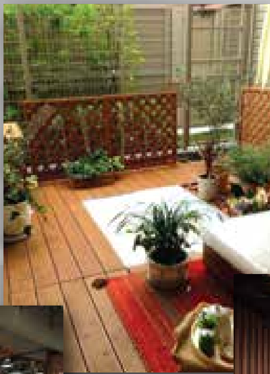
SAMKO TIMBER LIMITED

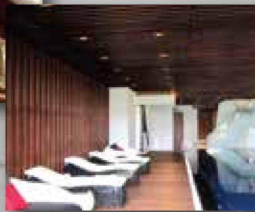
Our commitment to moving forward

Annual Report 2015

IN THIS YEAR'S REPORT

COMPANY BACKGROUND





Samko Timber Limited and its subsidiaries ("Samko" or "Samko Timber" or "the Group") is Indonesia's leading, vertically integrated wood resource processor. Supported by 35,659ha of industrial forest plantation in Sumatra, Samko operates eight timber processing plants, thirteen satellite veneer plants and a chemical glue facility spread across Java, Sumatra and Sulawesi with an annual production capacity of approximately 800,000m^3.

With unrelenting focus on excellence at every stage of its supply chain, Samko has garnered international environmental accreditations as a testament of its long term commitment to quality and sustainability. The Research and Development department is tasked with ongoing process improvement, wood maximisation and product innovation, setting the stage for value creation and growth.

With close to 40 years of experience and industry knowledge condensed into its primary and secondary processed timber products, Samko's products are found in residential, commercial and industrial applications in the form of furniture, flooring, piano and truck parts. Samko's products enjoy a dominant market share in Indonesia, and are distributed in more than 28 countries across the world, including the Asia Pacific region, Europe, the Middle East, and the United States of America.

CHAIRMAN STATEMENT

Dear Shareholders,

2015 was a volatile year that called on the Group's perseverance. Amid fears of a Eurozone contagion, the global economy contended with the continued collapse in crude oil prices, see-sawing financial markets, and slowing growth.

Against this backdrop, Indonesia reported its slowest GDP growth in six years at 4.79% for 2015. The strenuous state of the economy coupled with a strengthening US Dollar exerted heavy pressure on the Rupiah. From Rp12,440, the Rupiah lost ground steadily throughout the year to close 11% weaker at Rp13,795 against the US Dollar at the end of 2015.

Cost Pressure

Internally, labour cost pressures came to the fore. The Indonesian government announced its minimum wage policy in October 2015, which called for yearly wage increases using a formula based on the nation's annual inflation and GDP growth. The issue of rising cost is compounded as our customers and suppliers are similarly affected in an environment of increasing competition.

The implications of the minimum wage policy is critical and long term in nature, as labour constitutes 25% of the Group's cost structure in 2015. Although the Group's control over a key cost factor is reduced, the transparent methodology injects a level of certainty and allows us to estimate the degree of inflation on a yearly basis. The Board called for a strategic business review and have consequently drawn up comprehensive cost rationalisation plans. I am confident that these measures will refine the Group's competitive edge and fortify our market position in the years to come.

Pressing Forward

The unfavourable external environment reinforced our belief in the critical functions of the marketing and sales department. Notably, Samko took the opportunity to participate in the annual Singapore Design Week, in which the Group collaborated with eight designers who created collective exhibits through the use of our proprietary Heveatech wood in ingenious ways. The event allowed Samko to showcase the superior quality of our products as well as to increase brand awareness.

Koh Boon Hong
Chairman

Strengthening Business Relationships

The Group also paved the way to widen our footprint in the wooden truck body product segment. In a sign of mutual trust and confidence, Samko entered into a 60:40 joint venture agreement with an affiliated company of the Group's long term customer, Nakamura Shinko. Using our Jambi facility as a base, the joint venture company will develop, assemble and promote the Japanese truck body concept to the Indonesian market.

Looking Ahead

Although we anticipate challenges to persist in the near term, the operating environment is expected to be more favourable. The World Bank forecasts an improvement in Indonesia's GDP to 5.2% in 2016, assuming smooth implementation of the infrastructure projects forming part of Indonesia's stimulus package. This view is shared by Bank Indonesia, which also projects 2016 GDP growth at 5.2%.

The Board would like to take this opportunity to extend a warm welcome to Mr. Riko Setyabudhy Handoko, who will be joining us as Chief Executive Officer in June 2016. With his wealth of experience at the helm, the Group is cautiously optimistic of our prospects in the coming year as we engineer a recalibration of our business operations.

Appreciation

On behalf of the Board, I would like to express our sincere thanks to Mr. Aris Sunarko for his many years of dedicated service as the Group's Chief Executive Officer. Mr. Aris Sunarko will be vacating this position as part of the Group's succession planning, but will remain with us as an Executive Director and a member of the Board Risk Committee.

I would also like to thank our shareholders, staff, business partners and customers for your unwavering support as we continue to build a better Samko.

In a sign of mutual trust and confidence, Samko entered into a 60:40 joint venture agreement with an affiliated company of the Group's long term customer, Nakamura Shinko. Using our Jambi facility as a base, the joint venture company will develop, assemble and promote the Japanese truck body concept to the Indonesian market.

CEO STATEMENT

Dear Shareholders,

We observed important changes in the Group's business environment in 2015. While these shifts were not ground breaking in nature, they affect us at a fundamental level and bear long term implications.

Competitive Landscape

As one of the three goals in the Masterplan for Acceleration and Expansion of Indonesia's Economic Development, the Indonesian government has been clear on its objective of nurturing value-adding industries to maximize the value of its natural resources. The wood processing industry is one such example. Consequently, the Group has noted a rise in the number of new entrants over the years, particularly in Java.

Due to the time required for maturation, log plantations were unable to meet the swift increase in demand coming from the new entrants. Natural logs were also in shortage because of the longer El Nino season in 2015. As a result, the Group's raw material costs increased by 9% year-on-year. Compounded by higher labour cost and a lower production volume, gross profit margin retreated to 9.9% as gross profit declined 35% to Rp344 billion.

Elevated Cost Base

With the rise in new entrants, the Group believes that labour cost pressures are here to stay. The minimum wage policy announced by the Indonesian government in October 2015 takes immediate effect, and compels businesses to scrutinize their labour productivity and efficiency.

Recognising the necessity and urgency, the Group conducted an operational review encompassing our supply chain, production processes, and various business functions. At the same time, the Group made provision charges for intangible assets, deferred tax assets, as well as doubtful receivables and advances in accordance to prudent accounting principles. Along with the write down of slow moving inventories and foreign exchange losses, these charges amounted to Rp253 billion in total. Aggregating the above factors, the Group reported a net loss of Rp478 billion in 2015.

Strategic Alignment

It is imperative that we reconcile ourselves to a situation of intensified competition and heightened costs. In this respect, the Group has identified several measures to optimize productivity and profitability. Firstly, we will undertake a Group-wide cost rationalization exercise. This includes sourcing for cheaper raw materials outside of Java, as well as maintaining a lean and highly productive workforce. Secondly, for our core wood processing operations, the Group will focus on manufacturing high margin products, and minimize our exposure to slow moving items. Thirdly, the Group will concentrate production at our lower cost facilities.

These measures will be complemented by a continued drive to maintain sales momentum. It is encouraging to note that despite the challenges explained above, Group revenue increased by 6% to Rp3,463 billion in 2015. In particular, overseas exports increased by 34% year-on-year to Rp1,258 billion, driven by volume improvement of 26% as well as price improvement of 6.7%. We remain committed to increase exports and market share on targeted high margin products. To support the sales initiative, the Group will strive to multiply our distribution channels across both domestic and international markets.

Outlook

Indonesia remains the Group's largest market. In the near term, we believe domestic demand for our products will be bolstered by the Indonesian government's push to roll out infrastructure projects as part of its economic stimulus package. In line with its objective to foster value-adding industries, the Indonesian government also targets to achieve US$5 billion in furniture exports over the next five years, more than double the amount of US$2.2 billion achieved in 2014.

Aris Sunarko
Chief Executive Officer

Meanwhile, Indonesia's severe housing shortage offers significant potential to the Group over the longer term. With an estimated backlog of 13 million homes currently, and unfulfilled demand for 600,000 units every year, the Group shall endeavour to position ourselves to benefit from the anticipated requirement for processed wood products when the supply gap narrows over time.

Appreciation

Over the past year, the Group has worked towards the unified goal of building a resilient and robust business. I hereby express my heartfelt gratitude to the Board of Directors for their strategic guidance and inputs, to our staff for their steadfast commitment, and to our customers and business partners for standing by us through thick and thin.

Last but not least, I would like to thank our shareholders for your continued belief in us. Underpinned by research and development efforts for innovative products, and armed with a strategic blueprint, I believe that Samko will be able to rise above the challenges and reinforce our position as the leading wood processor in Indonesia.

