574	281,879
Carrying amount of interest in associate	**13,994,104**	**4,319,019**	**5,722,574**	**281,879**

	2017			
	PT Pangkatan Indonesia	PT Aceh Timur Indonesia	PT Surya Makmur	PT Evans Lestari
	US$	US$	US$	US$
Revenue	30,267,358	6,055,187	9,172,453	46,999
Profit (loss) (100%)	10,517,716	3,559,667	5,461,836	(373,859)
Other comprehensive income (100%)	-	-	-	-
Total comprehensive income (loss) (100%)	10,517,716	3,559,667	5,461,836	(373,859)
Less: total comprehensive income during the year, before classified as associates	-	(185,648)	(323,435)	-
Less: total comprehensive income attributable to non-controlling interests	(176,430)	(1,174,245)	(1,909,886)	-
Total comprehensive income (loss) attributable to owners of the Company (100%)	10,341,286	2,199,774	3,228,515	(373,859)
Group's share of total comprehensive income (loss)	**2,068,257**	**549,944**	**807,129**	**(74,772)**

12. BIOLOGICAL ASSETS

The following is the carrying value movements of biological assets:

	31 December 2018	31 December 2017*
	US$	US$
Fair value		
Beginning balance	2,618,428	4,482,939
Addition	286,591	-
Net changes in the fair values of biological assets and harvested agriculture produce transferred to inventories during the year	(1,331,046)	(1,864,511)
Ending balance	1,573,973	2,618,428

The fair value technique as explained in Note 3r is included in fair value measurement hierarchy level 3. The estimated fair value of biological assets would increase (decrease) if:

- The estimated prices for FFB and edamame were higher (lower);
- The estimated yields per hectare were higher (lower);
- The estimated maintenance, harvesting and transportation costs were lower (higher);
- The estimated discount rate were higher (lower).

* *As restated (See Note 52)*

13. INVESTMENTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account represents the Group's investments in shares of other investees with ownership interest of less than 20%.

	31 December 2018			
	Acquisition cost	Acquisition cost after impairment	Changes in fair value	Fair value or acquisition cost after impairment
	US$	US$	US$	US$
PT Agro Muko	2,240,108	2,240,108	3,178,578	5,418,686
PT Puncakjaya Power	10,271,880	10,271,880	-	10,271,880
PT Prima Mitrajaya Mandiri	692,437	692,437	-	692,437
PT Moon Lion Industries Indonesia	1,026,225	643,164	-	643,164
PT Teguh Jaya Prima Abadi	234,038	234,038	-	234,038
PT Sembada Sennah Maju	222,411	222,411	-	222,411
ARC Exploration Ltd. (ARC)	2,911,153	111,913	(106,383)	5,530
PT Simpang Kiri Plantation Indonesia	636,729	636,729	-	636,729
PT Bilah Plantindo	832,522	832,522	-	832,522
Others	41,964	-	-	-
Total	19,109,467	15,885,202	3,072,195	18,957,397
Classified as current assets				(10,271,880)
Classified as non-current assets				8,685,517

13. INVESTMENTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

	31 December 2017			
	Acquisition cost	Acquisition cost after impairment	Changes in fair value	Fair value or acquisition cost after impairment
	US$	US$	US$	US$
PT Agro Muko	2,240,108	2,240,108	3,178,578	5,418,686
PT Puncakjaya Power	10,271,880	10,271,880	-	10,271,880
PT Prima Mitrajaya Mandiri	692,437	692,437	-	692,437
PT Moon Lion Industries Indonesia	1,026,225	643,164	-	643,164
PT Teguh Jaya Prima Abadi	234,038	234,038	-	234,038
PT Sembada Sennah Maju	222,411	222,411	-	222,411
ARC Exploration Ltd. (ARC)	2,911,153	111,913	(103,159)	8,754
PT Chevron Geothermal Sekincau Selatan	12,500	-	-	-
PT Simpang Kiri Plantation Indonesia	636,729	636,729	-	636,729
PT Bilah Plantindo	832,522	832,522	-	832,522
Others	41,964	-	-	-
Total	19,121,967	15,885,202	3,075,419	18,960,621

Except for PT Agro Muko and ARC Exploration Ltd., the Group adopts the acquisition cost approach in measuring its investments in available-for-sale financial assets, since they are non-listed shares and there is no readily available measure of fair value of the shares.

PT Agro Muko

For the years ended 31 December 2018 and 2017, the increase in the fair value of PT Agro Muko of US$ nil and US$ 3,836,782, respectively, was recognized in other comprehensive income. The investment represents 5% ownership of outstanding shares in PT Agro Muko owned by the Company.

On 6 December 2016, the Company entered into a conditional sale and purchase of shares agreement (CSPA) with SIPEF NV, where the Company agreed to sell its 3,316,856 shares which represents 10.87% ownership in PT Agro Muko for US$ 44,310,861. The completion of the sale and purchase of the shares is subject to the fulfillment of certain substantial conditions precedent, including obtaining the technical recommendation from the Directorate General of Plantations.

Pursuant to the CSPA, SIPEF NV paid a non-refundable deposit of US$ 1,250,000 to the Company, while the remaining balance was received in February 2017. As of 31 December 2016, the conditions precedent required in the CSPA have not been completely fulfilled and therefore, the Company has not recognized the sale. Accordingly, as of 31 December 2016, the Company has presented the carrying value for 10.87% investment in PT Agro Muko as part of current assets and the non-refundable deposit as part of advance in the current liabilities.

On 10 March 2017, the Company obtained the confirmation letter for the completion of Agro Muko sales transaction from SIPEF NV as well as the waiver of the conditions precedent required in the CSPA which have not been completely fulfilled until the issuance date of the confirmation letter.

In 2017, the Company recognized gain on sale of this investment amounted to US$ 39,442,645 in “Other income” (Note 38).

13. INVESTMENTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

ARC Exploration Ltd. (ARC)

For the years ended 31 December 2018 and 2017, based on the quoted market price of ARC shares, the (decrease) increase in the fair value of ARC amounted to (US$ 3,244) and US$ 317, respectively, was recognized in other comprehensive income.

PT Star Energy Geothermal Suoh Sekincau (previously PT Chevron Geothermal Suoh Sekincau)

Based on deed No. 80 of Notary Jose Dima Satria, S.H., M.Kn., dated 27 September 2017, the Company agreed to sell its 3,000 shares which represents 5% ownership in PT Star Energy Geothermal Suoh Sekincau to PT Barito Pacific Tbk., for US$ 325,000. The completion of the sale and purchase of the shares has been approved by the Investment Coordinating Board of the Republic of Indonesia.

In 2017, the Company recognized gain on sale of this investment amounted to US$ 25,000 in "Other income" (Note 38)

PT Chevron Geothermal Sekincau Selatan

As of 31 December 2017, the investment in PT Chevron Geothermal Sekincau Selatan has been fully impaired for US$ 12,500 in relation with the liquidation plan of PT Chevron Geothermal Sekincau Selatan. The liquidation plan has been accepted subsequently by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-AH.01.10-0000661 dated 12 January 2018.

PT Puncakjaya Power

In November 2018, the Company entered into a conditional sale and purchase agreement (CSPA) to sell all of the Company's investment in shares of PT Puncakjaya Power. As of 31 December 2018 and until the date of issuance of these consolidated financial statements, certain conditions required in the CSPA have not been met and therefore, the Company has not recognized the sale of the investment.

14. BEARER PLANTS

	1 January 2018	Additions	Deductions	Reclassification	Translation adjustments	31 December 2018
	US$	US$	US$	US$	US$	US$
Mature plantation						
Cost	212,221,741	-	(9,235,712)	2,238,003	(2,089,246)	203,134,786
Accumulated depreciation	(109,344,089)	(7,105,563)	8,605,952	-	280,846	(107,562,854)
	102,877,652	(7,105,563)	(629,760)	2,238,003	(1,808,400)	95,571,932
Immature plantation - at cost	100,016,193	43,058,621	(1,128,828)	(2,238,003)	(6,467,114)	133,240,869
	202,893,845					**228,812,801**

	1 January 2017	Additions	Deductions	Reclassification	Translation adjustments	31 December 2017
	US$	US$	US$	US$	US$	US$
Mature plantation						
Cost	212,950,045	-	(3,805,490)	3,357,826	(280,640)	212,221,741
Accumulated depreciation	(105,574,928)	(7,529,733)	3,719,578	-	40,994	(109,344,089)
	107,375,117	(7,529,733)	(85,912)	3,357,826	(239,646)	102,877,652
Immature plantation - at cost	73,640,551	30,600,242	-	(3,357,826)	(866,774)	100,016,193
	181,015,668					**202,893,845**

14. BEARER PLANTS (Continued)

Depreciation expense allocated to cost of revenue for the years ended 31 December 2018 and 2017 amounted to US$ 7,105,563 and US$ 7,529,733, respectively (Note 33).

Borrowing cost capitalized to the acquisition cost of immature plantations for the years ended 31 December 2018 and 2017 amounted to US$ 10,418,345 and US$ 8,036,129, respectively.

The area of mature and immature plantations (unaudited) based on location are as follows:

	31 December 2018		
	Mature plantation (hectare)	Immature plantation (hectare)	Total planted area (hectare)
Binanga, North Sumatera	9,035	719	9,754
Belitung, Bangka Belitung	10,294	3,960	14,254
Batang Angkola, North Sumatera	7,754	-	7,754
Ketapang, West Kalimantan	8,405	1,178	9,583
Empat Lawang, South Sumatera	-	754	754
South Sorong, West Papua	-	7,709	7,709
Total	35,488	14,320	49,808

	31 December 2017		
	Mature plantation (hectare)	Immature plantation (hectare)	Total planted area (hectare)
Binanga, North Sumatera	9,795	-	9,795
Belitung, Bangka Belitung	12,078	2,113	14,191
Batang Angkola, North Sumatera	7,912	-	7,912
Ketapang, West Kalimantan	8,125	1,387	9,512
Empat Lawang, South Sumatera	-	618	618
South Sorong, West Papua	-	5,715	5,715
Total	37,910	9,833	47,743

Management believes that there are no events or changes in circumstances that indicate any impairment on immature plantations and mature plantations as of 31 December 2018 and 2017.

The Group has insurance policies to cover certain business and operation risks with regards to its plantation operational activities (see Note 15).

15. PROPERTY PLANT AND EQUIPMENT

	1 January 2018	Additions	Deductions	Reclassifications	Translation adjustments	31 December 2018
	US$	US$	US$	US$	US$	US$
Cost						
Direct acquisitions						
Land	79,121,771	283,582	-	-	(1,256,155)	78,149,198
Buildings, roads and bridges	78,894,742	1,659,539	(329,491)	2,038,081	(617,564)	81,645,307
Machinery and equipment	83,376,869	1,931,023	(540,446)	5,434,644	(6,362,161)	83,839,929
Computer and communication equipment	562,679	200,113	(95,919)	22,611	(214,808)	474,676
Office equipment, furniture and fixtures	5,372,019	247,091	(27,595)	48,850	(1,148,156)	4,492,209
Motor vehicles	9,231,555	713,015	(510,576)	2,244	(283,022)	9,153,216
Construction in progress	11,264,680	28,818,829	(96)	(7,546,430)	2,495,144	35,032,127
Total cost	267,824,315	33,853,192	(1,504,123)	-	(7,386,722)	292,786,662
Accumulated depreciation						
Direct acquisitions						
Buildings, roads and bridges	(25,607,067)	(3,773,998)	113,048	-	(713,529)	(29,981,546)
Machinery and equipment	(41,633,938)	(5,138,853)	508,582	-	203,895	(46,060,314)
Computer and communication equipment	(404,434)	(144,975)	16,122	-	192,848	(340,439)
Office equipment, furniture and fixtures	(4,306,576)	(293,499)	29,384	-	810,104	(3,760,587)
Motor vehicles	(5,681,546)	(873,971)	467,653	-	326,535	(5,761,329)
Total accumulated depreciation	(77,633,561)	(10,225,296)	1,134,789	-	819,853	(85,904,215)
Impairment provision	(14,507,873)	-	-	-	934,729	(13,573,144)
Net carrying amount	**175,682,881**					**193,309,303**

	1 January 2017	Additions	Deductions	Reclassifications	Translation adjustments	31 December 2017
	US$	US$	US$	US$	US$	US$
Cost						
Direct acquisitions						
Land	76,358,629	2,933,018	-	-	(169,876)	79,121,771
Buildings, roads and bridges	63,624,408	821,067	(331,974)	15,072,647	(291,406)	78,894,742
Machinery and equipment	54,931,421	1,642,830	(1,169,111)	28,371,184	(399,455)	83,376,869
Computer and communication equipment	512,918	49,790	-	-	(29)	562,679
Office equipment, furniture and fixtures	5,251,428	380,902	(328,647)	80,569	(12,233)	5,372,019
Motor vehicles	9,379,283	811,998	(168,481)	(756,135)	(35,110)	9,231,555
Construction in progress	44,272,626	9,531,863	-	(42,768,265)	228,456	11,264,680
Total cost	254,330,713	16,171,468	(1,998,213)	-	(679,653)	267,824,315
Accumulated depreciation						
Direct acquisitions						
Buildings, roads and bridges	(22,114,073)	(3,753,522)	224,128	-	36,400	(25,607,067)
Machinery and equipment	(36,035,669)	(6,672,620)	1,017,108	-	57,243	(41,633,938)
Computer and communication equipment	(332,407)	(72,845)	-	-	818	(404,434)
Office equipment, furniture and fixtures	(4,071,664)	(558,442)	315,958	-	7,572	(4,306,576)
Motor vehicles	(4,899,914)	(929,218)	131,316	-	16,270	(5,681,546)
Total accumulated depreciation	(67,453,727)	(11,986,647)	1,688,510	-	118,303	(77,633,561)
Impairment provision	(9,529,120)	(5,119,885)	-	-	141,132	(14,507,873)
Net carrying amount	**177,347,866**					**175,682,881**

As of 31 December 2018, management has reviewed the estimated useful lives of property, plant and equipment and has found them to be appropriate. The useful lives are based on the estimated period over which future economic benefits will be received by the Company, taking into account any unexpected adverse changes in cicumstances or events.

15. PROPERTY PLANT AND EQUIPMENT (Continued)

As of 31 December 2018, management believe that the fair value of the property, plant and equipment is not significantly different with its net carrying amount, except for land. The total estimated fair value of certain land is US$ 301,770,550 (as of 31 December 2018, the carrying amount of these certain land is US$ 20,734,614). The fair value of these assets is measured based on the calculation by qualified appraiser using the market comparison (fair value level 2). The valuation model considers quoted market prices for similar assets when they are available.

During 2017, management of KAL and ANJAP became aware of circumstances that indicated the carrying amounts of certain property, plant and equipment belongs to KAL and ANJAP could not be fully recovered. Accordingly, a total US$ 5.1 million impairment allowance was provided. The impairment loss was included in cost of revenue (Note 33). KAL provided full impairment of its certain mill equipment, while ANJAP estimated the recoverable amount of its certain property, plant and equipment based on the market comparison and cost techniques (fair value level 2). The techniques consider quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate.

Depreciation expense for the years ended 31 December 2018 and 2017 were allocated as follows:

	2018	2017
	US$	US$
Cost of revenue (Note 33)	8,157,575	10,379,220
General and administrative expenses (Note 35)	293,131	546,115
Capitalized to immature plantation	1,774,590	1,061,312
Total	10,225,296	11,986,647

Borrowing cost capitalized to the acquisition cost of property, plant and equipment for the years ended 31 December 2018 and 2017 amounted to US$ 361,410 and US$ 12,249, respectively.

ANJA and its subsidiaries own several parcels of land with cultivation rights title (HGU) totaling to 91,212 hectares in Binanga, Ramba, Batang Angkola and Siais (North Sumatera Province), Gantung and Dendang (Bangka and Belitung Province), Laman Satong, Kuala Satong and Kuala Tolak (West Kalimantan Province), Metamani, Kais, North Kokoda and South Aifat (West Papua Province) and land with building use rights title (HGB) covering a total area of 30 hectares in Dendang. Those HGU and HGB will expire between 2035 and 2091.

GMIT, ANJAP and LSP owns several parcels of land with HGB in Jember and Lumajang (East Java) and Sorong (West Papua). This HGB will expire between 2024 and 2042.

The Company owns land with HGU totaling to 30,515.75 hectares in Womba, Sorong, West Papua. This HGU will expire in 2050.

As of 31 December 2018, construction in progress represents buildings, roads and bridges under construction as well as machinery and equipment under installation which belong to the subsidiaries. These construction in progress are estimated to be completed between 2019 - 2020.

Property, plant and equipment, except land, were insured against fire, theft, earthquake, flood and other possible risks for a total coverage of US$ 77,662 thousand and Rp 520,891,752 thousand as of 31 December 2018 and US$ 181,357 thousand and Rp 1,106,233,466 thousand as of 31 December 2017. Management believes that the insurance coverage is adequate to cover the possible losses on the assets insured.

Cost of fully depreciated property, plant and equipment which were still utilized in operation as of 31 December 2018 and 2017 amounted to US$ 45,483,287 and US$ 23,044,571, respectively.

15. PROPERTY PLANT AND EQUIPMENT (Continued)

Certain property, plant and equipment were sold and disposed in 2018 and 2017. The reconciliation between loss on sale and disposal of property, plant and equipment and proceeds from sale of property, plant and equipment are as follows:

	2018	2017
	US$	US$
Proceeds from sale of property, plant and equipment	171,178	63,224
Net carrying amount of property, plant and equipment sold and disposed	(369,334)	(309,703)
Loss on sale and disposal of property, plant and equipment (Note 38)	(198,156)	(246,479)

16. INTANGIBLE ASSETS

	1 January 2018	Additions	Deductions	Reclassification	Translation adjustments	31 December 2018
	US$	US$	US$	US$	US$	US$
Landrights						
Cost	804,443	262,447	-	-	(9,214)	1,057,676
Accumulated amortization	(152,318)	(20,052)	-	-	9,493	(162,877)
	652,125					894,799
Software and implementation						
Cost	2,172,954	12,801	-	-	45,528	2,231,283
Accumulated amortization	(814,359)	(368,623)	-	-	2,508	(1,180,474)
	1,358,595					1,050,809
	2,010,720					**1,945,608**

	1 January 2017	Additions	Deductions	Reclassification	Translation adjustments	31 December 2017
	US$	US$	US$	US$	US$	US$
Landrights						
Cost	808,042	-	-	(2,686)	(913)	804,443
Accumulated amortization	(6,448)	(148,427)	-	1,195	1,362	(152,318)
	801,594					652,125
Software and implementation						
Cost	-	659,842	-	1,513,112	-	2,172,954
Accumulated amortization	-	(120,093)	-	(695,214)	948	(814,359)
	-					1,358,595
	801,594					**2,010,720**

Amortization expense charged to general and administrative expenses amounted to US$ 388,675 and US$ 268,520 (Note 35) for the years ended 31 December 2018 and 2017, respectively.