MILESTONE

Established in 1978, Samko Timber has grown steadily through the changing business and political landscapes. The Group started as a downstream processed timber products manufacturer without any upstream plantations and natural forest concessions. The first processing plant began in Sulawesi, producing 12,000 m^3 of plywood annually. Through organic expansion and acquisitions, the Group is now one of the leading wood processing companies in Indonesia, with total production capacity of more than 800,000 m^3 per annum.

2008

- Listed on the Main Board of the Singapore Exchange Securities Trading Limited in February.

2009

- Established Samko Trading Pte Ltd to enhance Samko's distribution capabilities, mainly for export markets.

2010

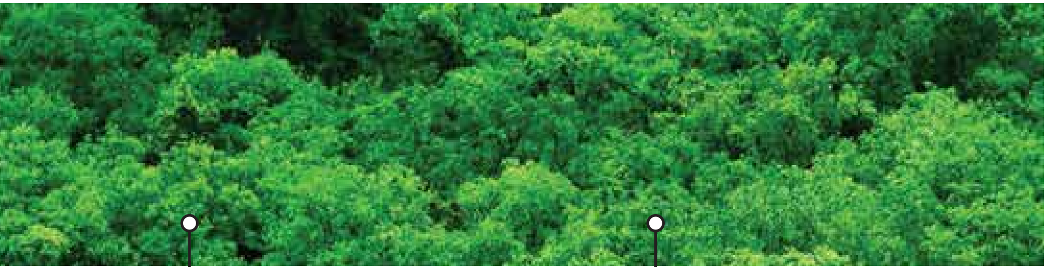
- Rights Issue to exercise to further strengthen Group's capital structure.
- Deconsolidated PT SLJ Global Tbk ("SLJ") through a dilution of our 51.62% shareholding to 31%. SLJ was in a less favorable financial condition and the deconsolidation strengthens Samko's financial position.
- Commenced joint venture between our subsidiary, PT Sumber Graha Sejahtera, and PT Wahana Sekar Agro to jointly develop a timber plantation in West Java.

2011

- Established Samkowood Products Sdn Bhd, a wholly-owned subsidiary, to market our products in Malaysia.
- Commenced the development of our own industrial forest plantation in Jambi to sustain our future needs of raw material.
- Announced proposed acquisition of Bioforest Pte Ltd from Temasek Life Sciences. Bioforest Limited is a bio-technology company that focuses in the research and development of high performance tree species for our plantations.
- Established Samko USA LLC, with 51% equity interest, in USA.

2012

- Completed 100% acquisition of Bioforest Pte Ltd.
- Completed 65% acquisition of PT Cipta Graha Kreasindo ("CGK"). CGK will, on behalf of Samko, provide construction and installation services into our products and also provides Samko faster access into the housing market.



2013

- Strengthened the capital structure of Samko Trading Pte Ltd by way of debt to equity conversion by Samko.
- Commenced veneer production of a new satellite plant in West Java to fulfill our raw material needs in that region.

2014

- Secured a license and approval from the Minister of Forestry of the Republic of Indonesia for a concession of industrial timber plantation at Central Bangka.
- Completed a relocation of our manufacturing plants from West Java to Central Java for optimising production and logistic costs.
- Commenced veneer production in our new satellite plant in Prabumulih, South Sumatra, to fulfill our raw material needs in decking division.

2015

- Established a joint venture company, PT Nusantara Mitra Sejahtera, with the Group long term customer of wooden truck body products. Samko holds 60% equity interest in this joint venture company.

BOARD OF DIRECTORS

Mr Koh Boon Hong

Non-Executive Chairman

Aged 81, Mr Koh Boon Hong founded the Group in 1978 and has served on the Board of Samko Timber Limited since August 2007. He was appointed to the Board of Sunarko Holding Pte Ltd in 1980 and continues to hold office today. Over the past 37 years, Mr Koh had also held directorships in various companies in the property industry, including Sing Holdings Limited, Sing Developments (China) Pte Ltd, Sing-Mas Investments Pte Ltd, and Sing Realty (Singapore) Pte Ltd.

Date of first appointment as a director:
30 August 2007

Date of last re-appointment as a director:
24 April 2015

Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments

Hasan Holding Pte Ltd
Director

Noah Shipping Pte Ltd
Director

Sunarko Holding Pte Ltd
Director

Jaris Global Pte Ltd
Director

Past Directorships in listed companies held over the preceding three years:
Nil

Mr Aris Sunarko @ Ko Tji Kim

Chief Executive Officer and Executive Director

Aged 57, Mr Aris Sunarko @ Ko Tji Kim has served on the Board since December 2005. He holds a Bachelor of Science degree from the University of Southern California and spent 13 years as a manager of production facilities in PT Panca Usaha Palopo Plywood. Mr Sunarko was responsible for the Group's initial venture into the production of laminated veneer lumber in 1989, which culminated after the acquisition of PT Putra Sumber Utama Timber in 1993.

Date of first appointment as a director:
26 December 2005

Date of last re-election as a director:
25 April 2014

Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments

PT Fortuna Sumber Rejeki
President Director

PT Wijaya Triutama Plywood Industry
Commissioner

First Fortuna Holding Pte Ltd
Director

PT Mandiri Sejahtera Jaya Abadi
Director

Past Directorships in listed companies held over the preceding three years:

PT Pelayaran Nelly Dwi Putri Tbk
President Commissioner

Mr Michael Joseph Sampoerna

Non-Independent and Non-Executive Director

Aged 37, Mr Michael Joseph Sampoerna has served on the Board since August 2007. He possesses extensive Board and management experience, having previously served on the Board of various local and overseas companies, including as President Director of PT H.M. Sampoerna Tbk. Mr Sampoerna studied at Millfield School in Somerset, England then attended London School of Economics focusing on business and finance.

Date of first appointment as a director:
30 August 2007

Date of last re-election as a director:
25 April 2014

Present Directorship:
Other Listed Companies

PT Sampoerna Agro Tbk
President Commissioner

Other Principal Commitments

PT Sampoerna Strategic
Director

PT Sampoerna Investama
Director

Putera Sampoerna Foundation
Member of the Board of Patrons

PT Arkananta Cahaya Indah
Director

PT Arundaya Surya Timur
Director

PT Cahaya Indah Arundati
Director

PT Kharisma Putra Adwaya
Director

Past Directorships in listed companies held over the preceding three years:
Nil

Mr Eka Dharmajanto Kasih

Non-Independent and Non-Executive Director

Aged 65, Mr Eka Dharmajanto Kasih has served on the Board since April 2006. Prior to joining the Group, he was a Commissioner and a Director of PT H.M. Sampoerna Tbk, and also a Director of Sampoerna International Finance Company, BV. and Sampoerna International Pte Ltd. Mr Kasih holds a bachelor's degree in Economics from the University of Indonesia and has been an adjunct lecturer at the University of Indonesia (Faculty of Economics) since then.

Date of first appointment as a director:
26 April 2006

Date of last re-election as a director:
24 April 2015

Present Directorship:
Other Listed Companies

PT Sampoerna Agro Tbk
President Director

PT Apexindo Pratama Tbk
Independence Commissioner

Other Principal Commitments
Nil

Past Directorships in listed companies held over the preceding three years:
Nil

BOARD OF DIRECTORS

Mr Koh Tji Kiong @ Amir Sunarko

Non-Independent and Non-Executive Director

Aged 52, Mr Koh Tji Kiong @ Amir Sunarko has served on the Board since April 2006. He holds a Bachelor of Science degree from the University of Southern California, and was a Director of PT Putra Sumber Utama Timber from 1993 until his election as a member of its Board of Commissioners in 2005. Mr Sunarko possesses approximately 25 years of experience serving as a Commissioner or Director of various companies in the timber industry and timber management.

Date of first appointment as a director:
7 April 2006

Date of last re-election as a director:
24 April 2015

Present Directorship:
Other Listed Companies

PT SLJ Global Tbk
President Director

Other Principal Commitments
Nil

Past Directorships in listed companies held over the preceding three years:
Nil

Mr Ng Cher Yan

Independent and Non-Executive Director

Aged 57, Mr Ng Cher Yan was appointed to the Board in December 2007. He started his career with an international accounting firm and is currently practicing as a Charterred Accountant in PLUS LLP (formerly known as CY Ng & Co.), which he established in 1990. Mr Ng holds directorships in several companies listed on the Singapore Exchange Trading Securities Limited, and is also the immediate past Chairman of the Citizens' Consultative Committee of the Braddell Heights Constituency in Singapore. Mr Ng holds a Bachelor of Accountancy from the National University of Singapore and is also qualified Charterred Accountant in Australia. Mr Ng is a fellow member of the Institute of Chartered Accountants in Singapore, and a member of the Institute of Chartered Accountants in Australia.

Date of first appointment as a director:
14 December 2007

Date of last re-election as a director:
25 April 2014

Present Directorship:
Other Listed Companies

Ecowise Holdings Ltd
Independent Director

Vicplas International Ltd
Independent Director

Mermaid Maritime Public Company Ltd
Independent Director

MoneyMax Financial Services Ltd
Independent Director

Bull Will Co. Ltd.
Non-Executive Director

Other Principal Commitments
PLUS LLP
Partner

Past Directorships in listed companies held over the preceding three years:
Kian Ann Engineering Limited
Independent Director

Mr Sim Idrus Munandar

Independent and Non-Executive Director

Aged 61, Mr Sim Idrus Munandar was appointed to the Board in December 2007. Prior to 2005, he was President Director of PT Bina Danatama Finance Tbk, a public-listed company in Indonesia engaged in the financing business. Mr Sim holds a bachelor's degree in Economics from the University of Indonesia, and had been a lecturer at the Sekolah Tinggi Ekonomi (STIE) Jayakarta since 1981 to 2014.

Date of first appointment as a director:
14 December 2007

Date of last re-election as a director:
24 April 2015

Present Directorship:
Other Listed Companies

Kencana Agri Limited
Independent Director

Other Principal Commitments
Nil

Past Directorships in listed companies held over the preceding three years:
Nil

Mr Wee Ewe Lay Laurence John

Independent and Non-Executive Director

Aged 58, Mr Wee Ewe Lay Laurence John was appointed to the Board in December 2007. He holds a Bachelor of Law (Honours) from the University of Buckingham, and was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in December 1983 and has been in legal practice for more than 32 years. He is currently the Director of Quahe Woo & Palmer LLC where he joined on 1 July 2015. Mr Wee currently also holds directorship appointments in several other Singapore companies, including AL Assets Pte Ltd and Cecilanda Private Limited.

Date of first appointment as a director:
14 December 2007

Date of last re-election as a director:
26 April 2013

Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments

Quahe Woo & Palmer LLC
Director

Past Directorships in listed companies held over the preceding three years:
Nil

SENIOR MANAGEMENT

Mr Sujoko Martin

Chief Financial Officer

Mr Sujoko Martin joined the Group in January 2015 and is responsible for overseeing all financial matters of the Group. He has more than 24 years of experience in the area of finance and accounting. Prior to joining the Group, Mr Sujoko was the Finance and IT Director of PT Bukit Makmur Mandiri Utama. His other professional experience includes PT Bina Pertiwi, PT United Tractors Tbk and PT Astra International Tbk. He holds a Bachelor of Economics degree from the Parahyangan Catholic University, Bandung, Indonesia.

Mr Wihartono

Head of Distribution and Housing Component Division

Mr Wihartono joined the Group in 1995. Before seating as Head of Distribution and Housing Component, he was the Financial Controller of the Group. He possesses 22 years of experience in accounting and finance profession. Prior to joining the Group, Mr Wihartono was the Group Head of Johan Malonda & Rekan, a public accounting firm. He holds a Bachelor of Economics degree from the Tarumanagara University, Jakarta, Indonesia.

Mr Iwan Lee

Group Financial Controller

Mr Iwan Lee joined the Group in 2008. He was a Senior Accounting Manager of the Group and subsequently appointed as the Group Financial Controller in 2012. He is responsible for managing day-to-day and overall operational financial matters of the Group. He possesses 15 years of experience in the accounting profession. Prior to joining the Group, Mr Lee was the Audit Manager of PricewaterhouseCoopers, a public accounting firm in Jakarta. He holds a Bachelor of Economics degree from the Trisakti University, Jakarta, Indonesia.

Mr Harry Handojo

Head of Plantation Division

Mr Harry Handojo joined the Group in 1997. He had previously served at PT Putra Sumber Utama Timber, where he was initially appointed as Project Manager and responsible for the implementation and development of new business plans. In 1999, Mr Handojo was promoted to General Manager of PT Putra Sumber Utama Timber. He holds a Bachelor of Engineering degree from the Institute of Technology, Surabaya, Indonesia.

Mr Yusran Mustary

Head of Decking Division

Mr Yusran Mustary joined the Group in 1997. He possesses 22 years of experience in the timber industry. Mr Mustary started his career in PT Wijaya Triutama Plywood Industry in 1988 and left as Manager in 1994. Prior to joining the Group, he was the General Manager of PT Basirih Industrial Corporation from 1994 to 1997. Mr Mustary holds a Diploma-3 in Civil Technical Engineering from the Hasanudin University, Ujung Pandang, Indonesia.

Mr The Victor Diputra

Head of Plywood Division

Mr The Victor Diputra joined the Group in 1986. He possesses 27 years of experience in the timber industry. Prior to joining the Group, he spent two years with PT Harapan Kita Utama Pontianak and before that, he worked with PT Aji Ubaya Banjarmasin from 1983 to 1985. Mr Diputra is also the President Director of PT Sejahtera Usaha Bersama.

Mr Trenggono Purwosuprodjo

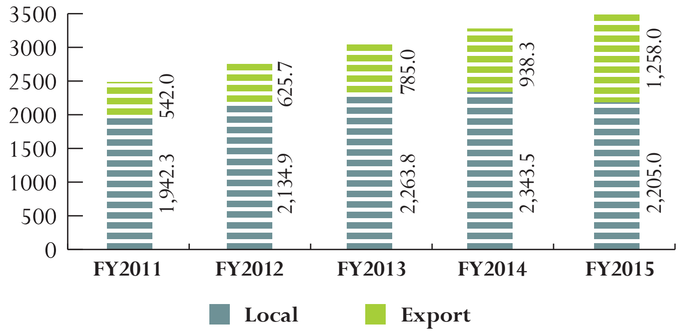
Commissioner of a subsidiary and Chairman of the Board Risk Committee

Mr Trenggono Purwosuprodjo joined the Group in 2006. Currently, he served as a Commissioner of a subsidiary company, PT Sumber Graha Sejahtera and the Chairman of the Board Risk Committee of the Company. He possess 41 years of experiences serving as a Commissioner or Director of various companies, including Astra International Inc Group, Hasko Group, ASEAN Finance Corp Ltd, ASEAN Fund Ltd, Bank Utama, CBG Unit Citibank, Jakarta and PT Freeport Indonesia. He holds a Bachelor of Economics degree from the University of Indonesia.

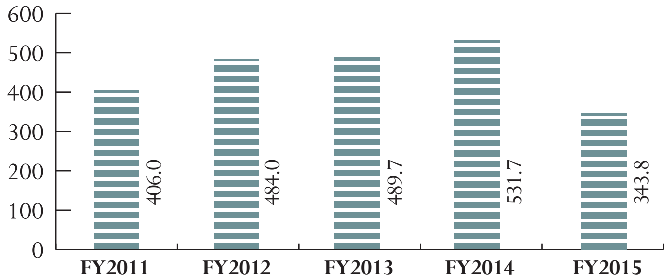
FINANCIAL HIGHLIGHTS

REVENUE	GROSS PROFIT
Rp 3,463.0 m + 5.5%	Rp 343.8 m - 35.5%
2014: Rp 3,281.8 m	2014: Rp 531.7 m

Revenue (Rp 'billion)



Gross Profit (Rp 'billion)



Gross Margin

SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

Approximately 85% of our logs are sourced from forest plantations, with the remainder obtained from natural forests that have met the requisite operating and technical standards imposed by both governmental and non-governmental organisations.

Sustainable Development ("SD") and Corporate Social Responsibility ("CSR") is an integral business philosophy of Samko. These principles are enshrined formally in our Corporate Values and Code of Ethics, but more importantly, its practice permeates every aspect of our business. The Group's commitment to adopt a harmonised approach in business development, social progress and responsible environmental management manifests in the following pragmatic and recognised certifications:

- Japan Agricultural Standard ("JAS")
- Indonesian Timber Legality Assessment System ("TLAS") / *Sistem Verifikasi Legalitas Kayu ("SVLK")*
- ISO9001
- ISO14001
- Verification of Legal Compliance ("VLC") from Rainforest Alliance
- California Airborne Resource Board ("CARB") Phase 2
- Singapore Green Label from Singapore Environment Council
- Corporate member of Green Building Council Indonesia

These certifications enable the Group to build a stronger brand identity and allow us to meet increasing demand for certified processed timber products. For instance, the Indonesia-EU Voluntary Partnership Agreement aims to ensure that timber and timber products exported to the EU come from legal sources. To maintain our consistently high standards, we regularly monitor and aim to achieve ongoing compliance requirements.

Satisfying Present Needs Without Compromising The Future

The Group deeply comprehends the invaluable worth of earth's natural resources due to the nature of our business. We are committed to ensure the sustainability of our raw materials, adhering to strict rules regarding the legitimacy of their source. Approximately 85% of our logs are sourced from forest plantations, with the remainder obtained from natural forests that have met the requisite operating and technical standards imposed by both governmental and non-governmental organisations.

In our operations, the Group makes every effort to extract the maximum value of wood. Our production processes are engineered to reduce wastage, such as increasing usage of smaller diameter plantation logs, maintaining a high recovery rate, and the conversion of wood into higher value products. The Research and Development department also plays a key role in conceiving new technologies to prolong the useful lives of our products.