In 2017, the reclassification of software and implementation with net carrying amount of US$ 817,898 comes from other non-current assets (Note 20).

17. ADVANCES

	31 December 2018	31 December 2017
	US$	US$
Third parties:		
Advances for legal processing of landrights	8,999,306	7,296,572
Advances for purchase of property, plant and equipment	2,013,633	1,645,449
Advances for palm plantation	1,825,030	1,829,451
Other advances	545,378	166,422
Total	13,383,347	10,937,894

Advances for legal processing of landrights represent payments to obtain HGU for several estates.

Advances for palm plantation represent down payments paid to third party contractors for land clearing and other activities related to the immature plantation.

Other advances mainly represent down payments paid for timber logging costs.

18. GOODWILL

Goodwill represents the excess of acquisition cost over the Company's interest in the fair value of the net assets of ANJA and its subsidiaries at the acquisition date.

Management believes that there is no impairment loss on goodwill as of 31 December 2018 and 2017.

Impairment test of goodwill

The recoverable amount of the cash generating unit/CGU was based on its value in use and was determined by discounting the future cash flows to be generated from the continuing use of CGU.

The key assumptions used in the calculation of the recoverable amount are set out below:

	31 December 2018	31 December 2017
Discount rate	7.30%	9.60%
Terminal value multiple	10	10
Budgeted revenue growth rate (average of next ten years)	6.37%	4.78%

The discount rate was a post-tax measure estimated based on past experience, and the relevant CGU's weighted average cost of capital.

The terminal value multiple is assumed based on management's experience and understanding of the relevant industry sector and capital market.

Ten years of future cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal industry growth rate for the country in which the CGU operates and the budgeted revenue growth rate (average of next ten years) estimated by management. The budgeted revenue growth rate (average of next ten years) was based on the past experience of the CGU and management's best knowledge of future industry outlook.

19. CLAIMS FOR TAX REFUND

	31 December 2018	31 December 2017
	US$	US$
Claims for tax refund	796,726	2,762,675
Overpayment of corporate income tax	4,993,383	1,612,555
Total	5,790,109	4,375,230

As of 31 December 2018, claims for tax refund balance represent ANJA's claim on prepaid VAT for fiscal year 2013 and ANJAS's claim on prepaid VAT for fiscal year 2016 and January-July 2017. As of 31 December 2018, ANJA's claim on prepaid VAT for fiscal year 2013 is in judicial review stage at the Supreme Court. Up to the date of the issuance of these consolidated financial statements, ANJA has not received the decision of this judicial review. As of 31 December 2018, ANJAS's claim on prepaid VAT for fiscal year 2016 and January-July 2017 is in objection stage at Directorate General of Taxation. Up to the date of the issuance of these consolidated financial statements, ANJAS has not received the decision of this tax objection.

As of 31 December 2018, overpayment of the corporate income tax balance represent corporate income tax overpayments of the Company, ANJAS and SMM for fiscal year 2018, and corporate income tax overpayment of ANJA for fiscal year 2017. As of 31 December 2018, ANJA's claim on the corporate income tax overpayment for fiscal year 2017 is in objection stage at Directorate General of Taxation. Up to the date of the issuance of these consolidated financial statements, ANJA has not received the decision of this tax objection.

As of 31 December 2017, the claims for tax refund balance represent ANJA's claim on prepaid VAT for fiscal year 2013 and SMM's claim on the corporate income tax overpayment for fiscal year 2016. In 2018, SMM received the Supreme Court decision to grant the judicial review filed by SMM and SMM has received the refund in December 2018. From the total amount of claim for tax refund of US$ 2,078,559, SMM received a refund of US$ 1,878,700 (the remaining amount was recognized in the current year's profit or loss).

As of 31 December 2017, the overpayment of corporate income tax balance represents ANJA's corporate income tax overpayment for fiscal year 2017.

20. OTHER NON-CURRENT ASSETS

	31 December 2018	31 December 2017
	US$	US$
Security deposits	315,206	4,839,718
Advances for plasma and partnership plantation projects - net	8,722,667	8,769,820
Plasma receivables - net	5,911,559	10,488,900
MSOP and ESPP receivables	3,144,685	3,311,837
Others	241,696	147,604
Total	18,335,813	27,557,879

Security deposits mainly represent transactional deposits relating to security deposit for the aircraft charter agreement with PT Airfast Indonesia (Airfast) (Note 45b), and the office lease agreement with PT Bumi Mulia Perkasa Development (Note 45d).

20. OTHER NON-CURRENT ASSETS (Continued)

As of 31 December 2017, security deposits to Airfast was presented at amortized cost of Rp 70 billion, of which Rp 7.4 billion (equivalent to US$ 0.5 million) will be refunded within a year and has been classified as part of current assets. Meanwhile, as of 31 December 2018, security deposits to Airfast was presented at amortized cost of Rp 62 billion (equivalent to US$ 4.3 million) that will be refunded within a year and has been classified as part of current assets.

Advances for plasma and partnership plantation projects represent payments made to develop palm oil plantation partnership by SMM and plasma palm oil plantation by PPM and PMP. Plasma receivables represent all payments made to develop palm oil plasma plantation by KAL, located in Ketapang, West Kalimantan, net of proceeds from loan facility for plasma financing. KAL has commitments on this plasma plantation project (Note 45g).

In 2018 and 2017, the Group provided an interest bearing loan to the Group's eligible employees to finance the purchase of the Company's shares through Management Stock Option Program (MSOP) and Employee Stock Purchase Plan (ESPP). The number of new shares issued for the MSOP and the number of treasury shares issued under ESPP are 18,650,000 shares and 15,000,000 shares, respectively. The loan bears interest at 5% per annum and will mature on 15 May 2021.

21. BANK LOANS

	31 December 2018	31 December 2017
	US$	US$
Short-term bank loans		
Rupiah		
PT Bank CIMB Niaga Tbk		
Subsidiaries	16,366,273	-
PT Bank OCBC NISP Tbk		
Subsidiaries	880,846	-
U.S. Dollar		
PT Bank CIMB Niaga Tbk		
The Company	5,500,000	-
Subsidiaries	-	8.000.000
PT Bank OCBC NISP Tbk		
The Company	1,484,179	-
Subsidiaries	750,613	1,270,000
Total	24,981,911	9,270,000
Long-term bank loans		
Rupiah		
PT Bank OCBC NISP Tbk		
Subsidiaries	113,783,743	60,232,433
PT Bank CIMB Niaga Tbk		
Subsidiaries	10,130,212	1,308,975
U.S. Dollar		
PT Bank CIMB Niaga Tbk		
Subsidiaries	-	4,666,667
PT Bank OCBC NISP Tbk		
The Company	-	-
Subsidiaries	23,700,000	37,825,000
Total	147,613,955	104,033,075
Less: deferred financing cost	(1,179,784)	(1,322,196)
Total	146,434,171	102,710,879
Long-term bank loan current maturities	(6,595,726)	(3,228,879)
Long-term bank loans-net of current maturities	139,838,445	99,482,000

21. BANK LOANS (Continued)

	31 December 2018	31 December 2017
	US$	US$
Effective interest rates per annum		
Short-term bank loans		
Rupiah	9.81% - 10.08%	-
U.S. Dollar	4.81% - 5.26%	4.55% - 8.33%
Long-term bank loans		
Rupiah	10%	9.75%
U.S. Dollar	5.82% - 6.10%	4.74% - 5.07%

The following table summarizes the repayment schedule for principal balance of long-term bank loans as of 31 December 2018 and 2017:

	31 December 2018	31 December 2017
	US$	US$
Due in the year:		
Within one year	6,595,726	3,228,879
1 - 5 years	36,364,392	96,617,692
> 5 years	104,653,837	4,186,504
Total	147,613,955	104,033,075

PT Bank CIMB Niaga Tbk with the Company, KAL, GSB and ANJA

On 28 July 2015, the Company, KAL, GSB and ANJA entered into a short-term loan agreement with PT Bank CIMB Niaga Tbk for a total facility of US$ 35 million. On 28 October 2018, the loan agreement was amended where GSB was no longer the party in the loan agreement. The loan bears interest rate at 2.75% to 3.25% above LIBOR for borrowings in U.S. Dollar and 2.50% to 3.25% above JIBOR for borrowings in Rupiah. The loan facility is secured with corporate guarantee from ANJA, ANJAS and SMM.

On 19 December 2016, ANJA and KAL entered into a long-term loan agreement with PT Bank CIMB Niaga Tbk for a total facility of US$ 25 million or equivalent to Rp 337.5 billion. The loan bears interest rate at 3.5% above LIBOR for borrowings in U.S. Dollar and 3.5% above JIBOR for borrowings in Rupiah. The loan facility will expire on 19 December 2020. The loan facility is guaranteed with the palm plantation assets and machinery assets of KAL and corporate guarantee from ANJA (cross-default mechanism with KAL), SMM and ANJAS.

The Company, KAL and ANJA should fulfill certain financial covenants which among others maintaining a maximum leverage of 1.5x, interest bearing debt to EBITDA ratio of not more than 6.5x, and 4.5x for financial year 2016-2020 and 2021 and afterwards, respectively, interest service coverage ratio of not less than 2x and debt service coverage ratio of not less than 1.25x.

As of 31 December 2018, the Company, KAL and ANJA is in compliance with the terms and conditions of the loan agreement.

21. BANK LOANS (Continued)

PT Bank OCBC NISP Tbk (OCBC NISP)

OCBC NISP with the Company, ANJA, PPM, PMP, ANJAP, ANJAS and SMM

On 24 August 2015, the Company, ANJA, PPM, PMP, ANJAP, ANJAS and SMM entered into loan agreement with OCBC NISP. This loan agreement has been amended several times until 23 August 2017. The credit facilities with OCBC NISP were as follows:

- Overdraft credit facility of US$ 5 million with the allocation limit to the Company, ANJA, PMP and PPM of US$ 0.5 million, US$ 2.5 million, US$ 1 million and US$ 1 million, respectively. Interest rate of overdraft credit facility withdrawn in U.S. Dollar currency was 3% above LIBOR and in Rupiah currency was floating 9.75%. This facility is available until the due date of 24 August 2017.
- Demand Loan 1 credit facility of US$ 3 million or in Rupiah equivalent to US$ 3 million bearing interest rate at 3 % above LIBOR for withdrawal in U.S. Dollar currency and at OCBC NISP's Prime Lending Rate for withdrawal in Rupiah. The credit facility is available until the due date of 24 August 2017.
- Demand Loan 2 credit facility of Rp 91 billion bearing interest rate at floating 9.75% and available until the due date of 24 August 2017.
- Fixed Loan credit facility of US$ 8 million to the Company, bearing interest rate at 5% above LIBOR and available until the due date of 24 August 2019.
- Term Loan 1 and 3 credit facilities of Rp 1,345.5 billion for the Company, PPM, PMP and ANJAP, withdrawn in Rupiah currency, bearing interest rate at floating 9.75% and available until the due date of 24 August 2019.
- Term Loan 2 and 4 credit facilities of US$ 23.5 million for the Company, PPM, PMP and ANJAP, withdrawn in U.S. Dollar currency, bearing interest rate at 3.5% above LIBOR and available until the due date of 24 August 2019.
- Term Loan 5 credit facility for the Company, PPM, PMP and SMM. The Company, PPM and PMP may withdraw Term Loan 5 credit facility up to Rp 200 billion and SMM in U.S. Dollar up to US$ 7.2 million. Interest rate of Term Loan 5 credit facility withdrawn in U.S. Dollar currency was 3.5% above LIBOR and in Rupiah currency was floating 9.75%. The credit facility is available until the due date of 24 August 2019.
- Foreign exchange transaction facility of US$ 10 million which is available until the due date of 24 August 2017.

On 19 March 2018 and 25 September 2018, the loan agreement with OCBC NISP was further amended where ANJAP was no longer the party in the loan agreement and therefore the credit facilities in the Company, ANJA, PPM, PMP, ANJAS and SMM were as follows:

- Overdraft credit facility of US$ 5 million with the allocation limit to the Company, ANJA, PMP and PPM of US$ 2 million, US$ 2 million, US$ 0.5 million and US$ 0.5 million, respectively. The facility bears interest rate at 2.5% above LIBOR for the U.S. Dollar withdrawal and floating interest rate at 0.5% below OCBC NISP's Prime Lending rate for the Rupiah withdrawal. The credit facility is available until the due date of 19 March 2019.
- Demand Loan 1 credit facility of US$ 3 million or equivalent in Rupiah and bearing interest rate at 2.5% above LIBOR for the U.S. Dollar withdrawal and interest rate at 0.5% below OCBC NISP's Prime Lending rate for the Rupiah withdrawal and available until the due date of 19 March 2019.

21. BANK LOANS (Continued)

OCBC NISP with the Company, ANJA, PPM, PMP, ANJAP, ANJAS and SMM (Continued)

- Demand Loan 2 credit facility of Rp 10 billion available only in Rupiah and US$ 5.7 million, bearing floating interest rate at 0.5% below OCBC NISP's Prime Lending rate and available until the due date of 19 March 2019.
- Term Loan A credit facility of US$ 222 million or equivalent in Rupiah for the Company, SMM, PPM and PMP, bearing interest rate at 3.5% above LIBOR for the U.S. Dollar withdrawal and interest rate at 0.5% below OCBC NISP's Prime Lending rate for the Rupiah withdrawal. The credit facility is available until the due date of 19 March 2025 and can be extended until 19 March 2028.
- Term Loan B credit facility of US$ 20 million for the Company, PPM and PMP, bearing interest rate at 3.5% above LIBOR and available until the due date of 19 March 2025 and can be extended until 19 March 2028.
- Foreign exchange transaction facility of US$ 10 million which is available until the due date of 19 March 2019.

The loan facilities are guaranteed with:

- Pledges of ANJA's shares in ANJAS of 225,760 shares with the right to sell and set off;
- Pledges of ANJA's shares in SMM of 24,999 shares with the right to sell and set off;
- Pledges of ANJA's shares in PMP of 262,032,800 shares with the right to sell and set off;
- Pledges of ANJA's shares in PPM of 249,536,500 shares with the right to sell and set off;
- Pledges of the Company's shares in PMP of 13,791,200 shares with the right to sell and set off;
- Pledges of the Company's shares in PPM of 13,133,500 shares with the right to sell and set off;
- Corporate guarantee from ANJA;
- Fiduciary of inventory in the amount of US$ 4.5 million from ANJA;
- Charge over all accounts of the Company, ANJA, PPM and PMP at OCBC NISP; and
- Assignment of insurance proceeds of inventory in the amount of US$ 4.5 million from ANJA.

The Company, ANJA, PPM, PMP, ANJAS and SMM should fulfill certain financial covenants which among others maintain debt to equity ratio at a maximum of 1x, debt service coverage ratio of not less than 1.25x and debt to EBITDA ratio of not more than 3.5x, 4.5x, 5x, 5.5x, 4x and 3x for the financial year 2018-2023 and afterwards, respectively. On 28 December 2018, OCBC NISP has revised the debt to EBITDA ratio for the year ended 31 December 2018 to be not more than 7.1x.

The Company, ANJA, PPM, PMP, ANJAS and SMM should also fulfill certain non-financial covenants which among others maintain the ownership of Tahija family at least at 51%, restrict the Group to incur financial activities in the amounts which equivalent with the loan financing, submit the annual budget plan to the bank for the next accounting year at the latest 30 days after the year end of the current year and submit the loan monitoring report.

As of 31 December 2018, the Company, ANJA, PPM, PMP, ANJAS and SMM is in compliance with the terms and conditions of the loan agreement.

21. BANK LOANS (Continued)

OCBC NISP with KAL

On 29 January 2016, KAL entered into loan agreement with OCBC NISP for loan facility with maximum amount of Rp 225 billion for financing the construction of mill and bulking station and foreign exchange transaction facility amounting to US$ 4.5 million. The loan facilities will be due in 72 months after the agreement date. The credit facilities are guaranteed with the fiduciary of machinery and equipment in KAL's mill and bulking amounting to Rp 225 billion, assignment of insurance proceeds of machinery and equipment in KAL's mill and bulking amounting to Rp 225 billion and corporate guarantee from ANJA, ANJAS and SMM.

KAL should fulfill certain financial covenants which among others maintain debt to equity ratio at a maximum of 2x and debt service coverage ratio of not less than 1.25x.

As of 31 December 2018, KAL is in compliance with the terms and conditions of the loan agreement.

OCBC NISP with GMIT

On 30 May 2016, GMIT entered into loan agreement with OCBC NISP for the following credit facilities:

- Overdraft credit facility of Rp 3 billion bearing interest rate at OCBC NISP's Prime Lending Rate and available until the due date of 1 year from the loan agreement date.
- Demand Loan credit facility of Rp 7.5 billion bearing interest rate at OCBC NISP's Prime Lending Rate and available until the due date of 1 year after the loan agreement date.
- Fixed Loan credit facility of Rp 13.5 billion bearing interest rate at OCBC NISP's Prime Lending Rate and available until the due date of 2 years after the loan agreement date.
- Term Loan credit facility of Rp 10 billion bearing interest rate at 0.5% above OCBC NISP's Prime Lending Rate and available until the due date of 5 years after the loan agreement date.

On 13 June 2017, the loan agreement was amended for the following terms:

- Term of Overdraft and Demand Loan credit facilities were amended to be available until 30 May 2018.
- Availability of Term Loan credit facility was amended to be until 30 May 2018.
- Fixed Loan credit facility was amended to be amounting to Rp 3.1 billion.
- Interest rate of Term Loan credit facility was amended to be at OCBC NISP's Prime Lending Rate.

On 5 June 2018, the loan agreement was further amended for the following terms:

- Close the Overdraft and Term Loan credit facilities.
- Term Loan credit facility was amended into Term Loan A credit facility bearing interest rate at 0.5% below OCBC NISP's Prime Lending Rate and available until 30 May 2021.
- Addition of Term Loan B and C credit facilities of Rp 63 billion and Rp 7 billion, respectively, bearing interest rate at 0.5% below OCBC NISP's Prime Lending Rate and due in 1 year and 2 years, respectively, and the facilites are available until 6 years after the loan agreement date.
- Demand Loan credit facility was amended to be amounting to Rp 10.5 billion bearing interest rate at 0.5% below OCBC NISP's Prime Lending Rate and available until 30 May 2019.

The credit facilities are mainly used for financing the operation of edamame business as well as the construction of frozen line facilities for edamame and other vegetables.

21. BANK LOANS (Continued)

OCBC NISP with GMIT (Continued)

GMIT should fulfill certain financial covenants which among others maintain debt to equity ratio at a maximum of 1x, current ratio of not less than 1x, and debt service coverage ratio of not less than 1.1x and 1.25x as of June 2017 and December 2018 and afterwards, respectively.

The credit facilities are guaranteed with GMIT's frozen line factory facilities along with its insurance claim, corporate guarantee from SMM and letter of awareness from Asia Frozen Food Corp.

Addition of certain financial covenants are as follows:

- Debt to equity ratio at maximum 3x for year 2018 and 2019, 2x for year 2020 and 1x for year 2021 and afterwards.
- Debt service coverage ratio of not less than 1.25x as of March 2020 and afterwards.

As of 31 December 2018, GMIT is in compliance with the terms and conditions of the loan agreement.

22. TRADE ACCOUNTS PAYABLE

	31 December 2018	31 December 2017
	US$	US$
Third parties		
Palm oil	5,294,283	12,405,441
Sago	35,257	251,084
Other	102,986	4,998
Total	5,432,526	12,661,523

Based on currencies:

	31 December 2018	31 December 2017
	US$	US$
Rupiah	5,432,526	12,661,523
Total	5,432,526	12,661,523

23. TAXES PAYABLE

	31 December 2018	31 December 2017
	US$	US$
Corporate income tax		
The Company	-	13,683,098
Subsidiaries	323,907	2,605,031
Income taxes		
Article 4 (2)	27,609	1,557
Article 15	94,164	145,375
Article 21	365,961	578,184
Article 22	4,232	7,199
Article 23/26	44,430	94,699
Value Added Tax	7,172	4,814
Total	867,475	17,119,957

24. OTHER PAYABLES

	31 December 2018	31 December 2017
	US$	US$
Payable to third parties	11,636,021	7,729,068
Advances received from customers	193,420	402,693
Total	11,829,441	8,131,761

Advance received from customers represents receipt of cash from several customers for the sale of crude palm oil whose deliveries will be made based on further instructions from those customers.

All other payable is payable to third parties.

25. ACCRUED EXPENSES

	31 December 2018	31 December 2017
	US$	US$
Salaries, bonuses and allowances	3,351,653	3,217,928
Professional fees	158,783	188,102
Interest	40,900	21,362
Others	2,811,015	1,598,451
Total	6,362,351	5,025,843

26. POST-EMPLOYMENT BENEFITS OBLIGATION

Defined Benefit Pension Plan

The Group provides post-employment benefits for their eligible employees in accordance with Labor Law No. 13/2003.

The pension fund for the Company's employees is managed by Dana Pensiun Lembaga Keuangan (DPLK) Manulife Indonesia, the deed of establishment of which was approved by the Minister of Finance of the Republic of Indonesia in his decision letter No. KEP-231/KM.17/1994 dated 5 August 1994.

The defined benefit pension plan typically expose the Group to actuarial risks such as: investment risk, interest rate risk and salary risk.

Investment Risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently, the plan assets are placed at the state owned banks and in money market.

Interest Risk

A decrease in the bond interest rate will increase the plan liability, however this will be partially offset by an increase in the return on the plan's assets.

Salary Risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of the plan's participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

26. POST-EMPLOYMENT BENEFITS OBLIGATION (Continued)

Amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit costs are as follows:

	2018	2017
	US$	US$
Recognized in profit or loss:		
Current service cost	2,957,188	2,793,596
Past service cost	12,191	187,168
Termination cost, curtailment and settlement	274,167	472,701
Interest cost	1,149,422	1,085,968
Interest income on plan assets	(96,606)	(128,769)
Components of defined benefit costs recognized in profit or loss	4,296,362	4,410,664
Recognized in other comprehensive income:		
Remeasurement on the net defined benefit asset/liability:		
Return on plan assets	33,009	73,034
Actuarial (gains) losses	(2,767,118)	1,461,363
Components of defined benefit costs recognized in other comprehensive income	(2,734,109)	1,534,397
Total	1,562,253	5,945,061

All the expenses for the years ended 31 December 2018 and 2017 amounted to US$ 4,296,362 and US$ 4,410,664, respectively, are recorded as part of personnel expenses.

The amounts included in the consolidated statement of financial position arising from the Group's obligation in respect of the defined benefits plan is as follows:

	31 December 2018	31 December 2017
	US$	US$
Present value of funded obligations	17,775,220	18,671,471
Fair value of plan assets	(1,253,759)	(1,707,400)
Net liability	16,521,461	16,964,071

Movements in the present value of the defined benefit obligation were as follows:

	31 December 2018	31 December 2017
	US$	US$
Opening balance of defined benefit obligation	18,671,471	14,821,094
Current service cost	2,957,188	2,793,596
Past service cost	12,191	187,168
Interest cost	1,149,422	1,085,968
Benefits paid	(1,096,058)	(1,103,887)
Deduction due to dilution of ownership in subsidiary	-	(400,450)
Remeasurement on the net defined benefit liability:		
Actuarial (gains) losses arising from changes in financial assumptions	(2,138,534)	1,830,116
Actuarial gains from experience adjustments	(628,584)	(368,753)
Foreign exchange differential	(1,151,876)	(173,381)
Ending balance of defined benefit obligation	17,775,220	18,671,471

26. POST-EMPLOYMENT BENEFITS OBLIGATION (Continued)

Movements in the fair value of the plan assets were as follows:

	31 December 2018	31 December 2017
	US$	US$
Opening balance of fair value of plan assets	1,707,400	883,169
Interest income	96,606	128,769
Deduction to dilution of ownership in subsidiary	-	(62,939)
Remeasurement loss:		
Return on plan assets	(33,009)	(73,034)
Contributions from the employer	193,357	1,494,433
Exchange differences on foreign plans	(243,770)	(17,800)
Benefits paid	(466,825)	(645,198)
Ending balance of fair value of plan assets	1,253,759	1,707,400

Cumulative actuarial gain (loss) recognized in other comprehensive income are as follows:

	31 December 2018	31 December 2017
	US$	US$
Cumulative amounts at beginning of year	279,692	1,814,089
Actuarial gain (loss) for the year	2,734,109	(1,534,397)
Cumulative amounts at end of year	3,013,801	279,692

The major category of plan assets, and the expected rate of return at the end of the reporting period for each category, are as follows:

	Expected rate of return		Fair value of plan assets	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	%	%	US$	US$
Investment in money market	8.45%	7.04%	1,253,759	1,707,400
Fair value of plan assets			1,253,759	1,707,400

The fair value of the investments in money market are determined based on quoted market prices in active markets. This policy has been implemented during the current and prior years.

The cost of providing post-employment benefits is calculated annually by a qualified actuary, PT Dayamandiri Dharmakonsilindo. The actuarial valuation was carried out using the following key assumptions:

	31 December 2018	31 December 2017
Mortality rate	TMI 3 2011	TMI 3 2011
Normal pension age	55-60 years	55-60 years
Salary increment rate per annum	8.00% - 9.00%	8.00% - 9.00%
Discount rate per annum	8.15% - 8.85%	6.50% - 7.60%

26. POST-EMPLOYMENT BENEFITS OBLIGATION (Continued)

Historical information:	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
	US$	US$	US$	US$	US$
Present value of defined benefit obligation	17,775,220	18,671,471	14,821,094	11,159,702	10,313,176
Experience adjustments	628,584	368,753	187,370	699,473	863,377

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase rate and mortality rate. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher (lower), the defined benefit obligation would decrease to US$ 16,586,295 (increase to US$ 19,133,323) in 2018 and would decrease to US$ 17,297,067 (increase to US$ 20,254,804) in 2017.
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase to US$ 19,393,323 (decrease to US$ 16,347,897) in 2018 and increase to US$ 20,508,486 (decrease to US$ 17,063,733) in 2017.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Defined benefit pension plan of the Company, ANJA, ANJAS and GMIT are funded through DPLK Manulife Indonesia. There is no minimum funding requirement under the arrangement with DPLK Manulife Indonesia nor is there a minimum funding requirement under the prevailing regulations. As of 31 December 2018, the subsidiaries' (excluding the Company, ANJA, ANJAS and GMIT) defined benefit pension plan is unfunded.

The average duration of the benefit obligation as of 31 December 2018 is 7.79 – 18.49 years (2017: 8.16-18.52 years). This number can be analysed from average expected future service of active members: 8.41 – 11.43 years for 2018 and 7.36-12.91 years for 2017.

27. CAPITAL STOCK AND TREASURY STOCK

The composition of the Company's shareholders is as follows:

	31 December 2018 and 2017			
			Total paid-in capital stock	
Name of shareholders	Number of shares	Percentage of ownership	Rp	Equivalent in US$
PT Memimpin Dengan Nurani	1,370,050,012	41.3724%	137,005,001,200	14,040,188
PT Austindo Kencana Jaya	1,370,050,012	41.3724%	137,005,001,200	14,040,188
Mr. George Santosa Tahija	158,988,351	4.8011%	15,898,835,100	7,545,604
Mr. Sjakon George Tahija	158,891,813	4.7982%	15,889,181,300	7,541,023
Yayasan Tahija	1,500	0.0001%	150,000	73
Public (each below 5%)	253,523,700	7.6558%	25,352,370,000	3,130,595
Total outstanding shares	3,311,505,388	100.0000%	331,150,538,800	46,297,671
Treasury stock	42,669,612	-	4,266,961,200	437,637
Number of shares issued and fully paid	3,354,175,000	100.0000%	335,417,500,000	46,735,308

Based on Deed No. 98 of notary Dr. Ir. Yohanes Wilion, S.H., S.E., M.M. dated 31 May 2016, in accordance with the announcement to the Indonesian Stock Exchange dated 26 May 2016, the Company issued 18,650,000 shares with total nominal value of Rp 1,865,000,000 (equivalent to US$ 137,072) in relation with Management Stock Option Program. The Company has recorded an addition to shareholders' equity amounting to US$ 1.5 million as a result of this transaction.

In accordance with the announcement to the Indonesian Stock Exchange dated 27 June 2016, the Company issued 15,000,000 shares from its treasury stock to the Employee Stock Purchase Plan (ESPP) participants on 23 June 2016. The Company has recorded an addition to shareholders' equity amounting to US$ 1.4 million as a result of this transaction.

On 27 July 2016, the Company has reissued 57,981,688 shares from its treasury stock to PT Austindo Kencana Jaya, PT Memimpin Dengan Nurani, Mr. George Santosa Tahija and Mr. Sjakon George Tahija for a total value of Rp 103,564 million (equivalent to US$ 7,887,592). The difference of the proceeds with the carrying amount of the treasury stock were recorded as additional paid in capital.

As of 31 December 2018, the total Company's public shares owned by the Company's Directors is amounted to 12,779,563 shares (2017: 15,799,563 shares).

As discussed in Note 1c, the Company has acquired 115,651,300 shares of its issued and paid up shares from the shareholders who disagreed with the resolution of the Extraordinary General Meeting of Shareholders held on 22 June 2015 regarding the merger between the Company and PAM. Total acquisition cost of these treasury stock which was paid by the Company on 30 June 2015 amounted to Rp 141,840 million (including other direct acquisition cost of Rp 283 million) or equivalent to US$ 10.6 million. These shares are recorded as part of "treasury stock" in Equity. As of 31 December 2018 and 2017, total treasury stock which were held by the Company was 42,669,612 shares with the value of US$ 3,926,668 at its acquisition cost.

28. ADDITIONAL PAID-IN CAPITAL

	31 December 2018	31 December 2017
	US$	US$
Excess of IPO price over par value	37,643,466	37,643,466
Share issuance costs	(5,496,381)	(5,496,381)
Net excess of IPO proceeds over paid in capital	32,147,085	32,147,085
Management Stock Option Plan exercised	2,179,887	2,179,887
Lapsed Management Stock Option Plan	370,964	370,964
Sale of treasury stock	2,605,608	2,605,608
Sub total	37,303,544	37,303,544
Differences in value from restructuring transaction between entities under common control:		
Sale of investment in shares of ANJHC	8,024,263	8,024,263
Sale of investment in shares of BKM	1,490,208	1,490,208
Sale of investment in properties	32,592	32,592
Sale of property, plant and equipment	3,569,959	3,569,959
Sale of other assets	(112,689)	(112,689)
Subtotal	13,004,333	13,004,333
Total	50,307,877	50,307,877

The difference in value from restructuring transaction between entities under common control arised from the following transactions:

Sale of investment in shares of ANJHC

On 7 May 2012, the Company transferred 165,837,499 shares or 99.99% ownership in PT Austindo Nusantara Jaya Healthcare (ANJHC) to PT Austindo Nusantara Jaya Husada Cemerlang with the selling price of US$ 20,000,000. The difference between the selling price and the book value of equity transferred of US$ 8,024,263 represents difference in value from restructuring transaction between entities under common control.

Sale of investment in shares of BKM

On 23 July 2012, the Company transferred 27,750 shares in PT Bina Kosala Metropolitan (BKM) to PT Austindo Nusantara Jaya Husada Cemerlang with the selling price of US$ 2,630,886. The difference between the selling price and the book value of equity transferred of US$ 1,490,208 represents the difference in value from restructuring transaction between entities under common control.

Sale of investment properties

On 14 August 2012, the Company sold its investment in land and buildings to PT Memimpin Dengan Nurani and PT Austindo Kencana Jaya with total selling price of US$ 2,606,165. The difference between the selling price and the book value of US$ 994,316 represents the difference in value from restructuring transaction between entities under common control.

On 5 September 2012, the Company sold its investment in properties to PT Austindo Nusantara Jaya Husada Cemerlang with the total selling price of US$ 4,324,371. The difference between the selling price and the book value of (US$ 961,724) represents the difference in value from restructuring transaction between entities under common control.

28. ADDITIONAL PAID-IN CAPITAL (Continued)

Sale of property, plant and equipment

On 6 December 2012, the Company sold building, office equipment, furniture and fixtures to PT Memimpin Dengan Nurani and PT Austindo Kencana Jaya with a total selling price of US$ 2,970,834. The difference between the selling price and the book value of US$ 2,392,599 represents the difference in value from restructuring transaction between entities under common control.

On 16 May 2012, GMIT sold its land and building located in Jember to entities under common control, PT Memimpin Dengan Nurani and PT Austindo Kencana Jaya. The difference between the selling price and the book value of those land and building of US$ 1,177,360 was recorded as difference in value from restructuring transaction between entities under common control.

Sale of other assets

On 29 June 2012, the Company sold other assets to Mr. Sjakon George Tahija with a selling price of US$ 42,440. The difference between the selling price and the book value of (US$ 112,689) represents the difference in value from restructuring transaction between entities under common control.

29. MANAGEMENT STOCK OPTIONS

The Company provides a management stock option plan (MSOP) for eligible management within the Group. The option in MSOP program can be used to buy the Company's new shares up to 1.5% of paid in capital after the Initial Public Offering or at a maximum of 50,000,000 (fifty million) common shares.

The options in this program will be granted in three phases, (i) 40% on the listing date, (ii) 30% on the first anniversary of the listing and the remaining (iii) 30% on the second anniversary of the listing. Each of the distributed option can be used to buy one new share of the Company during the option period, which is within two years after the vesting date, under condition that the vesting period of the option is one year since the grant date. During the vesting period, the participants cannot use their rights to buy the Company's shares.

The shared-based payment arrangements are as follows:

Option series	Number of shares	Grant date	Expiry date	Fair value at grant date per option
				Rp
Tranche 1	13,600,000	8-May-13	8-May-16	417.45
Tranche 2	12,675,000	8-May-14	8-May-17	518.85
Tranche 3	11,925,000	8-May-15	8-May-18	327.26

The exercise price for the option is 90% of average closing price of the Company's share during 25 trading days before the notification date to the Indonesian Stock Exchange regarding the exercise period for the options. Exercise period for Tranche 1 in 2014 was from 3 November 2014 until 12 December 2014. The exercise period for Tranche 1 and Tranche 2 in 2015 was from 8 May 2015 until 15 June 2015 and 2 November 2015 until 4 December 2015. The exercise period for Tranche 2 and Tranche 3 in 2016 is from 9 May 2016 until 10 June 2016. The exercise period for Tranche 3 in 2017 was from 3 May 2017 until 9 June 2017. The exercise price is Rp 1,095.

29. MANAGEMENT STOCK OPTIONS (Continued)

Fair value of stock options granted

The fair value of the stock options on the grant date was measured using the Black and Scholes model. As of 31 December 2017, there was no more outstanding stock options and all the stock options lapsed amounted to US$ 55,939 was reclassified to additional paid in capital (Note 28).