Business With a Conscience

Out of reverence to the environment, the Group has been practicing the "Zero Burning Technique" since we commenced upstream operations in 2000. This is a method of land clearing whereby the trees, either logged or felled, are shredded, stacked and left on site to decompose naturally. The Group refrains from procuring logs from any known farmers or suppliers which obtain logs via stash and burn.

The Group truly believes that people are at the core of every business. To build a conducive working environment, the Group provides for the safety, security and positive welfare of employees to the best of our abilities. This practice extends to the communities where we operate in as well. Every year, the Group demonstrates its dedication to SD and CSR through voluntary involvement in various activities:

- Contributing free seedlings to local communities to foster a green culture
- Offering scholarships to best performing students
- Offering school fees support for low income families
- Contributing to the construction of public facilities, including mosques, churches, health clinics, and roads in the vicinity of our factories
- Contributing funds or parcels of religious offerings to low income families during festive periods such as Ramadan or Hari Raya Idhul Fitri

As a responsible timber processing Group, we are committed to ensure the long term sustainability of the environment, the communities we operate in, and our business venture in a just and ethical manner.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chairman:
Koh Boon Hong

Executive:
Aris Sunarko @ Ko Tji Kim
(Chief Executive Officer)

Non-Executive:
Michael Joseph Sampoerna
(Non-Independent)

Eka Dharmajanto Kasih
(Non-Independent)

Koh Tji Kiong @ Amir Sunarko
(Non-Independent)

Ng Cher Yan
(Lead Independent)

Sim Idrus Munandar
(Independent)

Wee Ewe Lay Laurence John
(Independent)

AUDIT COMMITTEE

Ng Cher Yan *(Chairman)*
Sim Idrus Munandar
Wee Ewe Lay Laurence John

NOMINATING COMMITTEE

Sim Idrus Munandar *(Chairman)*
Ng Cher Yan
Wee Ewe Lay Laurence John

REMUNERATION COMMITTEE

Wee Ewe Lay Laurence John *(Chairman)*
Ng Cher Yan
Sim Idrus Munandar

BOARD RISK COMMITTEE

Trenggono Purwosuprodjo *(Chairman)*
Aris Sunarko @ Ko Tji Kim
Ng Cher Yan
Sim Idrus Munandar
Sujoko Martin

SECRETARIES

Lynn Wan Tiew Leng
Kiar Lee Noi

REGISTERED OFFICE

7500A Beach Road
#08-305/307 The Plaza
Singapore 199591
Tel: 6298 2189
Fax: 6298 2187

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: 6536 5355
Fax: 6536 1360

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE

Lim Siew Koon
(Appointed since the financial year ended 31 December 2012)

INTRODUCTION

The Board of Directors (the "**Board**" or the "**Directors**") of Samko Timber Limited (the "**Company**") is committed to setting and maintaining high standard of corporate governance to ensure greater corporate transparency, accountability, performance and integrity. The Company has substantially complied with the revised Code of Corporate Governance 2012 (the "**Code**") through effective selfregulatory corporate practices to protect and enhance the interests and value of its shareholders.

This report describes the Company's corporate governance practices with specific reference to the Code in its Annual Report. Unless otherwise stated, the principles and guidelines of the Code have been complied with.

I. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Effective Board to lead and control the Company

The Board oversees the business affairs of the Company and its subsidiaries (collectively the "**Group**") and is responsible for setting the strategic direction of the Group establishing goals for Management. In addition, the Board works with Management to achieve these goals set for the Group. To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its Committees and Management. The Board Committees and Management remain accountable to the Board.

Apart from the statutory responsibilities, the Board is responsible for the overall management of the Group and the review and monitoring of the Group's operations, including:

- The review of the Group's financial performance;
- The approval of the nomination/appointment of Directors and key management personnel;
- The review and approval of annual budgets, major funding proposals, potential investment and divestment proposals, including material capital investments;
- Responsibility for corporate governance; and
- To ensure that the Group maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets.

The following matters are specifically reserved for the Board's decision and approval:

- Financial results announcements;
- Annual Reports and financial statements;
- Corporate strategies and financial restructuring; and
- Major investment or acquisition/disposal proposals, including any other transactions of a material nature requiring announcements under the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

CORPORATE GOVERNANCE STATEMENT

The Board is supported by four Board Committees, namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Board Risk Committee ("**BRC**"). Each Committee has its own specific Terms of Reference or Charter setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken. The Chairman of the respective Board Committee will report to the Board on the outcome of the Committee meetings and their recommendations on the specific agendas mandated to the Committee by the Board.

The Board is free to request for further clarification and information from Management on all matters within their purview. The schedule of all the Board Committees' meetings for the financial year is usually given to all the Directors well in advance. The Board conducts at least four meetings on a quarterly basis to review the Group's financial results and where necessary, additional Board meetings are held to address significant issues or transactions.

During the financial year ended 31 December 2015 ("**FY2015**"), the Board met four times to review the Company's quarterly and full-year results and to consider proposed corporate actions by the Company. Ad-hoc meetings are held to address significant issues or transactions. The Company's Constitution allow a Board meeting to be conducted by way of a telephone conference and/or by means of similar communication equipment where all Directors participating in the meeting are able to hear each other. Decision of the Board and Board Committees may also be obtained through circular resolutions.

The number of meetings held by the Board and Board Committees and attendances of Directors at the meetings during FY2015 are set out as follows:

		Board Committees			
	Board	Audit Committee	Nominating Committee	Remuneration Committee	Board Risk Committee
No. of meetings held	**4**	**4**	**1**	**1**	**4**
Name of Director	**No. of meetings attended**				
Koh Boon Hong	4	-	1*	1*	2*
Aris Sunarko @ Ko Tji Kim	4	4*	1*	1*	4
Michael Joseph Sampoerna	3	-	-	-	-
Eka Dharmajanto Kasih	3	-	-	-	-
Koh Tji Kiong @ Amir Sunarko	3	-	-	-	-
Ng Cher Yan	4	4	1	1	4
Sim Idrus Munandar	4	4	1	1	4
Wee Ewe Lay Laurence John	4	4	1	1	4*

* Attendance by invitation of the relevant Board Committee

The Board is of the view that the contribution of each Director should not be focused only on his attendance at meetings of the Board and/or Board Committees. A Director's contribution may also extend beyond the confines of the formal environment of such meetings, through the sharing of views, advices, experiences and strategic networking relationships which would further the interests of the Company.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Under the guidelines, all new investments, any increase in investment in businesses and subsidiaries, and any divestments by any of the Group's companies, and all commitments to term loans and lines of credit from banks and financial institutions by the Company require the approval of the Board.

Generally, a formal letter of appointment is provided to the newly appointed Directors setting out their duties and obligation as a Director in respect of potential conflicts of interest, their interested person transactions and disclosure of Director's interests.

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. All the Directors are encouraged to attend seminars, conferences or any courses in connection to new laws, regulations and risk management (including management of commercial, financial, operational and compliance risks) conducted by professional bodies, including active participation in the Singapore Institute of Directors.

Where required, the Company Secretaries and external professionals bring to the Directors' attention relevant updates in the industry and changes in accounting standards and regulations.

Newly appointed Directors are given orientation briefings by Management on the business activities of the Group and its strategic directions, so as to familiaris them with the Group's operations and encourage effective participation in Board discussions. All Directors are updated on major milestones of the Group.

BOARD COMPOSITION AND BALANCE

Principle 2: Strong and independent element on the Board

The Board consists of eight Directors, seven of whom are Non-Executive Directors of which three are Independent Directors:

Non-Executive Chairman:
Koh Boon Hong

Executive Director:
Aris Sunarko @ Ko Tji Kim — Chief Executive Officer ("**CEO**")

Non-Executive Directors:
Michael Joseph Sampoerna
Eka Dharmajanto Kasih
Koh Tji Kiong @ Amir Sunarko

Independent Directors:

Ng Cher Yan	Lead Independent Director
Sim Idrus Munandar	
Wee Ewe Lay Laurence John	

The profiles of the Directors are set out on pages 10 to 13 of this Annual Report. The Directors of the Company come from diverse backgrounds and possess core competencies, qualifications and skills, all of whom as a group, provides the Board with a good mix of the necessary experience and expertise to direct and lead the Group. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group. The Board is of the view that the current Board size and composition is appropriate, taking into account the scope, nature and size of operations of the Group.

In view that the Chairman and the CEO are immediate family members and the Chairman is not an Independent Director, the Board noted that the Company is required to comply with the requirement for Independent Directors to make up at least half of the Board, and is in the midst of making arrangements to change the board composition.