Key assumptions used in calculating the fair value of the options are as follows:

	2017
Risk free interest rate	8.13%
Option period	3 years
Expected stock price volatility	35.81%
Expected dividend	3.00%

Movements in outstanding options are as follows:

	Number of options
	31 December 2017
Outstanding options at beginning of year	1,875,000
Options lapsed	(1,875,000)
Outstanding options at end of year	-

30. DIFFERENCE IN VALUE DUE TO CHANGES IN EQUITY OF SUBSIDIARIES AND OTHER RESERVES

Difference in Value Due to Changes in Equity of Subsidiaries

	31 December 2018	31 December 2017
	US$	US$
Effect of changes in equity resulting from step acquisition of ANJA	29,217,031	29,217,031
Effect of changes in equity resulting from remeasurement of functional currency in SMM	1,860,354	1,860,354
Effect of changes in equity of ANJA from option conversion and purchase of shares from non-controlling interests	(469,794)	(469,794)
Effect of changes in equity from share ownership in GMIT	98,775	(168,209)
Total	30,706,366	30,439,382

30. DIFFERENCE IN VALUE DUE TO CHANGES IN EQUITY OF SUBSIDIARIES AND OTHER RESERVES (Continued)

Other Reserves

	31 December 2018	31 December 2017
	US$	US$
Unrealized gain (loss) on investments in available-for-sale financial assets		
Beginning balance	2,280,776	6,362,967
Reclassification of realized loss to retained earnings	-	(216,939)
Reclassification to profit or loss related to investments in available-for-sale financial assets	-	(7,702,351)
Changes in fair value of investments in available-for-sale financial assets	(3,224)	3,837,099
Subtotal	2,277,552	2,280,776
Difference in translation of subsidiaries' financial statements in foreign currencies		
Beginning balance	(33,327,399)	(32,977,281)
Difference in translation of subsidiaries' financial statements in foreign currencies	(8,625,139)	(681,818)
Foreign exchange differentials from dilution of share ownership in GMIT	-	331,700
Subtotal	(41,952,538)	(33,327,399)
Total	(39,674,986)	(31,046,623)

31. NON-CONTROLLING INTERESTS

	31 December 2018	31 December 2017
	US$	US$
PT Gading Mas Indonesia Teguh	847,700	340,348
PT Lestari Sagu Papua	123,637	131,866
PT Austindo Aufwind New Energy	4,348	3,093
PT Austindo Nusantara Jaya Agri	8,726	8,287
Total	984,411	483,594

Summarized financial information in respect to PT Gading Mas Indonesia Teguh and PT Lestari Sagu Papua, subsidiaries that has material non-controlling interest is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	31 December 2018	31 December 2017
	US$	US$
PT Gading Mas Indonesia Teguh		
Balance at beginning of year	340,348	680
Addition from capital injection	964,567	-
Share of loss for the year	(181,556)	(9,718)
Share of other comprehensive income	47,252	(5,900)
Changes due to shares ownership	(268,136)	355,365
Translation adjustments	(54,775)	(79)
Total	847,700	340,348
PT Lestari Sagu Papua		
Balance at beginning of year	131,866	134,412
Share of profit (loss) for the year	271	(1,452)
Translation adjustments	(8,500)	(1,094)
Total	123,637	131,866

31. NON-CONTROLLING INTERESTS (Continued)

31 December 2018	PT Lestari Sagu Papua	PT Gading Mas Indonesia Teguh	Other subsidiaries with immaterial non-controlling interests	Total
Non-controlling interests' percentage of ownership	49%	20.01%		
Current assets	167,723	1,230,270		
Non-current assets	86,005	9,256,650		
Current liabilities	(1,407)	(1,925,064)		
Non-current liabilities	-	(4,325,475)		
Net assets attributable to owners of the Company	252,321	4,236,381		
Net assets attributable to non-controlling interests	123,637	847,700	13,074	984,411
Revenue	552	445,685		
Expenses	-	(1,353,011)		
Profit (loss) for the year	552	(907,326)		
Total comprehensive profit (loss) attributable to owners of the Company	552	(671,187)		
Total comprehensive profit (loss) attributable to non-controlling interests	271	(134,304)	(61,581)	(195,614)
Cash flows from (used in) operating activities	1,442	(217,191)		
Cash flows used in investing activities	-	(7,095,795)		
Cash flows from financing activities	-	7,009,609		
Net increase (decrease) in cash and cash equivalents	1,442	(303,377)		

31 December 2017	PT Lestari Sagu Papua	PT Gading Mas Indonesia Teguh	Other subsidiaries with immaterial non-controlling interests	Total
Non-controlling interests' percentage of ownership	49%	20.03%		
Current assets	177,756	899,588		
Non-current assets	91,927	2,146,279		
Current liabilities	(568)	(161,546)		
Non-current liabilities	-	(1,185,133)		
Net assets attributable to owners of the Company	269,115	1,699,188		
Net assets attributable to non-controlling interests	131,866	340,348	11,380	483,594
Revenue	3,391	2,080,671		
Expenses	(6,354)	(2,761,240)		
Loss for the year	(2,963)	(680,569)		
Total comprehensive loss attributable to owners of the Company	(2,963)	(710,023)		
Total comprehensive loss attributable to non-controlling interests (GMIT: before and after dilution of share)	(1,452)	(15,618)	(11,541)	(28,611)
Cash flows from operating activities	5,821	787,213		
Cash flows used in investing activities	-	(857,357)		
Cash flows from financing activities	-	526,254		
Net increase in cash and cash equivalents	5,821	456,110		

32. REVENUE

Revenue consists of revenue from sales and service concession revenue.

	2018	2017
	US$	US$
Revenue from sales	151,145,888	157,035,493
Service concession revenue	555,472	4,761,787
Total	151,701,360	161,797,280

a. Revenue from Sales

	2018	2017
	US$	US$
Palm oil and palm kernel	149,951,541	154,741,342
Sago starch	748,662	220,363
Others	445,685	2,073,788
Total	151,145,888	157,035,493

b. Service Concession Revenue

	2018	2017
	US$	US$
Service concession revenue	430,725	3,788,849
Financing revenue from service concession	124,747	972,938
Total	555,472	4,761,787

33. COST OF REVENUE

Cost of revenue consists of cost of sales and cost of service concession.

	2018	2017*
	US$	US$
Cost of sales	110,450,209	110,859,182
Cost of service concession	335,868	1,937,767
Total	110,786,077	112,796,949

a. Cost of Sales

	2018	2017*
	US$	US$
Palm oil and palm kernel	105,699,927	101,137,932
Sago starch	4,191,653	7,696,784
Others	558,629	2,024,466
Total	110,450,209	110,859,182

	2018	2017*
	US$	US$
Palm oil production costs		
Harvesting expenses	13,183,071	11,549,468
Maintenance costs of mature plantation	16,953,434	19,074,945
Factory overhead and indirect costs	21,705,015	20,380,477
Depreciation of mature plantation (Note 14)	7,105,563	7,529,733
Depreciation of property, plant and equipment (Note 15)	6,744,796	8,902,366
Purchases of Fresh Fruit Bunches	38,420,580	29,356,787

** As restated (See Note 52)*

33. COST OF REVENUE (Continued)

a. Cost of Sales (Continued)

	2018	2017*
	US$	US$
Palm oil production costs (Continued)		
Impairment loss of property, plant and equipment (Note 15)	-	1,470,567
Total palm oil production costs	104,112,459	98,264,343
Sago starch production costs		
Tual harvesting costs	653,550	182,531
Sago processing costs	2,180,169	3,955,704
Impairment (reversal) loss for decline in value of sago inventories	(350,864)	1,190,850
Impairment loss of property, plant and equipment (Note 15)	-	3,649,318
Depreciation of property, plant and equipment (Note 15)	1,412,779	1,476,854
Total sago starch production costs	3,895,634	10,455,257
Others	494,255	(230,814)
Finished goods:		
Beginning of year		
Palm oil	3,966,272	3,463,626
Sago starch	1,266,011	-
Others	-	2,246,386
End of year		
Palm oil	(3,609,596)	(3,966,272)
Sago starch	(893,538)	(1,266,011)
Translation adjustments of inventories	(112,334)	28,156
Net changes in the fair values of biological assets and harvested agriculture produce transferred to inventories during the year (Note 12)	1,331,046	1,864,511
Cost of sales	110,450,209	110,859,182

** As restated (See Note 52)*

The details of suppliers with purchases exceeding 10% of the total consolidated net fresh fruit bunches (FFB) purchases are as follows:

	2018		2017	
Name	Amount	Percentage of net purchases	Amount	Percentage of net purchases
	US$	%	US$	%
Haji Sati Rambe	6,648,001	17	6,075,519	21
UD Boru Namora	4,514,089	12	2,541,272	9
Total	11,162,090	29	8,616,791	30

b. Cost of Service Concession

For the year ended 31 December 2018, this account mainly represents expenses in order to maintain production capacity according to the service concession contract, which amounted to US$ 335,868, while for the year ended 31 December 2017, it also included the maintenance and geothermal well drilling costs with total amounted to US$ 1,937,767.

34. PERSONNEL EXPENSES

This account represents salaries, allowances, bonuses and post-employment benefit expenses (Note 26).

35. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
	US$	US$
Professional fees	3,477,692	5,360,442
Travel and transportation	2,715,043	3,536,252
Rent	970,717	986,309
Training, seminars and meeting	402,330	481,864
Amortization of intangible assets (Note 16)	388,675	268,520
Office expenses	346,939	499,225
Custodian fees and bank charges	296,628	84,563
Depreciation (Note 15)	293,131	546,115
Membership and subscription fees	239,825	176,548
Donation	238,597	139,180
Impairment losses on service concession, trade and other receivables	218,860	1,161,002
Communication and electricity	199,460	272,721
Insurance	173,545	121,331
Repairs and maintenance	107,095	207,920
Others	277,702	422,699
Total	10,346,239	14,264,691

36. DIVIDEND INCOME

	2018	2017
	US$	US$
Investments in stocks	1,230,426	1,389,309
Money market funds	5,372	3,023
Total	1,235,798	1,392,332

37. FINANCE COSTS, NET

	2018	2017
	US$	US$
Finance income:		
Amortized cost adjustment of the security deposit	658,039	344,545
Interest income from time deposits and current accounts	432,702	386,352
Others	537,140	435,470
Total	1,627,881	1,166,367
Finance costs:		
Loan interest expense	(1,982,664)	(3,450,239)
Others	-	(147,594)
Total	(1,982,664)	(3,597,833)
Total, net	(354,783)	(2,431,466)

38. OTHER INCOME (EXPENSES), NET

	2018	2017
	US$	US$
Other income:		
Gain on sale of investments in available-for-sale financial assets (Note 13)	-	39,467,645
Gain on sale of investment in subsidiary (Note 1d)	-	22,444,436
Gain from sale of RSPO certificate	372,175	304,595
Management service income from plasma and other third parties	201,884	234,345
Others	825,916	253,482
Total	1,399,975	62,704,503
Other expenses:		
Loss on sale and disposal of property, plant and equipment (Note 15)	(198,156)	(246,479)
Loss on replanting of palm plantations	(81,156)	-
Others	(321,594)	(494,397)
Total	(600,906)	(740,876)
Total, net	799,069	61,963,627

39. INCOME TAXES

Income tax expense of the Group consists of the following:

	2018	2017*
	US$	US$
Current tax	9,241,396	26,201,573
Deferred tax	(2,111,066)	(727,383)
Total income tax expense of the Group	7,130,330	25,474,190

Current Tax

The reconciliation between consolidated profit before tax per consolidated statements of profit or loss and other comprehensive income and taxable income of the Company is as follows:

	2018	2017*
	US$	US$
Consolidated profit before tax	6,638,718	72,013,809
Profit before tax of subsidiaries	(10,404,220)	(13,480,239)
Profit adjustment based on cost method	4,785,285	(194,643)
Profit before tax of the Company	1,019,783	58,338,927
Temporary differences:		
Bonus	647,515	919,340
Post-employment benefits (including foreign exchange effects)	489,985	(801,904)
Advance from sale of investment in available-for-sale financial asset	-	(1,250,000)
Depreciation	(169,352)	9,428
Subtotal	968,148	(1,123,136)

** As restated (See Note 52)*

39. INCOME TAXES (Continued)

The reconciliation between consolidated profit before tax per consolidated statements of profit or loss and other comprehensive income and taxable income of the Company is as follows (Continued):

	2018	2017*
	US$	US$
Non-tax-deductible expenses (non-taxable income/subject to final tax):		
Dividend income from subsidiaries	(2,659,371)	(3,155,913)
Interest expense	163,760	524,231
Interest income	(74,245)	(34,261)
Donation	14,663	22,324
Personnel expenses	1,089,231	1,445,149
Others	336,584	(44,846)
Subtotal	(1,129,378)	(1,243,316)
Total taxable income of the Company	858,553	55,972,475

	2018	2017*
	US$	US$
Current income tax expense - the Company		
Current year	214,639	13,993,120
Adjustment to prior year's current income tax expense and tax expense from tax amnesty payment	207,772	117,868
Current income tax expense - subsidiaries		
PT Austindo Nusantara Jaya Agri and its subsidiaries	8,818,985	11,366,851
PT Darajat Geothermal Indonesia (2017: for the period ended 21 September 2017)	-	718,071
PT Gading Mas Indonesia Teguh	-	5,663
Total income tax expense - current	9,241,396	26,201,573

The Company has submitted its corporate income tax return for fiscal year 2017 in April 2018. As of the issuance date of these consolidated financial statements, the Company has not submitted its corporate income tax return for fiscal year 2018.

Deferred Tax

As of 31 December 2018 and 2017, the Company had temporary differences from bonus accrual, post-employment benefits obligation, fixed assets, security deposit and investments in available-for-sale financial assets.

The following deferred tax assets of the Group have not been recognized:

	31 December 2018	31 December 2017
	US$	US$
Tax loss carry forwards	13,663,064	12,530,388
Impairment provision of property, plant and equipment	3,049,519	3,304,044
Allowance for impairment of receivable from service concession arrangement	262,969	284,918
Allowance for decline in value of inventories	188,575	297,712
Provision for service concession arrangement	95,633	-
Bonus accrual	4,793	5,193
Total	17,264,553	16,422,255

** As restated (See Note 52)*

39. INCOME TAXES (Continued)

The Group's tax loss carry forwards, which as of 31 December 2018 and 2017 amounted to US$ 87,563,692 and US$ 81,832,635, respectively, will expire within 2019 and 2023 (2017: will expire within 2018 and 2022) if not utilized against future taxable profits. Deferred tax assets have not been recognized with respect to certain portion of the tax loss carry forwards as of 31 December 2018 amounted to US$ 54,652,256 (2017: US$ 50,121,550), impairment provision of property, plant and equipment, allowance for decline in value of inventories, allowance for impairment of trade accounts receivable and receivable from service concession arrangement and bonus accrual, because it is not probable that future taxable profits will be available against which the Group can utilize the benefits therefrom. Realization of the Company's and subsidiary's deferred tax assets is dependent upon their profitable operations. Management believes that these deferred tax assets below are probable of being realized through offset against taxes due on future taxable income.

The details of deferred tax assets and liabilities of the Group are as follows:

	1 January 2018*	Credited (charged) to profit or loss	Credited (charged) to other comprehensive income	Other adjustment	Translation adjustments	31 December 2018
	US$	US$	US$	US$	US$	US$
Deferred tax assets						
The Company	794,004	242,037	(19,296)	-	-	1,016,745
GMIT	640,687	385,180	(78,713)	-	(46,166)	900,988
ANJA	10,417,003	1,697,444	(570,604)	486,410	(1,006,658)	11,023,595
ANJAP	149,940	(41,417)	(14,237)	-	(8,773)	85,513
AANE	46,768	(46,768)	-	-	-	-
Total	12,048,402	2,236,476	(682,850)	486,410	(1,061,597)	13,026,841
Deferred tax liability						
AANE	-	(125,410)	(677)	-	5,785	(120,302)
Total	-	(125,410)	(677)	-	5,785	(120,302)
Net		2,111,066	(683,527)			

	1 January 2017*	Credited (charged) to profit or loss	Credited (charged) to other comprehensive income	Deductions from change of ownerships in subsidiaries	Other adjustment	Translation adjustments	31 December 2017*
	US$	US$	US$	US$	US$	US$	US$
Deferred tax assets							
The Company	938,610	559,407	90,632	-	(794,645)	-	794,004
GMIT	397,429	239,766	9,818	-	-	(6,326)	640,687
ANJA	8,115,738	2,076,400	296,016	-	-	(71,151)	10,417,003
ANJAP	2,057,678	(1,901,160)	(12,878)	-	-	6,300	149,940
AANE	99,106	(35,235)	12	-	-	(17,115)	46,768
Total	11,608,561	939,178	383,600	-	(794,645)	(88,292)	12,048,402
Deferred tax liabilities							
DGI	(552,575)	-	-	552,575	-	-	-
SM	(1,809,622)	(130,253)	-	1,939,875	-	-	-
ATI	(1,359,380)	(81,542)	-	1,440,922	-	-	-
Total	(3,721,577)	(211,795)	-	3,933,372	-	-	-
Net		727,383	383,600				

** As restated (See Note 52)*

39. INCOME TAXES (Continued)

A reconciliation between total income tax expense of the Group and the amount computed by applying the prevailing tax rates to profit before tax of the Company is as follows:

	2018	2017*
	US$	US$
Profit before tax of the Company	1,019,783	58,338,927
Tax expense at prevailing tax rates	(254,946)	(14,584,732)
Effect of non-tax deductible expenses (non-taxable income/subject to final tax):		
Dividend income from subsidiaries	664,843	788,978
Interest income	18,561	8,565
Interest expense	(40,940)	(131,058)
Donation	(3,666)	(5,581)
Personnel expenses	(272,308)	(361,287)
Others	(84,146)	11,211
Total	282,344	310,828
Adjustment for prior year's deferred tax benefit	-	840,191
Adjustment to prior year's current income tax expense and tax expense from tax amnesty payment	(207,772)	(117,868)
Income tax expense of the Company	(180,374)	(13,551,581)
Total income tax expense of subsidiaries	(6,949,956)	(11,922,609)
Total income tax expense of the Group	(7,130,330)	(25,474,190)

40. (LOSS) EARNINGS PER SHARE

The computation of basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2018	2017*
	US$	US$
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company	(310,437)	46,561,403
Number of shares		
Weighted average number of ordinary shares outstanding for basic (loss) earnings per share computation	3,354,175,000	3,354,175,000
Weighted average number of ordinary shares outstanding for diluted (loss) earnings per share computation	3,354,175,000	3,354,175,000
(Loss) earnings per share		
Basic	(0.000093)	0.013882
Diluted	(0.000093)	0.013882

As of 31 December 2018 and 2017, the Company has no dilutive potential common shares resulting from stock options (Note 29).

** As restated (See Note 52)*

41. APPROPRIATED RETAINED EARNINGS

In the Annual General Shareholders' Meeting held on 24 May 2017, the shareholders of the Company approved the allocation of additional appropriated retained earnings amounting to Rp 373,000,000 (equivalent to US$ 28,054) for 2017.

42. CASH DIVIDENDS

In the Annual General Shareholders' Meeting held on 14 May 2018, the shareholders of the Company approved the distribution of cash dividends of Rp 39,738.06 million or Rp 12 (full amount) per share (equivalent to US$ 2,797,470 or US$ 0.001 per share) from the unappropriated retained earnings as of 31 December 2017 to the shareholders recorded on the shareholders register on 24 May 2018 (recording date). The dividend was paid to the shareholders in June 2018.

In the Annual General Shareholders' Meeting held on 24 May 2017, the shareholders of the Company approved the distribution of cash dividends of Rp 59,607.10 million or Rp 18 (full amount) per share (equivalent to US$ 4,479,379 or US$ 0.001 per share) from the unappropriated retained earnings as of 31 December 2016 to the shareholders recorded on the shareholders register on 7 June 2017 (recording date). The dividend was paid to the shareholders in June and July 2017.

43. DERIVATIVE INSTRUMENTS

a. ANJA entered into forward currency contract facilities with PT Bank OCBC NISP Tbk to minimize foreign exchange exposure. Foreign currency contracts require ANJA, at a future date, to buy and sell U.S. Dollar against Rupiah using the rates agreed at the inception of the contracts. As of 31 December 2018 and 2017, there was no outstanding balance of the facility.

b. On 13 November 2017, the Company, KAL, GSB and ANJA entered into foreign exchange facility agreements with PT Bank CIMB Niaga Tbk, whereas the bank agreed to provide a derivative transaction facility with maximum amount of US$ 5,000,000, and maximum transaction terms of 1 year with the latest validity until 28 July 2018 and non-extendable. There was no outstanding balance of the facility as of 31 December 2018 and 2017.

44. NATURE OF RELATIONSHIP AND TRANSACTION WITH RELATED PARTIES

Nature of Relationship

- Mr. George Santosa Tahija, Mr. Sjakon George Tahija, Yayasan Tahija, PT Memimpin Dengan Nurani (MDN) and PT Austindo Kencana Jaya (AKJ) are the Company's shareholders.

Transaction with Related Parties

GMIT utilizes land and building owned by AKJ and MDN as its office, employee housing, training centre and warehouse in accordance with the lend and use agreement dated 17 May 2012. This agreement has been renewed and valid until 17 May 2020. Based on this lend and use agreement, GMIT has no obligation to pay anything to AKJ or MDN, however, GMIT has to bear and pay the Land and Building tax, fire insurance, repair and maintenance, electricity, water, telephone, security and all other maintenance costs related to the land and building during the lend and use period.

45. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

a. The Group provides the economic value added (EVA) incentive plan to its management. Each EVA cycle represents a 3-year period. The period from 1 January 2016 to 31 December 2018 is the fourth cycle. The bonus is calculated annually based on a certain formula as specified in the EVA manual.

b. On 7 December 2012, the Company entered into an Aircraft EJ-135 Charter Services Agreement with PT Airfast Indonesia (Airfast) for providing aviation service to carry passengers and/or cargo. The agreement was novated for several times so that ANJA, ANJAP, PPM and PMP become the users of the aircraft.

   ANJA, ANJAP, PPM and PMP paid refundable security deposits of US$ 8,500,000 (equivalent to Rp 114.7 billion) to Airfast in accordance to the aircraft charter agreement and will be refunded by Airfast from 2015-2019.

   Up to 31 December 2018, ANJA, ANJAP, PPM and PMP have received the installment of refundable deposit totaling to Rp 51.8 billion.

   In January 2019, ANJA, ANJAP, PPM and PMP have received the installment of refundable deposit amounted to Rp 7.4 billion.

c. On 28 December 2016, the Company, PPM, PMP and ANJAP entered into a Helicopter AS 350 B3 PK-ODB serial number 46043 Charter Services Agreement with PT Airfast Indonesia (Airfast) for providing aviation service to carry passangers and/or cargo. The agreement is valid for one (1) year, from 6 February 2017 to 6 February 2018 and extendable by providing a 30 days prior written notice before the expiration date.

   The Company, PPM, PMP and ANJAP is committed to pay a monthly fixed charter fee of Rp 1,053 milion plus the minimum usage of the helicopter of 10 hours per month of Rp 114 million. On 23 January 2018, the Company, PPM, PMP and ANJAP has extended the agreement for another one year without any changes on the terms and conditions.

   On 31 July 2018, the agreement was amended whereas ANJAP is no longer a user of the helicopter.

   On 13 October 2017, ANJAS, KAL and SMM entered into a Helicopter AS 350 B3 PK-ODC serial number 7346 Charter Services Agreement with PT Airfast Indonesia (Airfast) for providing aviation service to carry passangers and/or cargo. The agreement is valid for three (3) months, from 13 October 2017 to 13 January 2018 and extendable by providing a 30 days prior written notice before the expiration date. ANJAS, KAL and SMM are committed to pay a monthly fixed charter fee of Rp 1 billion plus the minimum usage of the helicopter of 10 hours per month of Rp 114 million.

d. On 18 December 2012, the Company entered into a lease agreement with PT Bumi Mulia Perkasa Development, for leasing of 1,755.50 square meters office space at Gedung Atrium Mulia. The agreement was amended on 10 December 2013, whereas effective on 1 January 2014, the lessees become the Company, SMM, ANJAP, AANE, PPM, PMP and ANJB with certain office space charged to each entity. Total rental fee and service charges for the Group of US$ 115,863 should be paid quarterly. The Group has paid US$ 115,863 security deposits, which is recorded as other non-current assets (Note 20). The lease period is effective until 3 April 2016, with an option to extend the contract for the next three years. On 27 February 2016, the Company has extended this lease agreement for another 3 years period starting from 3 April 2016 to 2 April 2019.

45. COMMITMENTS AND CONTINGENCIES (Continued)

On 7 June 2018, the Company entered into a lease agreement with PT Bahanasemesta Citranusantara for leasing of 1,853.96 square meters office space at Menara BTPN. The office lease period is effective from 1 April 2019 until 31 March 2025. The rental fee will be charged to the Company, SMM, ANJAP, AANE, PPM, PMP and ANJB with certain office lease space. The rental fee is Rp 155,000/sqm for the period until 31 March 2022 and Rp 170,000/sqm for the period until 31 March 2025, and the service charges is Rp 85,000/sqm and should be paid quarterly in advance. The Group has paid Rp 1.4 billion (equivalent to US$ 0.1 million) security deposits, which is recorded as other non-current assets (Note 20).

e. On 29 November 2012, Perusahaan Listrik Negara (PLN) and AANE entered into a Power Purchase Agreement (PPA) which is valid for 15 years since the signing date. AANE agreed to sell electricity power to PLN and PLN agreed to purchase the electricity power generated by the power plant built by AANE with a capacity of 1,200 kW in Desa Jangkang, subdistrict Dendang, regency of Belitung Timur. AANE has an agreed price of Rp 975/kWh, adjustable to new price if announced by PLN. AANE will also be responsible in designing, building, providing fund, construction, testing, commissioning and providing interconnection facilities and transaction points to connect the power plant owned by AANE to PLN's electricity system, operating and maintaining the power plant in accordance with standard operating procedures (SOP) as determined and agreed by both parties. Commercial date of operation for the electricity sales from AANE to PLN was 31 December 2013.

   On 18 December 2015, the PPA was amended to increase the electricity production capacity by 600 kW to 1,800 kW. All increase in electricity production from this capacity will continue to be sold to PLN. On 29 January 2016, PLN and AANE have signed the Commercial Operation Date Agreement for the increase of 600 kW electricity capacity.

   On 4 August 2016, the Minister of Energy and Mineral Resources (ESDM) issued Ministry Regulation No. 21 Tahun 2016 which determined the electricity tariff calculation using "Feed in Tariff" (FIT) scheme. Following this regulation, AANE received the approval letter from The Directorate General of Renewable Energy of Ministry of ESDM for the electricity tariff adjustment at US$ 0.1356/ kWh. Despite having received the approval letter from the Directorate General of Renewable Energy of Ministry of ESDM to apply the revised tariff, PLN declines to adopt the new tariff. In light of respecting the prevailing regulation, AANE has started charging PLN at the revised tariff of US$ 0.1356/kWh from October 2016. However, PLN continues to decline to pay AANE's invoices from October 2016 to December 2016 at the revised tariff therefore AANE has reduced the tariff using the old tariff.

45. COMMITMENTS AND CONTINGENCIES (Continued)

On 30 January 2017, the Minister of ESDM issued Minister Regulation No. 12 Year 2017 which further revised the tariff. Under this new regulation, the tariff is indexed to the Regional Cost of Production to Generate ("CPG"). If the Regional CPG is lower than the National CPG, the tariff will be based on the National CPG whereas if the Regional CPG exceeds the National CPG, the maximum tariff is 85% of the Regional CPG. AANE has discussed with PLN regarding the implementation of this regulation and in 2018, PLN has declined AANE's request to adjust the electricity tariff.

f. ANJAS, ANJA, PPM and PMP entered into security service agreements with PT Nawakara Perkasa Nusantara to provide security services. The agreements are valid from 9 January 2017 until 21 January 2019. The total fees related to these security services is Rp 24.9 billion per year.

g. Based on the Ministry of Agriculture Regulation No. 26 year 2007, KAL has plasma obligation for a minimum 20% of hectares. In July 2014, KAL allocate 2,431 hectares for plasma plantation that are owned by Bina Satong Lestari Cooperative, Laman Mayang Sentosa Cooperative and for cooperative in Desa Kuala Tolak which its establishment is still in process. Management cooperation agreements between KAL with Bina Satong Lestari Cooperative and Laman Mayang Sentosa Cooperative were signed on 19 August 2014, whereas KAL (referred to as the Nucleus) is required to perform the following, among others:

- Act as business partner to develop the plantation for smallholders based on the mutual agreement between the Nucleus and the cooperatives.

- Purchase the fresh fruit bunches (FFB) produced by plasma plantations at prevailing price in West Kalimantan Province.

- Plasma financing is derived from bank loan. Loan agreement is made between bank and the cooperatives.

The period of the agreement is 30 years.

Meanwhile, the loan agreements between the cooperatives and PT Bank Mandiri (Persero) Tbk were signed on 22 August 2014. The loan facility was Rp 31.6 billion and Rp 130.3 billion, respectively and guaranteed by KAL and SMM. The loan period is until 2025 with bearing interest rate of 13% p.a. floating.

h. ANJA, ANJAS, KAL and SMM has CPO sales commitments with several customers for delivery of CPO in 2019 maximum of 6,300 metric tonnes and for delivery of PK in 2019 maximum of 1,000 metric tonnes. The average sales price under this sales commitment is subject to variance adjustment calculated based on formula defined in these agreements. These commitments are cancellable with 1 to 3 months notice in advance.

i. SMM entered into cooperation agreements related to development and management of palm oil plantation with Mitra Anugrah Cooperative and Mitra Lestari Cooperative on 30 October 2014 and with Lindong Raya Cooperative, Gunong Nyerundong Cooperative, Sambar Jaya Makmur Cooperative and Tiong Sejahtera Cooperative on 13 April 2018, whereas SMM (referred to as the Nucleus) is required to perform the following, among others:

- Act as business partner to develop the plantation for small holders based on the mutual agreement between the Nucleus and the Cooperative (small holders).

- Purchase the fresh fruit bunches (FFB) produced by plasma plantation at prevailing price in Bangka Belitung Province.

- Plasma financing is derived from bank loan made between bank and the cooperatives.

45. COMMITMENTS AND CONTINGENCIES (Continued)

The period of the agreement is 30 years.

The loan agreements between Mitra Anugrah Cooperative and Mitra Lestari Cooperative and PT Bank CIMB Niaga Tbk were signed on 27 July 2016. The loan facility was Rp 3.7 billion and Rp 3.6 billion, respectively, and guaranteed by SMM. The bank loans' periods are until 2026 for Mitra Anugrah Cooperative and 2024 for Mitra Lestari Cooperative, bearing interest rate of 12% p.a.

Meanwhile, the loan agreements between Sambar Jaya Makmur Cooperative, Gunong Nyerundong Cooperative, Tiong Sejahtera Cooperative, Lindong Raya Cooperative and PT Bank CIMB Niaga Tbk were signed on 18 September 2018. The loan facility was Rp 3.9 billion, Rp 10.3 billion, Rp 3.7 billion and Rp 24.3 billion, respectively and guaranteed by SMM. The bank loans' periods are until 2026 for Sambar Jaya Makmur Cooperative, Gunong Nyerundong Cooperative and Tiong Sejahtera Cooperative and 2028 for Lindong Raya Cooperative, bearing interest rate of 11% p.a.

j. Based on the Ministry of Agriculture Regulation No. 26 year 2007, ANJAS has plasma obligation for a minimum 20% of hectares. In July 2018, ANJAS allocate 158 hectares for plasma plantation that are owned by Tani Binasari Cooperative. Management cooperation agreements between ANJAS with Tani Binasari Cooperative were signed on 12 July 2018, whereas ANJAS (referred to as the Nucleus) is required to perform the following, among others:

   - Act as business partner to develop the plantation for smallholders based on the mutual agreement between the Nucleus and the cooperatives.

   - Purchase the fresh fruit bunches (FFB) produced by plasma plantations at prevailing price in North Sumatera Province.

   The period of the agreement is 30 years.

k. On 8 August 2016, the Company together with PPM, PMP and ANJAP entered into a consultancy agreement with Concord Consulting on the strategy and operation of the protection of the assets and resources. The consulting agreement is valid for 5 years with an estimated cost of Rp 19.44 billion each year.

   On 27 July 2018, the agreement was amended whereas the Company is no longer part of the consulting agreement.

l. On 13 August 2014 and 5 May 2015, ANJAS and SMM entered into composting agreements with PT Bar Formula, respectively, where ANJAS and SMM must each pay for at least a total of 2,000 metric ton of compost fertilizer per month, subject to the minimum nutritional specifications, with the agreed prices for ANJAS and SMM of Rp 448,400 per metric ton and Rp 492,238 per metric ton, respectively. These agreed prices are subject to annual incremental of 2% starting from 1 January 2016. These agreements are valid for ANJAS and SMM until 12 August 2022 and 4 May 2023, respectively.

m. PPM entered into agreements with PT Rimba Perkasa Utama (RPU) for land clearing and infrastructure development in the PPM's land, with total contract amount of Rp 97.1 billion. Up to 31 December 2018, PPM has paid Rp 69.4 billion or equivalent to US$ 4.8 million.

n. PPM and PMP entered into agreements with PT Wira Hari Jaya (WHJ) for land clearing and infrastructure development in the PPM and PMP's land, with total contract amount of Rp 51.5 billion and Rp 48.8 billion, respectively. Up to 31 December 2018, PPM and PMP have paid Rp 23.1 billion and Rp 26.2 billion or equivalent to US$ 1.6 million and US$ 1.8 million, respectively.

45. COMMITMENTS AND CONTINGENCIES (Continued)

o. On 16 August 2017, PMP has awarded PT Sumber Abadi Indonesia an EPC contract for the construction of palm oil factory with capacity 2x45 TPH and its supporting facility, including infrastructure development and housing construction. The total contract value was Rp 382 billion. Up to 31 December 2018, PMP has paid Rp 132.4 billion or equivalent to US$ 9.1 million.

p. Other than the above commitments, the Group through its various subsidiaries have various contracts to assist the Group to develop its plantations. The contracts will expire throughout 2019 or 2020, but may be extended with agreements from both parties. The total significant contracts commitment as of 31 December 2018 is as follows:

	Contract value	Total amount have been paid
	US$	US$
US$	US$ 5.4 million	US$ 3.1 million
IDR	Rp 188.1 billion	Rp 101.7 billion

CONTINGENCIES

As of 31 December 2018 and 2017, KAL, SMM and ANJAS are in the judicial review process relating to the request filed by the tax authorities with the Supreme Court. KAL, SMM and ANJAS have not recorded additional tax liabilities in relation to those ongoing judicial review because KAL, SMM and ANJAS assessed that KAL, SMM and ANJAS have technical ground to support its tax position.

46. SERVICE CONCESSION ARRANGEMENT

Energy Sales Contract (ESC) of AANE (Note 45e) fulfill all characteristics of a concession arrangement and the infrastructure arising from those contracts is controlled by the grantor, therefore, the management treated those contracts as service concession arrangements.

Receivable from Service Concession Arrangement

The movement in the net carrying amount of receivable from service concession arrangement is as follows:

	31 December 2018	31 December 2017
	US$	US$
Balance at beginning of year	1,029,109	8,320,857
Repayment	(42,146)	(85,477)
Deduction from disposal of subsidiary	-	(6,062,643)
Impairment loss of receivable from service concession arrangement	-	(1,139,674)
Translation adjustments	(65,632)	(3,954)
Balance at end of year	921,331	1,029,109
Less:		
Current maturity	(48,104)	(45,143)
Non-current portion	873,227	983,966

46. SERVICE CONCESSION ARRANGEMENT (Continued)

Receivable from Service Concession Arrangement (Continued)

AANE have used an implicit interest rate of 13%.

Management became aware of circumstances that indicated the carrying amounts of receivable from service concession arrangement could not be fully recovered; a Rp 15,252,252 thousand (equivalent to US$ 1,139,674) impairment allowance was provided as of 31 December 2017. Management estimated the recoverable amount of receivable from service concession arrangement based on its cash inflow projection using a pre-tax discount rate of 13%.

Provision For Service Concession Arrangement

The provision for service concession arrangement represents the present value of minimum contractual obligations from the related service concession arrangement.

The movement of provision recognized in the consolidated statements of financial position is as follows:

	31 December 2018	31 December 2017
	US$	US$
Balance at beginning of year	397,292	2,441,313
Provision during the year	112,017	624,153
Realization during the year	(100,494)	(40,299)
Increase in provision due to the passage of time	-	40,942
Deduction from disposal of subsidiary	-	(2,664,818)
Translation adjustment	(25,781)	(3,999)
Balance at end of year	383,034	397,292
Less:		
Current maturity	-	(165,017)
Non-current portion	383,034	232,275

The discount rate used in calculating the present value of the AANE's provision is 6% for 2018 (2017: 2%).