In addition, the Company benefited from Management's ready access to its Directors for guidance and exchange of views both within and outside of the formal environment of the Board and Board Committees meetings. The NC conducted its annual review of the Directors' independence in accordance with the Code's definition of what constitutes an Independent Director. In its deliberation as to the independence of a Director, the NC take into consideration whether a Director has any business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement. The Independent Directors constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

Though our Independent Directors have served on the Board for more than nine years from the date of their first appointment, the Board concurred with the NC's view that they are independent in character and judgment and there were no circumstances which would likely affect or appear to affect their judgment. While recognizing the benefits of the experience and stability brought by long-standing Directors, the Board remains committed to the progressive renewal of board membership. The Independent Directors meet amongst themselves without the presence of Management when necessary.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear division of responsibilities and balance of power and authority

Different individuals assumed the Chairman's and the CEO's roles and the division of responsibilities between the Chairman and the CEO have been clearly established:

(a) To maintain effective supervision and ensure a balance of power and authority; and

(b) To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The roles and responsibilities between the Chairman and the CEO are held by separate individuals. Mr Koh Boon Hong is our Non-Executive Chairman (the "**Chairman**") and Mr Aris Sunarko @ Ko Tji Kim is our CEO. Mr Aris Sunarko @ Ko Tji Kim is Mr Koh Boon Hong's son.

The Chairman, Mr Koh Boon Hong, brings with him a wealth of experience, leads the Board and bears responsibility for the working of the Board. Mr Koh ensures that the Board receives accurate, timely and clear information and that the Board meetings are held as and when necessary, and sets agenda of the Board meetings in consultation with the other Directors and Management. He assists in ensuring compliance with the Group's guidelines on corporate governance and facilitating the effective contribution of Non-Executive Directors.

The CEO, Mr Aris Sunarko @ Ko Tji Kim, is responsible for the day-to-day operations of the Group and steering the strategic direction and growth of the Group's business. Mr Aris regularly communicates with the Chairman and the Board to update them on corporate issues and developments.

The Lead Independent Director, Mr Ng Cher Yan, is responsible for leading and coordinating the activities of the Non-Executive and Independent Directors and serve as a principal liaison on Board issues between the Non-Executive and Independent Directors and the Chairman of the Board. The Lead Independent Director is available to shareholders who have concerns for which contact through the normal channels of the Chairman, CEO, Executive Directors or Chief Financial Officer ("**CFO**") have failed to resolve or for which such contact is inappropriate.

Objectivity and independence of the Board decisions are maintained through the professionalism of each member of the Board, including the Non-Executive and Independent Directors, who have demonstrated a high level of commitment in their roles as Directors of the Company.

During FY2015, the Independent Directors have met unofficially at least once to discuss Company matters without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

In January 2016, Mr Aris Sunarko @ Ko Tji Kim has tendered his resignation as the CEO of the Company in order to make plan for succession and pave way for new leadership. His last day of service would be on 26 June 2016. He remains as an Executive Director and a member of the BRC of the Company. The newly appointed CEO, Mr Riko Setyabudhy Handoko, will assume responsibility over the Group's business and report to Board effectively on 27 June 2016.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board

The NC comprises the following three members, all of whom are Non-Executive and Independent Directors. The NC Chairman is not associated in any way with the 10% shareholders of the Company.

Sim Idrus Munandar	Chairman
Ng Cher Yan	Member
Wee Ewe Lay Laurence John	Member

The NC is regulated by a set of written Terms of Reference and is responsible for making recommendations to the Board on all Board appointments and reappointments through a formal and transparent process, which includes internal guidelines to address the conflict of competing time commitments that are faced by Directors with multiple board representations. In respect of re-nominations, the NC will consider the individual Director's contribution and performance and whether the Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations.

The responsibilities and principal functions of the NC, as set out in its Terms of Reference, include:

(a) Reviewing board succession plans for Directors, in particular, the Chairman and the CEO;

(b) Conducting a formal assessment on the effectiveness of the Board as a whole and to assess the contribution by each individual Director to the effectiveness of the Board, particularly when a Director serves on multiple Boards;

(c) Reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment and re-appointment of Directors;

(d) Reviewing and recommending to the Board the retirement or re-election of Directors in accordance with the Constitution of the Company at each annual general meeting ("**AGM**");

(e) Reviewing the structure, size and composition of the Board annually to ensure that the Board has an appropriate balance of independent and non independent Directors and ensuring an appropriate balance of expertise, skills, attributes and ability among the Directors;

(f) Establishing procedures for evaluation of the performance of the Board, it's Board Committees and Directors, and proposes objective performance criteria which shall be approved by the Board;

(g) Determining annually the independence of Directors, in accordance with applicable codes and guidelines; and

(h) Deciding whether the Directors have been and will continue to contribute effectively and demonstrate commitment to their roles and duties as a Director of the Company adequately, taking into consideration each Director's number of listed company board representations and other principal commitments.

In accordance with Article 94 of the Company's Constitution, every Director shall retire from office once every three years and at each AGM, one-third of the Directors shall retire from office by rotation. In addition, Article 95 provides that the retiring Directors are eligible to offer themselves for re-election and Article 100 provides that all newly appointed Directors shall hold office only until the next AGM and are eligible to offer themselves for re-election.

During FY2015, the NC had met once to:

(a) Assess and review the Board size and competency mix;

(b) Assess and evaluate effectiveness of the Board and the Board's performance as a whole;

(c) Assess and review the independence of each Independent Director, including those with multiple directorships in other companies; and

(d) Review and recommend the re-election of Directors retiring pursuant to the Company's Constitution.

Accordingly, the Board has accepted the NC's nomination of the retiring Directors who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Directors are Messrs Ng Cher Yan, Michael Joseph Sampoerna and Wee Ewe Lay Laurence John who will retire pursuant to Article 94 of the Company's Constitution at the forthcoming AGM of the Company.

The NC has reviewed the independence of Messrs Ng Cher Yan, Wee Ewe Lay Laurence John and Sim Idrus Munandar, and is satisfied that there are no relationships which would deem any of them not to be independent. In reviewing the independence, the NC has considered the relationships identified by the Code and additionally, the Independent Directors are also independent of the substantial shareholders of the Company.

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. Based on the individual Director's confirmation to the NC on his ability to carry out his duties as a Director of the Company and to address any competing time commitments that may arise, the NC believes that it would not be necessary to put a maximum limit on the number of listed company board representations of each Director.

The NC has evaluated the competing time commitments faced by Directors serving on multiple boards during the year and is satisfied that the Directors have spent adequate time on the Group's affairs to fulfil their responsibilities.

Currently, the Company does not have alternate directors.

When the need for a new Director is identified, either to replace a retiring Director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competences and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitas, for consideration.

Information in respect of the academic and professional qualification, and directorship or chairmanship, both present and those held over the preceding three years in other listed companies, is set out in the "Board of Directors" section of the Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the "Directors' Statement" section of the Annual Report.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board

The NC, guided by its Terms of Reference, had decided on how the Board's performance is to be evaluated and has developed objective performance criteria, which address how the Board has enhanced long-term shareholders' value. The NC has also implemented a process for assessing the effectiveness of the Board as a whole, as well as the contribution of each Director to the effectiveness of the Board.

The evaluation of the Board's performance is carried out on an annual basis, and the performance criteria for the Board evaluation covers amongst other criteria, Board composition, Board processes, Board accountability, CEO performance and succession planning and standard of conduct of the Board. Each Director assesses the Board's performance as a whole by providing feedback to the NC.

The NC is of the view that each individual Director has contributed to the effectiveness of the Board as a whole. During FY2015, the NC has conducted the assessment by preparing a performance evaluation questionnaire to be completed by each Director, of which were then collated and the findings were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The results of the NC's assessment for FY2015 has been communicated to and accepted by the Board.

The NC reviewed the mix of skills and experiences of the Directors that the Board requires to function competently and efficiently in achieving the Group' strategic objectives. When reviewing the Board's performance for FY2015, the NC is satisfied that the Board has a good mix of skills and expertise to meet the needs of the Group and noted the following points:

(a) Feedback received from the Directors and acted on their comments accordingly; and

(b) Individual Director's attendance at meetings of the Board, Board Committees and general meetings, individual Director's functional expertise and his commitment of time to the Company.

The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company.

ACCESS TO INFORMATION

Principle 6: Board members should be provided with complete, adequate and timely information

To enable the Board to function effectively and to fulfil its responsibilities, Management recognises its obligation to supply the Board and the Board Committees with complete, adequate information in a timely manner. In addition, all relevant information on the Group's annual budgets, financial statements, material events and transactions complete with background and explanations are circulated to Directors as and when they arise. A system of communication between Management and the Board has been established and will improve over time.

Each Director has been provided with the up-to-date contact particulars of the Company's key management personnel and the Company Secretaries to facilitate access to any required information. The Company Secretaries attends all meetings of the Board and the Board Committees and are responsible in ensuring that Board procedures and all other rules and regulations applicable to the Company are complied with. The appointment and removal of the Company Secretaries are subject to approval of the Board as a whole.

In furtherance of their duties, the Directors, individually or as a group, may seek independent professional advice on matters relating to the businesses of the Group, at the Company's expense, subject to approval by the Board.

II. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors

The RC comprises the following three members, all of whom are Non-Executive and Independent Directors.