47. SEGMENT INFORMATION

For management reporting purposes, the Group is segmented into 4 segments based on product line, comprising of palm oil, sago, energy and others. These segments form the basis for operation segment reporting of the Group.

The organization of the Group is not entirely grouped by each business segment, therefore the segment information available on the earnings and assets is directly related to the main activity. The Group has no reasonable basis for allocating revenues, expenses and other assets to each segment. The Group's business segments operate in Indonesia.

47. SEGMENT INFORMATION (Continued)

Entity wide information

For the years ended 31 December 2018 and 2017, total revenue to external customers by geographical areas are as follows:

	2018	2017
	US$	US$
Domestic	62,964,641	96,616,646
Offshore countries	88,736,719	65,180,634
	151,701,360	161,797,280

As of 31 December 2018 and 2017, the total of non-current assets other than financial instruments and deferred tax assets (there are no rights arising from insurance contracts) are amounted to US$ 467,810,769 and US$ 425,185,402, respectively, and all is located in Indonesia.

Below is the operating segment information:

a. Segment Results

	2018						
	Palm oil	Energy	Sago	Others	Total	Elimination	Consolidated
	US$	US$	US$	US$	US$	US$	US$
COMPREHENSIVE INCOME							
Revenue	149,951,541	555,472	748,662	445,685	151,701,360	-	151,701,360
Cost of revenue	(105,699,927)	(335,868)	(4,191,653)	(558,629)	(110,786,077)	-	(110,786,077)
Gross profit	44,251,614	219,604	(3,442,991)	(112,944)	40,915,283	-	40,915,283
Dividend income	1,152,215	-	-	83,583	1,235,798	-	1,235,798
Foreign exchange (loss) gain, net	(1,668,011)	(8,262)	13,229	24,526	(1,638,518)	-	(1,638,518)
Selling expenses	(11,381,165)	-	(240,761)	(13,365)	(11,635,291)	-	(11,635,291)
Personnel expenses	(5,567,250)	(70,338)	(158,116)	(615,527)	(6,411,231)	-	(6,411,231)
General & administrative expenses	(9,443,337)	(83,274)	(1,300,923)	(571,621)	(11,399,155)	4,445,791	(6,953,364)
Other income (expenses), net	806,912	(15)	(1,275)	-	805,622	(17,267)	788,355
Operating profit	18,150,978	57,715	(5,130,837)	(1,205,348)	11,872,508	4,428,524	16,301,032
Share of profit of equity-accounted investees	2,001,472	-	-	-	2,001,472	-	2,001,472
Finance (costs) income, net	(564,936)	(7,151)	230,026	(15,253)	(357,314)	8,249	(349,065)
Segment profit before tax	19,587,514	50,564	(4,900,811)	(1,220,601)	13,516,666	4,436,773	17,953,439
Unallocated loss before tax					(15,711,872)	4,397,151	(11,314,721)
Profit before tax					(2,195,206)	8,833,924	6,638,718
Income tax expense:							
Segment	(7,121,541)	(172,178)	(41,417)	385,180	(6,949,956)	-	(6,949,956)
Unallocated					(180,374)	-	(180,374)
Total income tax expense					(7,130,330)	-	(7,130,330)
Loss for the year					(9,325,536)	8,833,924	(491,612)
Loss for the year attributable to:							
Owners of the Company					(9,144,361)	8,833,924	(310,437)
Non-controlling interests					(181,175)	-	(181,175)
Loss for the year					(9,325,536)	8,833,924	(491,612)
Total comprehensive loss attributable to:							
Owners of the Company					(15,769,462)	8,833,924	(6,935,538)
Non-controlling interests					(195,614)	-	(195,614)
Total comprehensive loss					(15,965,076)	8,833,924	(7,131,152)

47. SEGMENT INFORMATION (Continued)

a. Segment Results (Continued)

	2017*						
	Palm oil	Energy	Sago	Others	Total	Elimination	Consolidated
	US$	US$	US$	US$	US$	US$	US$
COMPREHENSIVE INCOME							
Revenue	154,741,342	4,761,787	220,363	2,073,788	161,797,280	-	161,797,280
Cost of revenue	(101,137,932)	(1,937,767)	(7,696,784)	(2,024,466)	(112,796,949)	-	(112,796,949)
Gross profit	53,603,410	2,824,020	(7,476,421)	49,322	49,000,331	-	49,000,331
Dividend income	1,300,000	-	-	92,332	1,392,332	-	1,392,332
Foreign exchange (loss) gain, net	(713,997)	(86,803)	(1,586)	1,834	(800,552)	-	(800,552)
Selling expenses	(10,043,294)	-	-	(80,645)	(10,123,939)	-	(10,123,939)
Personnel expenses	(6,255,838)	(64,584)	(349,618)	(636,861)	(7,306,901)	-	(7,306,901)
General & administrative expenses	(11,129,181)	(1,251,025)	(1,832,055)	(262,348)	(14,474,609)	4,283,191	(10,191,418)
Other income (expenses), net	39,558,875	22,439,630	(27,584)	(7,294)	61,963,627	-	61,963,627
Operating profit	66,319,975	23,861,238	(9,687,264)	(843,660)	79,650,289	4,283,191	83,933,480
Share of profit of equity-accounted investees	4,197,744	-	-	-	4,197,744	-	4,197,744
Finance (costs) income, net	(1,492,308)	(64,096)	(535,104)	(31,915)	(2,123,423)	22,949	(2,100,474)
Segment profit before tax	69,025,411	23,797,142	(10,222,368)	(875,575)	81,724,610	4,306,140	86,030,750
Unallocated loss before tax					(18,792,255)	4,775,314	(14,016,941)
Profit before tax					62,932,355	9,081,454	72,013,809
Income tax expense:							
Segment	(9,502,244)	(753,306)	(1,901,160)	234,101	(11,922,609)	-	(11,922,609)
Unallocated					(13,551,581)	-	(13,551,581)
Total income tax expense					(25,474,190)	-	(25,474,190)
Profit for the year					37,458,165	9,081,454	46,539,619
Profit for the year attributable to:							
Owners of the Company					37,479,949	9,081,454	46,561,403
Non-controlling Interests					(21,784)	-	(21,784)
Profit for the year					37,458,165	9,081,454	46,539,619
Total comprehensive income attributable to:							
Owners of the Company					31,782,082	9,081,454	40,863,536
Non-controlling interests					(28,611)	-	(28,611)
Total comprehensive income					31,753,471	9,081,454	40,834,925

** As restated (See Note 52)*

b. Segment Assets and Liabilities

	31 December 2018						
	Palm oil	Energy	Sago	Others	Total	Elimination	Consolidated
	US$	US$	US$	US$	US$	US$	US$
CONSOLIDATED FINANCIAL POSITION							
ASSETS							
Segment assets	499,996,609	1,149,721	16,666,301	10,486,917	528,299,548	-	528,299,548
Unallocated assets	-	-	-	-	346,495,032	(272,589,664)	73,905,368
Total consolidated assets							602,204,916
LIABILITIES							
Segment liabilities	197,829,704	619,512	770,591	6,250,546	205,470,353	-	205,470,353
Unallocated Liabilities	-	-	-	-	11,683,941	(1,338,591)	10,345,350
Total consolidated liabilities							215,815,703
Capital expenditure							
Segment	68,206,295	-	700,744	7,731,971	76,639,010	-	76,639,010
Unallocated	-	-	-	-	548,051	-	548,051
Total capital expenditure							77,187,061
Depreciation and amortization							
Segment	15,960,928	1,354	1,417,617	36,577	17,416,476	-	17,416,476
Unallocated					303,058	-	303,058
Total depreciation and amortization							17,719,534

47. SEGMENT INFORMATION (Continued)

b. Segment Assets and Liabilities (Continued)

	31 December 2017*						
	Palm oil	Energy	Sago	Others	Total	Elimination	Consolidated
	US$	US$	US$	US$	US$	US$	US$
CONSOLIDATED FINANCIAL POSITION							
ASSETS							
Segment assets	436,620,448	1,258,838	18,798,857	3,045,868	459,724,011	-	459,724,011
Unallocated assets	-	-	-	-	358,768,190	(248,996,028)	109,772,162
Total consolidated assets							569,496,173
LIABILITIES							
Segment liabilities	155,329,145	881,655	1,230,263	1,346,680	158,787,743	-	158,787,743
Unallocated liabilities	-	-	-	-	17,338,471	(1,984,461)	15,354,010
Total consolidated liabilities							174,141,753
Capital expenditure							
Segment	45,769,200	1,731	1,303,027	116,104	47,190,062	-	47,190,062
Unallocated	-	-	-	-	241,490	-	241,490
Total capital expenditure							47,431,552
Depreciation and amortization							
Segment	17,875,044	2,068	1,663,838	49,629	19,590,579	-	19,590,579
Unallocated	-	-	-	-	194,321	-	194,321
Total depreciation and amortization							19,784,900
Impairment losses on non-financial assets							
Segment	1,470,567	-	3,649,318	-	5,119,885	-	5,119,885
Unallocated	-	-	-	-	-	-	-
Total							5,119,885

** As restated (See Note 52)*

48. MONETARY ASSETS AND LIABILITIES DENOMINATED IN CURRENCIES OTHER THAN U.S. DOLLARS

As of 31 December 2018 and 2017, the Group had monetary assets and liabilities in currencies other than U.S. Dollars as follows:

	31 December 2018		31 December 2017	
	Foreign currencies	Equivalent to US$	Foreign currencies	Equivalent to US$
Assets				
Cash and cash equivalents				
Rupiah	92,067,972,718	6,357,845	72,278,837,412	5,335,019
Euro	1,175	1,344	20,143	24,047
Trade accounts receivable				
Rupiah	6,340,795,470	437,870	1,449,385,584	106,982
Other receivable				
Rupiah	7,943,277,411	548,531	5,945,295,936	438,832
Receivable from service concession arrangement				
Rupiah	13,341,794,211	921,331	13,942,363,054	1,029,110
Prepayments – Value Added Taxes				
Rupiah	363,280,763,350	25,086,718	281,775,693,552	20,798,323
Other current assets				
Rupiah	62,188,220,070	4,294,470	7,425,000,000	548,051
Claims for tax refund				
Rupiah	11,537,389,206	796,726	9,258,882,058	683,413
Other non-current assets				
Rupiah	265,124,128,653	18,308,413	372,982,929,492	27,530,479
Total		56,753,248		56,494,256

48. MONETARY ASSETS AND LIABILITIES DENOMINATED IN CURRENCIES OTHER THAN U.S. DOLLARS (Continued)

	31 December 2018		31 December 2017	
	Foreign currencies	Equivalent to US$	Foreign currencies	Equivalent to US$
Liabilities				
Short-term bank loans				
Rupiah	249,755,530,239	17,247,119	-	-
Trade accounts payable				
Rupiah	78,668,409,006	5,432,526	171,538,313,604	12,661,523
Taxes payable				
Rupiah	7,871,408,208	543,568	11,269,608,744	831,828
Long-term bank loans				
Rupiah	1,794,397,982,355	123,913,955	833,763,013,548	61,541,408
Other payable				
Rupiah	168,501,220,101	11,636,021	104,713,431,222	7,729,068
Provision for service concession arrangement				
Euro	-	-	332,788	397,292
Accrued expenses				
Rupiah	69,066,940,818	4,769,487	60,807,921,936	4,488,332
Post-employment benefits obligation				
Rupiah	239,247,276,741	16,521,461	229,829,233,908	16,964,071
Total		180,064,137		104,613,522
Total liabilities, net		(123,310,889)		(48,119,266)

As of 31 December 2018 and 2017, the conversion rates used by the Group were as follows:

	31 December 2018	31 December 2017
	US$	US$
Currencies:		
1 Rupiah	0.000069	0.000074
1 Euro	0.874470	0.837661

In relation to the fluctuation of the U.S. Dollar exchange rate against foreign currencies, the Group recorded the foreign exchange net loss of US$ 2,116,342 and US$ 724,575, respectively for the years ended 31 December 2018 and 2017.

49. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

a. Capital Risk Management

The Group manages capital risk to ensure that they will be able to continue as a going concern, in addition to maximizing shareholders profit through the optimization of the balance of debt and equity.

Management periodically reviews the Group's capital structure. As part of this review, the Board of Directors considers the cost of capital and related risk.

The Group's capital structure consists of equity attributable to the owners of the Company (consisting of capital stock, additional paid in capital, difference in value due to changes in equity of subsidiaries, management stock option, other comprehensive income, and retained earnings) and debt. The Group is not required to meet certain capital requirements.

49. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

The debt to equity ratio as of 31 December 2018 and 2017 were as follows:

	31 December 2018	31 December 2017*
	US$	US$
Debts		
Short term bank loans	24,981,911	9,270,000
Long-term bank loan - current maturities	6,595,726	3,228,879
Long-term bank loans - net of current maturities	139,838,445	99,482,000
Total debt	171,416,082	111,980,879
Equity attributable to the owners of the Company	385,404,802	394,870,826
Debt to equity ratio	44.48%	28.36%

** As restated (See Note 52)*

Categories and classes of financial instruments

	Loans and receivable	Available-for-sale financial assets	Assets at fair value through profit or loss (FVTPL)	Financial liabilities at amortized cost
	US$	US$	US$	US$
31 December 2018				
Current financial assets				
Cash in banks and cash equivalents	29,180,418	-	-	-
Investment in available-for-sale financial asset	-	10,271,880	-	-
Investments in marketable securities	-	-	290,209	-
Receivable from service concession arrangement	48,104	-	-	-
Trade accounts receivable	9,740,872	-	-	-
Other receivables	548,531	-	-	-
Other current assets	4,294,470	-	-	-
Non-current financial assets				
Receivable from service concession arrangement	873,227	-	-	-
Investments in available-for-sale financial assets	-	8,685,517	-	-
Other non-current assets	18,335,813	-	-	-
Current financial liabilities				
Short-term bank loans	-	-	-	24,981,911
Trade accounts payable	-	-	-	5,432,526
Other payables	-	-	-	11,636,021
Accrued expenses	-	-	-	6,362,351
Long term bank loan - current maturities	-	-	-	6,595,726
Non-current financial liabilities				
Long-term bank loans - net of current maturities	-	-	-	139,838,445
Provision for service concession arrangement - net of current maturities	-	-	-	383,034
Other non-current liabilities	-	-	-	2,883,031
Total	63,021,435	18,957,397	290,209	198,113,045

49. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

	Loans and receivable	Available-for-sale financial assets	Assets at fair value through profit or loss (FVTPL)	Financial liabilities at amortized cost
	US$	US$	US$	US$
31 December 2017				
Current financial assets				
Cash in banks and cash equivalents	46,339,165	-	-	-
Investments in marketable securities	-	-	290,209	-
Receivable from service concession arrangement	45,143	-	-	-
Trade accounts receivable	3,132,403	-	-	-
Other receivables	438,832	-	-	-
Other current assets	549,524	-	-	-
Non-current financial assets				
Receivable from service concession arrangement	983,966	-	-	-
Investments in available-for-sale financial assets		18,960,621	-	-
Other non-current assets	27,557,879	-	-	-
Current financial liabilities				
Short-term bank loans	-	-	-	9,270,000
Trade accounts payable	-	-	-	12,661,523
Other payables	-	-	-	7,729,068
Accrued expenses	-	-	-	5,025,843
Long term bank loan - current maturities	-	-	-	3,228,879
Provision for service concession arrangement - current maturities	-	-	-	165,017
Non-current financial Liabilities				
Long-term bank loans - net of current maturities	-	-	-	99,482,000
Provision for service concession arrangement - net of current maturities	-	-	-	232,275
Other non-current liabilities	-	-	-	1,860,427
Total	79,046,912	18,960,621	290,209	139,655,032

b. Financial Risk Management Objectives and Policies

The Group's financial risk management objective and policy are implemented to ensure that adequate financial resources are available for operation and development of its business, while managing its exposure to foreign currency risk, foreign currency sensitivity, interest rate risk, price risk, credit risk and liquidity risk. The Group operates within defined guidelines that are approved by the Board of Directors.

The Group divides risks into the following categories: market risk, credit risk and liquidity risk. Market risks include foreign exchange rate risk, interest rate risk and price risk. In managing risk, the Group considers priorities based on the probability of the risk will materialize and the scale of potential impacts if the risk occurs.

i. Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuates following changes in foreign exchange currency rates.

The majority of the Group transactions are done in United States Dollar (U.S. Dollar) currency, which is also its functional and reporting currency.

The Group has monetary assets and liabilities denominated in currencies other than U.S. Dollar (mostly Rupiah) as disclosed in Note 48. In the event of sharp fluctuations, the operating performance may be affected. However, management mitigates this risk exposure by monitoring the foreign currency rate fluctuation and maintaining the balance between present and future assets and liabilities in foreign currency.

49. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

b. Financial Risk Management Objectives and Policies (Continued)

i. Foreign Currency Risk (Continued)

Foreign currency sensitivity

The following table details the Group's sensitivity to 5%, as well as 1% increase and decrease in U.S. Dollar rate against Rupiah in 2018 and 2017, respectively. 5% (2017: 1%) increase or decrease represent management's assessment of reasonable possible change in foreign exchange rates after considering the current economic conditions. The sensitivity analysis includes only the outstanding foreign currency denominated monetary assets and liabilities and shows their translation effects at year end for every 5% change in the foreign currency rates of Rupiah at 31 December 2018.