Wee Ewe Lay Laurence John	Chairman
Ng Cher Yan	Member
Sim Idrus Munandar	Member

The RC is regulated by a set of written Terms of Reference. Its key functions include:

(a) Reviewing and recommending to the Board a framework of remuneration for each Director and key management personnel that are competitive and sufficient to attract, retain and motivate key management personnel of the required quality to run the Company successfully;

(b) Reviewing and determining specific remuneration packages and terms of employment for each Director and key management personnel, which cover all aspect of remuneration including Directors' fees, salaries, allowances, bonuses and benefits-in-kind;

(c) Determining the appropriateness of the remuneration of the Independent Directors takings into consideration the level of their contribution; and

(d) Reviewing and recommending to the Board the terms of renewal of the service contracts of Directors.

During FY2015, the RC had met once to review, determine, and recommend to the Board:

(a) A framework of remuneration and the specific remuneration packages and terms of employment for each Director and key management personnel, to ensure that Directors are adequately but not excessively remunerated; and

(a) The payment of Directors' fees for the financial year ending 31 December 2016, payable quarterly in arrears, which are subject to the shareholders' approval at the AGM of the Company.

The RC also considered, in consultation with the CEO, amongst other things, their responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain the best available executive talent.

The recommendations of the RC would be submitted to the Board for endorsement. The RC has full authority to engage any external professional to advise on matters relating to remunerations as and when the need arises.

No individual Director is involved in fixing his own remuneration. Independent Directors are paid Directors' fees annually on a standard fee basis.

Each member of the RC abstains from making any recommendation on or voting on any resolutions in respect of his own remuneration package, except for providing information and documents specifically requested by the RC to assist it in its deliberations.

The RC reviews the terms and conditions of service agreements of the CEO before their execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of Executive Director and key management personnel, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

Principle 8: Level of remuneration of Directors should be appropriate but not excessive

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the CEO and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board.

The remuneration of the CEO and the key management personnel comprises primarily a basic salary component, an annual supplement equivalent to one month basic salary during each Muslim Hari Raya month and a variable component which is inclusive of bonuses and other benefits.

Currently, the Company does not have any long-term incentive schemes.

Directors' fees are set in accordance with a remuneration framework based on the level of responsibility and scope of work. The CEO does not receive any Directors' fee, whilst the Non-Executive Directors are paid Directors' fees in accordance with their level of contributions, taking into account factors such as efforts and time spent, as well as responsibilities and obligations of the Directors. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company. The Board has endorsed the remuneration framework.

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the CEO and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The CEO owes a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the CEO in the event of such breach of fiduciary duties.

The service agreement entered into with the CEO is effective from 1 May 2014 and will continue until 26 June 2016. None of the Non-Executive Directors is on a service contract with the Company.

DISCLOSURE ON REMUNERATION

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top five key management personnel (who are not also Directors or the CEO) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the financial statements of the Company.

During the financial year, there were no termination, retirement and postemployment benefits granted to Directors (including the CEO) and the top five key management personnel (who are not Directors or the CEO) of the Company and the Group.

The remuneration of each individual Director and key management personnel of the Group and the aggregate total remuneration to key management personnel are however not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

A breakdown of the level and mix of the remuneration payable to each individual Director for FY2015 are set out below:

Name of Director	Remuneration Band S$	Salary %	Director Fees %	Performance Based Bonuses %	Other Benefits %	Total %
Aris Sunarko @ Ko Tji Kim	$500,000 and <$750,000	98	-	-	2	100
Koh Boon Hong	<$250,000	-	100	-	-	100
Michael Joseph Sampoerna	<$250,000	-	100	-	-	100
Eka Dharmajanto Kasih	<$250,000	-	100	-	-	100
Koh Tji Kiong @ Amir Sunarko	<$250,000	-	100	-	-	100
Ng Cher Yan	<$250,000	-	100	-	-	100
Sim Idrus Munandar	<$250,000	-	100	-	-	100
Wee Ewe Lay Laurence John	<$250,000	-	100	-	-	100

Remuneration of Key Management Personnel (who are not Directors or the CEO)

The Company advocates a performance-based remuneration system taking into account the performance of individuals and the Company's performance.

A breakdown of the ranges of gross remuneration paid in FY2015 to the Group's key management personnel (who are not Directors or the CEO) in the Company and in the Group's subsidiaries, excluding any associated companies, are set out below:

Name of Key Management Personnel	Position	Remuneration Band S$	Salary %	Performance Based Bonuses %	Other Benefits %	Total %
Sujoko Martin	Chief Financial Officer	$500,000 and $750,000	73	-	27	100
Iwan Lee	Group Financial Controller	<$250,000	99	-	1	100
Wihartono	Head of Distribution and Housing Component Division	<$250,000	100	-	-	100
Harry Handojo	Head of Plantation Division	<$250,000	100	-	-	100
Yusran Mustary	Head of Decking Division	<$250,000	99	-	1	100
The Victor Diputra	Head of Plywood Division	<$250,000	100	-	-	100
Trenggono Purwosuprodjo	Commissioner of a subsidiary and Chairman of the BRC	<$250,000	100	-	-	100

The total remuneration paid to the key management personnel is set out on page 112 of this Annual Report.

There are no employees who are immediate family members of any of the Directors and/or the CEO whose remuneration exceeded S$50,000 for FY2015. No remuneration or compensation was paid or is to be paid in the form of share options, since the Company does not currently have any plan to implement share option or share incentive plans. However this does not rule out the possibility of the Company doing so in the future.

III. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: Presentation of a balanced and understandable assessment of the Company's performance, position and prospects

The Board recognises that it is accountable to shareholders for the performance of the Group. In discharging this responsibility, the Board ensures the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, financial position and prospects.

To assist the Board in discharging its responsibility, the Company has established a system whereby business and finance heads of individual subsidiaries and business units provide written representations, to Management who would in turn furnish an overall representation to the AC and the Board confirming, *inter alia*, the integrity of the Group's financial statements.

The Board takes steps to ensure compliance with legislative and regulatory requirements with all of the Group's operational practices and procedures and relevant regulatory requirements.

Management keeps the Board regularly updated on the Group's business activities and financial performance by providing operations reports on a regular basis. Such reports include information on:

- The Group's actual performance against the approved budget and where appropriate, against forecast; and
- Key business indicators and major issues that are relevant to the Group's performance.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Sound system of risk management and internal controls

The Board is responsible for the governance of risk and sets the direction for the Group in the way risks are managed in the Group's businesses. The Board believes in the importance of maintaining a sound system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems to safeguard the interests of the shareholders and the Group's assets. To achieve this, internal reviews are constantly being undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or disposition, transactions are properly authorised and proper financial records are being maintained.

The Board had established a BRC to assist the Board to ensure that the Group maintains a robust and effective system of internal controls and to evaluate the adequacy of the Group's internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems.

The BRC comprises the following five members, of whom one CEO, two Independent Directors and two key management personnel:

Trenggono Purwosuprodjo	Chairman
Aris Sunarko @ Ko Tji Kim	Member
Ng Cher Yan	Member
Sim Idrus Munandar	Member
Sujoko Martin	Member

The BRC had adopted a set of written Charter defining its membership and its duties and responsibilities, which include:

(a) Monitoring of all material enterprise risks within the framework of enterprise risk management as approved by the Board. The BRC recognises that there are responsibilities delegated by the Board to its Board Committees and understands that the Board Committees may emphasise specific risk monitoring through their respective activities;

(b) Reviewing and discussing with Management the Company's risk assessment and risk management practices and related guidelines, policies and processes, as well as the adequacy of resources to perform its risk management responsibilities under the risk governance;

(c) Reviewing and discussing with Management the Company's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risks, market risk, operational risk, compliance risk and information technology risk, as well as the guidelines, policies and processes for their control, monitor and mitigating actions;

(d) Overseeing the standards in relation to risk tolerances adopted by the Company. The standards will be reviewed annually to take into account changes in the internal and external environments as well as reports of the AC and findings from the internal auditors;

(e) Meeting with the Chairman and/or other members of the Board Committees to discuss the Company's corporate risk management framework and internal control areas;

(f) Reviewing and recommending to the Board the approval of any major transactions or decisions affecting the Company's risk profile or exposure (if any); and

(g) Reporting to the Board regarding the BRC's regular findings and recommendations, including any major transactions covered by the BRC at each BRC meeting, and providing additional reports to the Board as the BRC may determine appropriate.

The BRC met four times during FY2015 to review the enterprise risk management which focused on the operational, financial, compliance and information technology aspects of the Group. The Chairman of the BRC had reported the findings and recommendations to the Board during the Board meetings.

The BRC has reviewed the Group's financial controls and risk management policies and processes, and based on its assessment and reports of the external auditors and internal auditors, the BRC is assured that adequate and effective internal controls are in place.

As for the operational and compliance controls, the Group has periodically reviewed these control areas through the various heads of department, and has continuously made improvements with the assistance of the internal auditors.