	31 December 2018	
	Impact from Rupiah	
	5%	-5%
	US$	US$
Assets		
Cash and cash equivalents	(317,892)	317,892
Trade accounts receivable	(21,894)	21,894
Other receivables	(27,427)	27,427
Receivable from service concession arrangement	(46,067)	46,067
Prepayments	(1,254,337)	1,254,337
Other current assets	(214,723)	214,723
Claims for tax refund	(39,836)	39,836
Other non-current assets	(915,421)	915,421
Total *)	(2,837,597)	2,837,597
Liabilities		
Short-term bank loans	862,356	(862,356)
Trade accounts payable	271,626	(271,626)
Taxes payable	27,178	(27,178)
Long-term bank loans	6,195,698	(6,195,698)
Other payables	591,472	(591,472)
Accrued expenses	271,570	(271,570)
Post-employment benefits obligation	826,073	(826,073)
Total *)	9,045,973	(9,045,973)
Total assets (liabilities) net	6,208,376	(6,208,376)

	31 December 2017	
	Impact from Rupiah	
	1%	-1%
	US$	US$
Assets		
Cash and cash equivalents	(53,350)	53,350
Trade accounts receivable	(1,070)	1,070
Other receivables	(4,388)	4,388
Receivable from service concession arrangement	(10,291)	10,291
Prepayments	(207,983)	207,983
Other current assets	(5,481)	5,481
Claims for tax refund	(6,834)	6,834
Other non-current assets	(275,305)	275,305
Total *)	(564,702)	564,702

49. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

b. Financial Risk Management Objectives and Policies (Continued)

i. Foreign Currency Risk (Continued)

	31 December 2017	
	Impact from Rupiah	
	1%	-1%
	US$	US$
Liabilities		
Trade accounts payable	126,615	(126,615)
Taxes payable	8,318	(8,318)
Long-term bank loans	615,414	(615,414)
Other payables	77,291	(77,291)
Provision for service concession arrangement	-	-
Accrued expenses	44,883	(44,883)
Post-employment benefits obligation	169,641	(169,641)
Total *)	1,042,162	(1,042,162)
Total assets (liabilities) net	477,460	(477,460)

*) included the 2018 translation effect of assets and liabilities amounted to Rp 821.8 billion and Rp 1,459.2 billion (2017: Rp 504.3 billion and Rp 1,086.9 billion), respectively, from subsidiaries with Rupiah reporting currency.

Other than its impact to monetary assets and liabilities value of each entity within the Group, an increase or decrease of Rupiah to U.S. Dollar currency will also affect the Group's equity as a whole. The impact comes from the difference in net equity translation adjustments of subsidiaries with Rupiah reporting currency when they are consolidated into the Group's consolidated financial statements in U.S. Dollar. This impact is recorded as "Difference in translation of subsidiaries financial statements in foreign currencies" (part of other reserves).

The following table shows impact to other comprehensive income from the translation adjustments, if the U.S. Dollar increases or decreases by 5% and 1% against Rupiah, respectively for the years ended 31 December 2018 and 2017:

	2018		2017	
	5%	-5%	1%	-1%
	US$	US$	US$	US$
Translation adjustments	7,921,632	(7,921,632)	824,756	(824,756)

ii. Interest Rate Risk

The Group is exposed to the interest rate risk since it has cash and cash equivalents and certain financial assets and financial liabilities with both fixed and floating interest rates.

Interest rate profile

The Group financial instruments that are exposed to fair value interest rate risk (i.e. fixed rate instruments) and cash flow interest rate risk (i.e. floating rate instruments), are as follows:

	Carrying amount	
	31 December 2018	31 December 2017
	US$	US$
Financial assets:		
Floating rate		
Cash in banks	10,441,305	14,498,031
Investments in marketable securities	290,209	290,209
Total	10,731,514	14,788,240

49. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

b. Financial Risk Management Objectives and Policies (Continued)

ii. Interest rate Risk (Continued)

	Carrying amount	
	31 December 2018	31 December 2017
	US$	US$
Fixed rate		
Cash equivalents	18,739,113	31,841,134
Receivable from service concession arrangement	921,331	1,029,109
Total	19,660,444	32,870,243
Financial liabilities:		
Floating rate		
Provision for service concession arrangement	383,034	397,292
Short-term bank loans	24,981,911	9,270,000
Long-term bank loans	147,613,955	104,033,075
Total	172,978,900	113,700,367

The Group accounts for the fixed interest rate bearing financial instruments using amortized cost method. Therefore, changes in interest rate do not have any impact to profit or loss and equity of the Group.

Sensitivity analysis for floating rate financial instruments

The following cash flows sensitivity analysis has been determined based on the exposure to interest rates for the Group's financial instruments outstanding at the reporting date. This analysis is prepared assuming the amount of financial instruments outstanding at the end of reporting period represents the balance throughout the year, taking into account the movement of the actual principal amount throughout the year. This sensitivity analysis utilizes the assumption of an increase and decrease of 50 basis points on the relevant interest rates with other variables held constant. The 50 basis points increase and decrease represents the management's assessment on rational interest rate changes after considering the current economic conditions.

	31 December 2018	
	+ 50 Basis points	- 50 Basis points
	US$	US$
Financial assets		
Cash and cash equivalents	52,207	(30,726)
Investments in marketable securities	1,451	(1,451)
Financial liabilities		
Provision for service concession arrangement	(1,915)	1,915
Short-term bank loans	(124,910)	124,910
Long-term bank loans	(738,070)	738,070
Total	(811,237)	832,718

	31 December 2017	
	+ 50 Basis points	- 50 Basis points
	US$	US$
Financial assets		
Cash and cash equivalents	72,490	(26,413)
Investments in marketable securities	1,451	(1,451)
Financial liabilities		
Provision for service concession arrangement	(2,307)	2,307
Short-term bank loans	(46,350)	46,350
Long-term bank loans	(520,165)	520,165
Total	(494,881)	540,958

49. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

b. Financial Risk Management Objectives and Policies (Continued)

iii. Price Risk

The Group is exposed to price risks arising from investments in marketable securities which are classified as financial assets at FVTPL. Investments in marketable securities is held for trading purposes. To manage price risk arising from investments in marketable securities, the Group diversifies its portfolio. Diversification of the portfolio is performed within the limits set by the Board of Directors.

The Group's investments in marketable securities (consisting of money market funds) is described in Note 6.

The Group is also exposed to the price risk arising from investments in available-for-sale financial assets which are classified as available-for-sale (AFS) financial assets. These investments are held for strategic purpose rather than trading purpose. The Group does not actively trade these investments (Note 13).

The Group faces commodity price risk because CPO and PK are commodity products traded in the global markets. CPO and PK prices are generally determined based on an international index as benchmark, which tend to be highly cyclical and subject to significant fluctuations. As a global commodity product, CPO and PK prices are principally dependent on the supply and demand dynamics of CPO and PK in the global export market. The Group has not entered into any CPO and PK pricing agreements to hedge its exposure to fluctuations in CPO and PK prices but it may do so in the future. However, in order to minimize the risk, CPO and PK prices are negotiated with the customers to obtain favorable prices. ANJA and its subsidiaries entered into certain derivatives transactions for the purpose of economic hedge against commodity price risk.

iv. Credit Risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligation, resulting in a loss to the Group.

The Group's credit risk is primarily attributed to its cash and cash equivalents, trade receivables and plasma receivables. The Group places its cash and cash equivalents with credit worthy financial institutions. Management believes on its ability to control and maintain minimal exposure on credit risk considering the Group monitor the receivable collection in accordance with the credit terms in the sales agreements. As for plasma receivables, the Group minimizes the credit risk by entering into legal agreement for sales of fresh fruit bunches by plasma plantation (Note 45g, i and j).

Trade accounts receivable aging profile is disclosed in Note 7.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowance for losses represents the Group's exposure to credit risk.

49. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

b. Financial Risk Management Objectives and Policies (Continued)

v. Liquidity Risk

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of its financial assets and liabilities.

The following tables detail the Group's contractual details of financial assets and liabilities based on the remaining maturity profile as of 31 December 2018 and 2017. The tables represent the undiscounted cash flows and carrying amount of financial assets and liabilities based on the earliest required payment date:

	31 December 2018				
	Contractual cash flows				
	Less than 1 year	1 – 5 years	Beyond 5 years	Total	Carrying amount
	US$	US$	US$	US$	US$
Financial assets:					
Cash and cash equivalents	29,234,164	-	-	29,234,164	29,234,164
Investments in marketable securities	290,209	-	-	290,209	290,209
Receivable from service concession arrangement	165,077	660,310	825,387	1,650,774	921,331
Trade accounts receivable	9,740,872	-	-	9,740,872	9,740,872
Other receivables	548,531	-	-	548,531	548,531
Other current assets	4,294,470	-	-	4,294,470	4,294,470
Other non-current assets	-	18,335,813	-	18,335,813	18,335,813
Total financial assets	44,273,323	18,996,123	825,387	64,094,833	63,365,390
Financial liabilities:					
Short-term bank loans					
Rupiah	17,585,171	-	-	17,585,171	17,247,119
U.S. Dollar	7,790,438	-	-	7,790,438	7,734,792
Trade accounts payable	5,432,526	-	-	5,432,526	5,432,526
Provision for service concession arrangement	-	153,214	229,820	383,034	383,034
Long-term bank loans					
Rupiah	1,616,927	80,910,526	96,465,254	178,992,707	123,913,955
U.S. Dollar	1,722,656	13,294,140	19,972,785	34,989,581	23,700,000
Other payables	11,636,021	-	-	11,636,021	11,636,021
Accrued expenses	6,362,351	-	-	6,362,351	6,362,351
Other non-current liabilities	-	2,883,031	-	2,883,031	2,883,031
Total financial liabilities	52,146,090	97,240,911	116,667,859	266,054,860	199,292,829
Total net liabilities	(7,872,767)	(78,244,788)	(115,842,472)	(201,960,027)	(135,927,439)

49. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

b. Financial Risk Management Objectives and Policies (Continued)

v. Liquidity Risk (Continued)

	31 December 2017				
	Contractual cash flows				
	Less than 1 year	1 – 5 years	Beyond 5 years	Total	Carrying amount
	US$	US$	US$	US$	US$
Financial assets:					
Cash and cash equivalents	46,404,941	-	-	46,404,941	46,404,941
Investments in marketable securities	290,209	-	-	290,209	290,209
Receivable from service concession arrangement	176,300	705,200	1,057,722	1,939,222	1,029,109
Trade accounts receivable	3,132,403	-	-	3,132,403	3,132,403
Other receivables	438,832	-	-	438,832	438,832
Other current assets	549,524	-	-	549,524	549,524
Other non-current assets	-	27,557,879	-	27,557,879	27,557,879
Total financial assets	50,992,209	28,263,079	1,057,722	80,313,010	79,402,897
Financial liabilities:					
Short-term bank loans					
U.S. Dollar	9,315,044	-	-	9,315,044	9,270,000
Trade accounts payable	12,661,523	-	-	12,661,523	12,661,523
Provision for service concession arrangement	151,560	84,328	225,498	461,386	397,292
Long-term bank loans					
Rupiah	7,604,666	73,707,865	4,374,935	85,687,466	61,541,408
U.S. Dollar	3,483,548	46,660,669	-	50,144,217	42,491,667
Other payables	7,729,068	-	-	7,729,068	7,729,068
Accrued expenses	5,025,843	-	-	5,025,843	5,025,843
Other non-current liabilities	-	1,860,427	-	1,860,427	1,860,427
Total financial liabilities	45,971,252	122,313,289	4,600,433	172,884,974	140,977,228
Total net liabilities	5,020,957	(94,050,210)	(3,542,711)	(92,571,964)	(61,574,331)

50. FAIR VALUE MEASUREMENTS

Fair value of financial instruments carried at amortized cost

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost approximate their fair values due to their short-term maturities, the insignificant impact of discounting or they carry market rate of interest.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

50. FAIR VALUE MEASUREMENTS (Continued)

Fair value measurement hierarchy of the Group's assets and liabilities

The following tables summarize the carrying amounts and fair values of the assets and liabilities, analyzed among those whose fair value is based on:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2018	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Financial assets				
Financial assets at FVTPL				
Investments in marketable securities				
Investments in money market fund	290,209	-	-	290,209
Available-for-sale financial assets (AFS)				
Investments in available-for-financial assets	5,530	5,418,686	-	5,424,216
Non-financial assets				
Biological assets	-	-	1,573,973	1,573,973
Total	295,739	5,418,686	1,573,973	7,288,398

31 December 2017*	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Financial assets				
Financial assets at FVTPL				
Investments in marketable securities				
Investments in money market fund	290,209	-	-	290,209
Available-for-sale financial assets (AFS)				
Investments in available-for-sale financial assets	8,754	5,418,686	-	5,427,440
Non-financial assets				
Biological assets	-	-	2,618,428	2,618,428
Total	298,963	5,418,686	2,618,428	8,336,077

There were no transfers between Level 1 and 2 during the period.

** As restated (See Note 52)*

50. FAIR VALUE MEASUREMENTS (Continued)

The following tables shows the valuation techniques used in measuring level 2:

Investment	Valuation technique
Investment in non-listed entities Investment in available-for-sale financial asset	Investment valuation approach using market and net asset value adjusted with price of sales and purchase agreement

Reconciliation of Level 2 fair value measurements of financial assets

	Available-for-sale	
	Unlisted shares	
	2018	2017
	US$	US$
Beginning balance	5,418,686	13,357,827
Sale of investment in available-for-sale financial asset	-	(11,775,923)
Changes in fair value of investment in available-for-sale financial asset	-	3,836,782
Ending balance	5,418,686	5,418,686

51. NON-CASH FINANCING AND INVESTING ACTIVITIES

	2018	2017
	US$	US$
Non-cash financing and investing activities:		
Acquisitions of property, plant and equipment through:		
Reclassification from other advances	1,100,511	2,742,983
Other payables	4,795,540	1,613,558
Capitalization of loan provision amortization	303,203	-
Foreign exchange differences capitalization	75,562	-
Addition of bearer plants through:		
Capitalization of depreciation of property, plant and equipment	1,774,590	1,061,312
Foreign exchange differences capitalization	808,136	-
Other payables	-	2,288,822
Capitalization of loan provision amortization	695,434	173,166
Addition of intangible assets through reclassification of other non-current assets	-	817,898
Addition of other non-current assets through the amortized cost adjustment	658,039	344,545

The following summarizes the components of change in the liabilities arising from financing activities during the year:

	2018
	US$
Beginning balance of short-term and long-term bank loans	111,980,879
Cash flows:	
Proceeds from short-term bank loans	83,577,701
Proceeds from long-term bank loans	52,170,860
Payments of short-term bank loans	(67,817,015)
Payments of long-term bank loans	(4,185,279)
Payments for deferred financing costs	(375,327)
Non-cash changes:	
Capitalization of loan provision amortization	695,434
Foreign exchange differences	(4,631,171)
Ending balance of short-term and long-term bank loans	171,416,082

52. RESTATEMENT

As disclosed in Note 2a, the Group has adopted PSAK 69, "Agriculture" starting from 1 January 2018 which requires retrospective application. As a result, the Group has restated the comparative information presented in these consolidated financial statements. The following table summarizes the impacts to each of the affected consolidated financial statements line items in the comparative financial information presented in these consolidated financial statements.

	31 December 2017		
	As previously reported	Adjustments	As restated
	US$	US$	US$
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS			
CURRENT ASSETS			
Inventories	7,567,815	1,344,547	8,912,362
Biological assets	-	2,618,428	2,618,428
NON-CURRENT ASSET			
Deferred tax assets	13,039,146	(990,744)	12,048,402
EQUITY			
Retained earnings			
Unappropriated	292,564,866	2,972,231	295,537,097
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Cost of revenue	(111,650,408)	(1,146,541)	(112,796,949)
Income tax expense	(25,760,825)	286,635	(25,474,190)
Profit for the year	47,399,525	(859,906)	46,539,619

The consolidated statement of financial position as of 1 January 2017 (which was derived from the consolidated statement of financial position as of 31 December 2016) also reflects restated balances.

	1 January 2017		
	As previously reported	Adjustments	As restated
	US$	US$	US$
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS			
CURRENT ASSETS			
Inventories	7,701,313	626,577	8,327,890
Biological assets	-	4,482,939	4,482,939
NON-CURRENT ASSET			
Deferred tax assets	12,885,940	(1,277,379)	11,608,561
EQUITY			
Retained earnings			
Unappropriated	250,584,848	3,832,137	254,416,985

There is no impact on the total operating, investing or financing cash flows for the year ended 31 December 2017.

53. SUPPLEMENTARY INFORMATION

The supplementary information on Appendices 1 to 11 presented the statements of financial position, profit or loss and other comprehensive income, changes in equity, cash flows and other explanatory information of the parent entity only. The parent entity only financial statements, which exclude the balances of the Company's subsidiaries, have been prepared using the accounting policies that are consistent with those applied to the Group's consolidated financial statements, except for investments in subsidiaries, which have been presented at cost.