For FY2015, the Board has received assurance from the CEO, the CFO and the internal auditor of the Company that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(a) The system of risk management and internal control in place within the Group (including financial, operational, compliance and information technology controls) are sufficiently adequate and effective in addressing the material risks in the Group in its current business environment.

Based on the internal controls maintained by the Group, work performed by the internal audit team and the BRC during the financial year under review, as well as the statutory audit by the external auditors, and the reviews performed by Management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls in place by the Group, is adequate and effective to address all material aspects of the financial, operational, compliance and information technology controls, and the risk management systems, are adequate and effective to meet the needs of the Group for the type and volume of businesses conducted in the current business environment.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as the Group strives to achieve its' business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Information in relation to the Group's risk management objectives and policies is disclosed in the notes to the financial statement on pages 113 to 116.

AUDIT COMMITTEE

Principle 12: Establishment of Audit Committee with written terms of reference

The AC comprises the following three members, all of whom are Non-Executive and Independent Directors.

Ng Cher Yan	Chairman
Wee Ewe Lay Laurence John	Member
Sim Idrus Munandar	Member

The Board is of the opinion that the AC members are appropriately qualified to discharge their responsibilities. Two of the members, Messrs Ng Cher Yan and Sim Idrus Munandar, have accounting or related financial management background, while Wee Ewe Lay Laurence John is the Director of a law firm. All members are familiar with financial statements.

As the Lead Independent Director and the AC Chairman, Mr Ng Cher Yan's scope of work also include leading the AC in its' role in reviewing interested person transactions undertaken by the Group and being available to shareholders where they have concerns which have been raised through the normal channels of the Chairman or the CFO but have not been resolved or for which such contact is inappropriate.

None of the AC members is a former partner or Director of the Company's existing auditing firm or auditing corporation within a period of twelve months commencing on the date of his ceasing to be partner of the auditing firm or a Director of the auditing corporation; and in any case, a person has any financial interest in the auditing firm or auditing corporation.

The AC is regulated by a set of written Terms of Reference. The principal functions of the AC include:

(a) Reviewing the financial reporting process including but not limited to the audit plans of the external auditors and, where applicable, the internal auditors, including the results of the auditors' review and evaluation of the Group's system of internal accounting, operational and compliance controls and risk;

(b) management policies and systems and ensuring co-ordination between the internal and external auditors and Management at least annually. The AC also ensures that a review of the effectiveness of the Group's internal controls is conducted at least annually;

(c) Reviewing the Group's financial results announcements before submission to the Board for approval prior to release to the SGX-ST;

(d) Reviewing the consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with Financial Reporting Standard, concerns and issues arising from their audits including any matters which the external auditors may wish to highlight and discuss in the absence of Management, where necessary, before submission to the Board for approval;

(e) Reviewing and discussing with the external auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the operating results and/or financial position and Management's response;

(f) Reviewing the co-operation of Management with the auditors;

(g) Reviewing the non-audit services provided by the external auditors as part of the AC's assessment of the external auditors' independence;

(h) Considering the appointment, re-appointment and removal, approving the remuneration and engagement of the external auditors and reviewing the independence and objectivity of the external auditors annually;

(i) Reviewing any transactions falling within the scope of Chapters 9 and 10 of the SGX-ST Listing Manual;

(j) Reviewing all hedging policies of, and instruments used for hedging by, the Group (if any);

(k) Undertaking other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(l) Reviewing potential conflicts of interest (if any);

(m) Ensuring that arrangements are in place for employees to raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters; and

(n) Undertaking such other functions and duties as may be required by applicable law or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC will:

i. Commission and review the findings of internal investigations into any matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and

ii. Ensure that the appropriate follow-up actions are taken.

The AC met four times during FY2015 to review the audit plan/report, the audit findings, the reports on interested person transactions, the reports on internal audit activities for the year (including updates on the findings in relation thereto) and the announcements of the quarterly and full-year results before being approved by the Board for release to the SGX-ST.

The AC is authorised by the Board to investigate any matters within its Terms of Reference. It has unrestricted access to information pertaining to the Group, to both internal and external auditors, and to all employees of the Group. Reasonable resources have been made available to the AC to enable it to discharge its duties properly.

The AC has met with the external auditors and internal auditor, without the presence of the Company's Management. As there are no non-audit services provided by the external auditors for the year under review, the AC is of the view that the objectivity and independence of the external auditors in 2015 were not prejudiced. The fees payable to auditors is set out on page 87 of this Annual Report.

The AC will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on annual basis. Messrs Ernst & Young LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with Accounting and Corporate Regulatory Authority and provided a confirmation of their independence to the AC. The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, given the size and complexity of the Group. The AC is satisfied that the appointment of external auditors is in compliance with the requirements of Rule 712 of the SGX-ST Listing Manual. Accordingly, the AC has recommended the re-appointment of Messrs Ernst & Young LLP as external auditors for the ensuing year at the forthcoming AGM of the Company.

In accordance with the requirements of Rule 715 of the SGX-ST Listing Manual, the AC and the Board, having reviewed the appointment of different auditors for the Company's subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

The Company has put in place a whistle-blowing policy in August 2008 to provide employees with an avenue to raise concerns about possible improprieties in financial reporting of other matters, and the AC is satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Details of the policy and arrangements have been made available to the employees.

The AC members take measures to keep abreast of changes of accounting standards and issues which have a direct impact on financial statements through attending training and seminars as well as receiving updates from the Group's external auditors.

INTERNAL AUDIT

Principle 13: Effective and independent internal audit function

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the shareholders' investments and the Group's assets. The AC has been assigned to oversee and ensure that such a system has been appropriately implemented and monitored.

The Company has an in-house internal audit team to review the effectiveness of the Group's internal controls, including the adequacy of the Group's internal financial, operational, compliance and information technology controls. Internal audit findings, recommendations and actions taken by Management on the recommendations were reported to the AC. The in-house internal audit team is independent and carries out its activities in accordance with the Standards for the Professional Practice of Internal Auditing.

The internal auditor's ("**IA**") primary line of reporting is to the AC Chairman and the AC will continue on an annual basis:

- To review the adequacy of the Group's internal controls;

- To review the adequacy of the internal audit function, its activities and organizational structure to ensure that no unjustified restrictions or limitations are imposed;

- To review and approve the annual internal audit plan to ensure that there is sufficient coverage of the Group's activities; and

- To oversee the implementation of the internal audit plan and ensure that Management provides the necessary co-operation to enable the IA to perform his functions and duties. All improvements to controls recommended by the IA and accepted by the AC will be monitored for implementation.

The AC is satisfied that the IA is a qualified and experienced personnel.

The IA plans its internal audit schedules in consultation with, but independent of, Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work.

The AC reviews the activities of the IA on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

IV. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

In line with the continuous disclosure obligations of the Company, under the SGX-ST Listing Manual and the Companies Act, Cap. 50, the Board has established a policy to inform shareholders promptly of all major developments that may impact materially on the Company and/or the Group.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding the commercial interests of the Group. The Company does not practice selective disclosure.

The Group's results and other material information are released through the SGXNet on a timely basis for dissemination to shareholders and the public in accordance with the listing requirements of the SGX-ST. Copies of the Annual Report, the Circular and the Notices of the AGM and/or Extraordinary General Meeting ("**EGM**"), where applicable, are sent to every shareholder of the Company. The Notices of the general meetings are also published in a major local newspaper and announced via SGXNet and made available on the Company's website at http://www.samkotimber.com/web/html/index.php.

Each distinct issue requiring shareholders' approval is proposed as a separate resolution at the general meetings. In addition, shareholders' participation is encouraged at the general meetings to ensure a high level of accountability and to be informed of the Group's strategy and goals. The AGM and/or EGM are the principal forum for dialogue with shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the general meetings. The Board including the Chairmen of the AC, RC, NC and BRC, as well as the key management of the Company are present and available to address questions of the shareholders with the assistance of the external auditors, when necessary.

The Company also solicits the views of the shareholders through analyst briefings, meetings with investors and participates in local and overseas roadshow and conference. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure timely, accurate, fair and transparent disclosure of information.

The Company is committed to treat all shareholders fairly and equitably, and keep all its shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which would be likely to materially affect the price or value of its shares, on a timely basis.

The Company allows any shareholder, who is unable to attend the general meetings in person, to appoint not more than two proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight (48) hours before the time appointed for holding the general meeting). The proxy form is sent with the notice of general meetings to all shareholders. The Company is not implementing absentia voting methods such as by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company records minutes of all general meetings and questions and comments from shareholders together with the responses of the Board and Management. These are available to shareholders at their request.

In line with the new Listing Rule 730A of the SGX-ST Listing Manual, with effect from 1 August 2015, all the resolutions will be voted by way of poll and the Company will announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages to the public.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results or operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

DEALINGS IN SECURITIES

The Company has adopted an internal Code of Best Practices on dealings in the securities to provide guidance to the officers, including Directors, of both the Company and its subsidiaries with regard to dealings in the Company's securities.