PT AUSTINDO NUSANTARA JAYA Tbk

SUPPLEMENTARY INFORMATION
STATEMENTS OF FINANCIAL POSITION
PARENT ENTITY ONLY
31 DECEMBER 2018 AND 2017

	Notes	31 December 2018	31 December 2017
		US$	US$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		4,518,958	36,942,515
Investment in available-for-sale financial asset		10,271,880	-
Investments in marketable securities		290,209	290,209
Other receivables		3,186,077	3,563,438
Loan to subsidiary	3	-	345,745
Prepayments and advances		160,587	92,240
TOTAL CURRENT ASSETS		18,427,711	41,234,147
NON-CURRENT ASSETS			
Investments in subsidiaries		269,527,686	246,347,214
Investments in associates		5,560,384	5,560,384
Investments in available-for-sale financial assets		8,685,517	18,960,621
Advances		12,916,985	11,776,380
Deferred tax assets	2	1,016,745	794,004
Property and equipment		22,683,725	22,228,109
Overpayment of corporate income tax	2	639,370	-
Other non-current assets		847,677	962,867
TOTAL NON-CURRENT ASSETS		321,878,089	306,629,579
TOTAL ASSETS		**340,305,800**	**347,863,726**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term bank loan		6,984,179	-
Taxes payable	1	200,429	13,976,492
Other payables		153,003	81,421
Accrued expenses		851,372	811,156
TOTAL CURRENT LIABILITIES		8,188,983	14,869,069
NON-CURRENT LIABILITIES			
Post-employment benefits obligation		1,520,680	1,107,880
Other non-current liabilities		1,974,278	1,361,522
TOTAL NON-CURRENT LIABILITIES		3,494,958	2,469,402
TOTAL LIABILITIES		11,683,941	17,338,471
EQUITY			
Capital stock - Rp 100 par value per share			
Authorized - 12,000,000,000 shares			
Issued and paid-up - 3,354,175,000 shares as of 31 December 2018 and 2017		46,735,308	46,735,308
Additional paid in capital		41,136,732	41,136,732
Treasury stock		(3,926,668)	(3,926,668)
Other reserves		3,413,894	3,417,118
Retained earnings			
Appropriated		6,824,453	6,824,453
Unappropriated		234,438,140	236,338,312
TOTAL EQUITY		328,621,859	330,525,255
TOTAL LIABILITIES AND EQUITY		**340,305,800**	**347,863,726**

PT AUSTINDO NUSANTARA JAYA Tbk

SUPPLEMENTARY INFORMATION
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
PARENT ENTITY ONLY
YEARS ENDED 31 DECEMBER 2018 AND 2017

	Notes	Year ended 31 December 2018 US$	2017 US$
Dividend income		7,954,900	4,554,643
Revenue from management services	3	4,371,386	4,601,776
Interest income		250,801	395,301
Foreign exchange gain		-	75,977
Gain on sale of investments		-	63,104,329
Other income		15,409	53,152
TOTAL REVENUE		12,592,496	72,785,178
Personnel expenses		(7,443,375)	(9,675,794)
General and administrative expenses		(3,339,726)	(4,085,837)
Finance costs		(252,309)	(671,825)
Foreign exchange loss		(477,824)	-
Other expense		(59,479)	(12,795)
TOTAL EXPENSES		(11,572,713)	(14,446,251)
PROFIT BEFORE TAX		**1,019,783**	**58,338,927**
Income tax expense	2	(180,374)	(13,551,581)
PROFIT FOR THE YEAR		**839,409**	**44,787,346**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Changes resulting from actuarial remeasurements of post-employment benefits obligation		77,185	(362,527)
Income tax on items that will not be reclassified to profit or loss		(19,296)	90,632
		57,889	(271,895)
Items that will be reclassified subsequently to profit or loss:			
Changes in fair value of investments in available-for-sale financial asset		(3,224)	3,837,099
Reclassification to profit or loss related to investments in available-for-sale financial assets		-	(7,702,351)
		(3,224)	(3,865,252)
Other comprehensive income net of tax		**54,665**	**(4,137,147)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**894,074**	**40,650,199**

PT AUSTINDO NUSANTARA JAYA Tbk

SUPPLEMENTARY INFORMATION
STATEMENTS OF CHANGES IN EQUITY
PARENT ENTITY ONLY
YEARS ENDED 31 DECEMBER 2018 AND 2017

					Other reserves		Retained earnings		
	Capital stock	Additional paid in capital	Treasury stock	Management stock options	Unrealized gain (loss) on investments in available-for-sale financial assets	Translation adjustments	Appropriated	Unappropriated	Total equity
	US$	US$	US$	US$	US$	US$	US$	US$	US$
Balance as of 31 December 2016	**46,735,308**	**41,080,792**	**(3,926,668)**	**55,940**	**6,362,967**	**1,136,342**	**6,796,399**	**196,113,355**	**294,354,435**
Reclassification of realized loss to retained earnings	-	-	-	-	(216,939)	-	-	216,939	-
Expired management stock options	-	55,940	-	(55,940)	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	44,787,346	44,787,346
Other comprehensive income:									
Changes in fair value of investments in available-for-sale financial assets	-	-	-	-	3,837,099	-	-	-	3,837,099
Reclassification to profit or loss related to investments in available-for-sale financial assets	-	-	-	-	(7,702,351)	-	-	-	(7,702,351)
Changes resulting from actuarial remeasurements of post-employment benefits obligation,net of tax	-	-	-	-	-	-	-	(271,895)	(271,895)
Appropriation for retained earnings	-	-	-	-	-	-	28,054	(28,054)	-
Cash dividends	-	-	-	-	-	-	-	(4,479,379)	(4,479,379)
Balance as of 31 December 2017	**46,735,308**	**41,136,732**	**(3,926,668)**	**-**	**2,280,776**	**1,136,342**	**6,824,453**	**236,338,312**	**330,525,255**
Profit for the year	-	-	-	-	-	-	-	839,409	839,409
Other comprehensive income:									
Changes in fair value of investments in available-for-sale financial assets	-	-	-	-	(3,224)	-	-	-	(3,224)
Changes resulting from actuarial remeasurements of post-employment benefits obligation,net of tax	-	-	-	-	-	-	-	57,889	57,889
Cash dividends	-	-	-	-	-	-	-	(2,797,470)	(2,797,470)
Balance as of 31 December 2018	**46,735,308**	**41,136,732**	**(3,926,668)**	**-**	**2,277,552**	**1,136,342**	**6,824,453**	**234,438,140**	**328,621,859**

PT AUSTINDO NUSANTARA JAYA Tbk

SUPPLEMENTARY INFORMATION
STATEMENTS OF CASH FLOWS
PARENT ENTITY ONLY
YEARS ENDED 31 DECEMBER 2018 AND 2017

	Year ended 31 December	
	2018	**2017**
	US$	**US$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	4,630,369	4,592,476
Payments to employees	(6,338,113)	(7,544,837)
Payments to suppliers	(2,776,810)	(3,636,982)
Income taxes paid	(14,744,881)	(310,494)
Payments of post-employment benefits	-	(1,871,664)
Interest received	179,824	310,960
Payments for other operating activities	(762,755)	(76,393)
Net cash used in operating activities	**(19,812,366)**	**(8,536,934)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	7,954,900	4,554,643
Acquisition of property and equipment	(548,051)	(91,524)
Proceeds from sale of property and equipment	-	28,125
Additions to other non-current assets	195	(363,533)
Acquisitions and additional investments in subsidiaries, associates and available-for-sale financial assets	(24,325,497)	(23,179,032)
Proceeds from sale/winding up of investments in subsidiaries, associates and available-for-sale financial assets	12,481	73,527,808
Net cash (used in) provided by investing activities	**(16,905,972)**	**54,476,487**
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan to subsidiaries	-	(3,388,255)
Proceeds from loan to subsidiaries	301,458	3,407,289
Proceeds from short-term bank loan	26,157,724	33,703,729
Payments of short-term bank loan	(19,173,545)	(35,942,342)
Payments of long-term bank loan	-	(8,000,000)
Payments of interest	(248,237)	(567,908)
Payments of dividends	(2,742,619)	(4,391,808)
Net cash provided by (used in) financing activities	**4,294,781**	**(15,179,295)**
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(32,423,557)**	**30,760,258**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**36,942,515**	**6,182,257**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**4,518,958**	**36,942,515**

1. TAXES PAYABLES

	31 December 2018	31 December 2017
	US$	US$
Corporate income tax Article 29 (Note 2)	-	13,683,098
Income tax:		
Article 4 (2)	7,061	622
Article 21	184,112	276,792
Article 23/26	3,155	8,056
Article 15	6	3,184
Value Added Taxes	6,095	4,740
Total	200,429	13,976,492

2. INCOME TAX

Income tax expense of the Company consists of the followings:

	2018	2017
	US$	US$
Current tax:		
Current year	214,639	13,993,120
Adjustment to prior year's current tax expense and tax expense from tax amnesty payment	207,772	117,868
Deferred tax	(242,037)	(559,407)
Income tax expense of the Company	180,374	13,551,581

Current tax

The reconciliation between profit before tax of the Company per statements of profit or loss and other comprehensive income and taxable income of the Company is as follows:

	2018	2017
	US$	US$
Profit before tax of the Company	1,019,783	58,338,927
Temporary differences:		
Bonus	647,515	919,340
Post-employment benefits (including foreign exchange effects)	489,985	(801,904)
Advance from sale of investment in available-for-sale financial asset	-	(1,250,000)
Depreciation	(169,352)	9,428
Subtotal	968,148	(1,123,136)

2. INCOME TAX (Continued)

	2018	2017
	US$	US$
Non-tax-deductible expenses (non-taxable income/subject to final tax):		
Dividend income from subsidiaries	(2,659,371)	(3,155,913)
Interest income	(74,245)	(34,261)
Personnel expenses	1,089,231	1,445,149
Interest expense	163,760	524,231
Donation	14,663	22,324
Others	336,584	(44,846)
Subtotal	(1,129,378)	(1,243,316)
Total taxable income of the Company	858,553	55,972,475

Current corporate income tax expense and (overpayment) payable of the Company are computed as follows:

	2018	2017
	US$	US$
Current tax expense - the Company	214,639	13,993,120
Less: prepaid taxes		
Article 23 - the Company	(854,009)	(310,022)
Corporate income tax (overpayment) payable	(639,370)	13,683,098

Deferred Tax

As of 31 December 2018 and 2017, the Company has temporary differences from bonus accrual, post-employment benefits obligation, fixed assets, security deposit and investments in available-for-sale financial assets. Realization of the Company's deferred tax assets is dependent upon their profitable operations. Management believes that these deferred tax assets below are probable of being realized through offset against taxes due on future taxable income.

2. INCOME TAX (Continued)

The details of deferred tax assets of the Company are as follows:

	1 January 2018	Credited (charged) to profit or loss	Charged to other comprehensive income	31 December 2018
	US$	US$	US$	US$
Post-employment benefits obligation	276,970	122,497	(19,296)	380,171
Security deposits	31,000	-	-	31,000
Investments in available for-sale financial assets	14,546	-	-	14,546
Fixed assets	2,357	(42,338)	-	(39,981)
Bonus	469,131	161,878	-	631,009
Total	794,004	242,037	(19,296)	1,016,745

	1 January 2017	Credited (charged) to profit or loss	Credited to other comprehensive income	Other adjustment	31 December 2017
	US$	US$	US$	US$	US$
Post-employment benefits obligation	386,814	(200,476)	90,632	-	276,970
Security deposits	-	31,000	-	-	31,000
Investments in available-for-sale financial assets	312,500	496,691	-	(794,645)	14,546
Fixed assets	-	2,357	-	-	2,357
Bonus	239,296	229,835	-	-	469,131
Total	938,610	559,407	90,632	(794,645)	794,004

A reconciliation between income tax expense of the Company and the amount computed by applying the prevailing tax rates to profit before tax of the Company is as follows:

	2018	2017
	US$	US$
Profit before tax of the Company	1,019,783	58,338,927
Tax expense at prevailing tax rates	(254,946)	(14,584,732)

2. INCOME TAX (Continued)

	2018 US$	2017 US$
Effect of non-tax deductible expenses (non-taxable income/subject to final tax):		
Dividend income from subsidiaries and associates	664,843	788,978
Interest income	18,561	8,565
Interest expense	(40,940)	(131,058)
Donation	(3,666)	(5,581)
Personnel expenses	(272,308)	(361,287)
Others	(84,146)	11,211
Total	282,344	310,828
Adjustment to prior year's deferred tax benefit	-	840,191
Adjustment to prior year's current income tax expense and tax expense from tax amnesty payment	(207,772)	(117,868)
Income tax expense of the Company	(180,374)	(13,551,581)

3. NATURE OF RELATIONSHIP AND TRANSACTION WITH RELATED PARTIES

Nature of relationship

During 2018 and 2017, the following related parties, in which the Company is a shareholder (directly or indirectly), has transactions with the Company:

- PT Austindo Nusantara Jaya Agri (ANJA)
- PT Gading Mas Indonesia Teguh (GMIT)
- PT Darajat Geothermal Indonesia (DGI)
- PT Aceh Timur Indonesia (ATI)
- PT Surya Makmur (SM)
- PT Sahabat Mewah dan Makmur (SMM)
- PT Austindo Nusantara Jaya Agri Siais (ANJAS)
- PT Kayung Agro Lestari (KAL)
- PT Galempa Sejahtera Bersama (GSB)
- PT ANJ Agri Papua (ANJAP)
- PT Permata Putera Mandiri (PPM)
- PT Putera Manunggal Perkasa (PMP)
- PT Austindo Nusantara Jaya Boga (ANJB)
- PT Austindo Aufwind New Energy (AANE)
- PT Agro Muko
- PT Pangkatan Indonesia
- PT Sembada Sennah Maju
- PT Moon Lion Industries Indonesia
- PT Bilah Plantindo
- PT Simpang Kiri Plantation Indonesia

Transaction with related parties

In the normal course of business, the Company entered into certain transactions with its related parties, including the followings:

3. NATURE OF RELATIONSHIP AND TRANSACTION WITH RELATED PARTIES (Continued)

Transaction with related parties (Continued)

- On 14 December 2015, the Company entered into a Management Service Agreement with each of its subsidiaries, to provide the subsidiaries with certain management assistance to support the business operation of the subsidiaries. In return, the subsidiaries shall pay the Company management fee on a monthly basis, as specified in the agreement between the Company and each subsidiary. This agreement has been renewed on 31 October 2017 for period until 31 December 2018 and is extendable. Management fee charged to subsidiaries amounted to US$ 4,371,386 and US$ 4,601,776 for the years ended 31 December 2018 and 2017, respectively.

- On 15 December 2014, the Company provided loan facility to AANE amounting to US$ 750,000 with interest rate at 2.75% above LIBOR p.a. for the increase of AANE's electricity production capacity to 1,800 kw. This facility will be available for three years from the agreement date. On 10 January 2018, the agreement has been extended until 15 December 2020. As of 31 December 2018 and 2017, the outstanding loan to AANE is amounted US$ nil and US$ 301,458, respectively.

- On 23 January 2017, the Company provided loan facility to AANE amounting to Rp 5 billion or its equivalent in US$ to finance AANE's operation and working capital. The interest rate for the loan facility in Rupiah and US$ are 10.5% p.a. and 4.25% p.a., respectively. Effective 1 April 2017, both parties agreed to change the interest rates to 10.0% p.a. and 3.0% p.a., respectively. Effective 1 September 2017, both parties agreed for an additional loan facility of US$ 750,000 and change the interest rate for the loan facility in Rupiah to 7.5% p.a. This facility will be available for one year from the agreement date and will be automatically extended for another one year period. As of 31 December 2018 and 2017, the outstanding loan to AANE is amounted US$ 44,287, respectively.

3. NATURE OF RELATIONSHIP AND TRANSACTION WITH RELATED PARTIES (Continued)

Transaction with related parties (Continued)

– For the years ended 31 December 2017 and 2016, the Company received dividend distributions from the following related parties:

	2018	2017
	US$	US$
PT Pangkatan Indonesia	4,057,332	-
PT Surya Makmur	1,585,079	821,296
PT Aceh Timur Indonesia	1,074,292	634,646
PT Bilah Plantindo	676,239	-
PT Simpang Kiri Plantation Indonesia	405,921	-
PT Moon Lion Industries Indonesia	78,211	89,309
PT Sembada Sennah Maju	70,055	-
PT Sahabat Mewah dan Makmur	2,399	6,398
PT Darajat Geothermal Indonesia	-	1,699,971
PT Agro Muko	-	1,300,000
Total	7,949,528	4,551,620

– The Company paid benefits to its Commissioners and Directors as follows:

	2018	2017
	US$	US$
Short-term employee benefits	3,333,849	4,405,651

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

As of 31 December 2018 and 2017, investments in subsidiaries and associates were as follows:

Subsidiaries and associates names	Domicile	Nature of business	Percentage of Company's ownership		Percentage of Company's voting rights	
			2018	2017	2018	2017
			%	%	%	%
Direct Subsidiaries						
PT Austindo Aufwind New Energy (AANE)	Belitung, Bangka Belitung	Renewable energy	99.22	99.18	99.22	99.18
PT Austindo Nusantara Jaya Agri (ANJA)	Binanga, North Sumatera	Agribusiness	99.99	99.99	99.99	99.99
PT Austindo Nusantara Jaya Boga (ANJB)	Jakarta	Consumer products	99.99	99.99	99.99	99.99
PT Gading Mas Indonesia Teguh (GMIT)	Jember	Agribusiness	79.99	79.97	79.99	79.97
PT ANJ Agri Papua (ANJAP)	South Sorong, Papua	Agribusiness	99.79	99.78	99.99	99.99
Indirect Subsidiaries						
PT Galempa Sejahtera Bersama (GSB)	South Sumatera	Agribusiness	5.00	5.00	99.99	99.99
PT Putera Manunggal Perkasa (PMP)	South Sorong and Maybrat, Papua	Agribusiness	25.00	5.00	99.99	99.99
PT Permata Putera Mandiri (PPM)	South Sorong, Papua	Agribusiness	25.00	5.00	99.99	99.99
PT Sahabat Mewah dan Makmur (SMM)	Belitung, Bangka Belitung	Agribusiness	0.04	0.04	99.99	99.99
PT Austindo Nusantara Jaya Agri Siais (ANJAS)	South Angkola, North Sumatera	Agribusiness	-	-	99.99	99.99
PT Kayung Agro Lestari (KAL)	Ketapang, West Kalimantan	Agribusiness	-	-	99.99	99.99
PT Lestari Sagu Papua (LSP)	South Sorong, Papua	Agribusiness	-	-	51.00	51.00
Associates						
PT Pangkatan Indonesia	Pangkatan, Labuhanbatu North Sumatera	Agribusiness	20.00	20.00	20.00	20.00
PT Evans Lestari	Musi Rawas, South Sumatera	Agribusiness	20.00	20.00	20.00	20.00
PT Aceh Timur Indonesia (ATI)	Jakarta	Agribusiness	25.00	25.00	25.00	25.00
PT Surya Makmur (SM)	Medan	Agribusiness	25.00	25.00	25.00	25.00

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Independent Auditors' Report

No.: 00051/2.1005/AU.1/01/0302-2/1/III/2019

The Shareholders,
Board of Commissioners and Board of Directors
PT Austindo Nusantara Jaya Tbk:

We have audited the accompanying consolidated financial statements of PT Austindo Nusantara Jaya Tbk and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Indonesian Financial Accounting Standards.

Other matter

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Appendices 1 to 11, which comprises the statement of financial position of PT Austindo Nusantara Jaya Tbk (parent entity only) as of 31 December 2018, and the related statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements in accordance with Indonesian Financial Accounting Standards. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Siddharta Widjaja & Rekan
Registered Public Accountants

Budi Susanto, S.E., M.B.A, CPA
Public Accountant License No. AP. 0302

Jakarta, 12 March 2019

PT Austindo Nusantara Jaya Tbk.
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