The Code of Best Practices prohibits the officers of the Group from dealing in the Company's securities during the period commencing two weeks before the announcement of each of the Company's quarterly financial results and one month before the announcement of the Company's full-year financial results and ending on the date of announcement of such results on the SGX-ST, or when they are in possession of the unpublished price sensitive information of the Group. Notifications of the 'closed window' periods are sent to all officers concerned.

The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) days of the transaction and to submit an annual confirmation on their compliance with the Code of Best Practices.

In addition, the Directors and Officers of the Group are discouraged from dealing in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS

The Company has established internal control procedures to ensure the transactions with interested persons are properly reviewed and approved by the AC and conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the SGX-ST Listing Manual) for FY2015:

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	Rp'million	**Rp'million**
PT Pelayaran Nelly Dwi Putri Tbk		
Freight charges	16,909	-
PT Wijaya Triutama Plywood Industri		
Purchase of veneer	12,580	-
PT Sampoerna Land		
Office rental	4,838	-
PT Wahana Sekar Agro		
Cooperation for cultivation of trees	864	-

The Company does not have any shareholders' mandate for interested person transactions.

Prior to entering into an interested person transactions by the Group, the Board and the AC will review such a transaction to ensure that the relevant rules under Chapter 9 of the SGX-ST Listing Manual are complied with.

MATERIAL CONTRACTS

Save as disclosed in the financial statements, there were no other material contracts of the Company or any of its subsidiaries, involving the interests of the CEO, Directors or controlling shareholders subsisting at the end of FY2015 or have been entered into since the end of the previous financial year.

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DIRECTORS' STATEMENT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Samko Timber Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

Opinion of the directors

In the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Koh Boon Hong - Chairman
Aris Sunarko @ Ko Tji Kim - Chief Executive Officer
Koh Tji Kiong @ Amir Sunarko
Eka Dharmajanto Kasih
Michael Joseph Sampoerna
Ng Cher Yan
Sim Idrus Munandar
Wee Ewe Lay Laurence John

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Koh Boon Hong[(1), (2) & (3)]	12,804,000	12,804,000	43,903,346	43,903,346
Aris Sunarko @ Ko Tji Kim[(2), (3) & (4)]	34,698,231	34,698,231	190,100,346	190,100,346
Koh Tji Kiong @ Amir Sunarko [(2)]	129,473,231	129,473,231	33,846,346	33,846,346

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

Notes:

1. Mr Koh Boon Hong is deemed to be interested in the 4,400,000 shares held by his spouse, See Kim Hua.

2. Mr Koh Boon Hong, Mr Aris Sunarko @ Ko Tji Kim and Mr Koh Tji Kiong @ Amir Sunarko are deemed to be interested in 33,846,346 shares held by Hasan Holding Pte Ltd, by virtue of Section 7 of the Companies Act, Cap 50.

3. Mr Koh Boon Hong and Mr Aris Sunarko @ Ko Tji Kim are deemed to be interested in 5,657,000 shares held by Noah Shipping Pte Ltd, by virtue of Section 7 of the Companies Act, Cap 50.

4. Mr Aris Sunarko @ Ko Tji Kim is deemed to be interested in the 150,597,000 shares held by First Fortuna Holdings Pte Ltd, by virtue of Section 7 of the Companies Act, Cap 50.

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

DIRECTORS' STATEMENT

Directors' contractual benefits

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

Audit committee

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;

- Reviewed the nature and extent of non-audit services provided by the external auditor;

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

There were no non-audit services provided by the external auditors to the Group. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Koh Boon Hong	Aris Sunarko @ Ko Tji Kim
Chairman	Director - Chief Executive Officer

Singapore
29 March 2016

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2015

Report on the financial statements

We have audited the accompanying financial statements of Samko Timber Limited, (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 50 to 125 which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 March 2016

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2015

	Notes	2015	2014
		Rp'million	Rp'million
Revenue	4	3,463,008	3,281,792
Cost of sales		(3,119,201)	(2,750,106)
Gross profit		343,807	531,686
Other items of income			
Finance income	5	544	651
Other income	6	5,019	17,844
Other items of expenses			
Selling expenses		(162,236)	(145,596)
General and administrative expenses		(319,210)	(271,384)
Finance expenses	7	(91,442)	(66,336)
Other expenses	8	(227,256)	(50,292)
(Loss)/profit before tax	9	(450,774)	16,573
Income tax expense	10	(27,636)	(13,898)
Net (loss)/profit for the financial year		(478,410)	2,675
Attributable to:			
Owners of the Company		(477,723)	4,863
Non-controlling interests		(687)	(2,188)
		(478,410)	2,675
(Loss)/earnings per share (in Rupiah)			
Basic and diluted	11	(341)	3

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	2015	2014
	Rp'million	Rp'million
Net (loss)/profit for the financial year	(478,410)	2,675
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Net actuarial gain/(loss) on post-employment benefit	3,890	(33,650)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gain	14,576	3,805
Other comprehensive income for the financial year, net of tax	18,466	(29,845)
Total comprehensive income for the financial year	(459,944)	(27,170)
Attributable to:		
Owners of the Company	(459,354)	(24,744)
Non-controlling interests	(590)	(2,426)
	(459,944)	(27,170)

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

CONSOLIDATED BALANCE SHEETS

As at 31 December 2015

	Notes	Group 2015	Group 2014	Company 2015	Company 2014
		Rp'million	Rp'million	Rp'million	Rp'million
Non-current assets					
Property, plant and equipment	12	662,542	679,537	149	236
Intangible assets	13	–	35,825	–	–
Investment in subsidiaries	14	–	–	126,076	620,449
Investment in an associate	15	–	–	–	–
Biological assets	16	55,603	55,500	–	–
Land use rights	17	66,874	67,806	–	–
Deferred tax assets	18	65,316	93,241	–	–
Other non-current assets	19	31,986	43,222	9	9
		882,321	975,131	126,234	620,694
Current assets					
Inventories	20	567,975	596,073	–	–
Trade and other receivables	21	238,709	234,526	37,620	45,986
Prepaid operating expenses		74,849	55,865	447	484
Advances to suppliers	22	30,880	65,332	–	361
Restricted deposits	23	7,525	7,589	–	–
Cash and cash equivalents	24	91,075	107,073	2,411	7,276
		1,011,013	1,066,458	40,478	54,107
Current liabilities					
Trade and other payables	25	339,414	258,152	7,540	14,685
Other liabilities	26	125,719	136,227	3,636	3,807
Advances from customers	27	27,497	15,045	723	995
Income tax payable		11,401	21,317	–	–
Loans and borrowings	28	536,239	367,385	–	–
		1,040,270	798,126	11,899	19,487
Net current (liabilities)/assets		(29,257)	268,332	28,579	34,620

CONSOLIDATED BALANCE SHEETS

As at 31 December 2015

	Notes	Group		Company	
		2015	2014	2015	2014
		Rp'million	Rp'million	Rp'million	Rp'million
Non-current liabilities					
Loans and borrowings	28	456,644	410,026	–	–
Post-employment benefits	29	240,275	217,544	–	–
Deferred tax liabilities	18	569	2,392	–	–
		697,488	629,962	–	–
Net assets		155,576	613,501	154,813	655,314
Equity attributable to owners of the Company					
Share capital	30	2,188,645	2,188,645	2,188,645	2,188,645
Accumulated losses		(2,370,739)	(1,896,810)	(2,033,832)	(1,533,331)
Other reserves	31	326,823	312,248	–	–
		144,729	604,083	154,813	655,314
Non-controlling interests		10,847	9,418	–	–
Total equity		155,576	613,501	154,813	655,314

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

Group	Attributable to equity holders of the Company							
	Share capital (Note 30)	Accumulated losses	Other Reserve, total	Restructuring reserves (Note 31)	Foreign currency translation reserve[1] (Note 31)	Equity attributable to owners of the Company, total	Non-controlling Interests	Total equity
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Balance at 1 January 2015	2,188,645	(1,896,810)	312,248	309,050	3,198	604,083	9,418	613,501
Loss for the financial year	–	(477,723)	–	–	–	(477,723)	(687)	(478,410)
Other comprehensive income								
Net actuarial gain on post-employment benefits	–	3,794	–	–	–	3,794	96	3,890
Foreign currency translation gain	–	–	14,575	–	14,575	14,575	1	14,576
Other comprehensive income for the financial year, net of tax	–	3,794	14,575	–	14,575	18,369	97	18,466
Total comprehensive income for the financial year	–	(473,929)	14,575	–	14,575	(459,354)	(590)	(459,944)
Change in ownership interest in a subsidiary								
Acquisition of a subsidiary	–	–	–	–	–	–	2,019	2,019
Total change in ownership interest in a subsidiary	–	–	–	–	–	–	2,019	2,019
Balance at 31 December 2015	2,188,645	(2,370,739)	326,823	309,050	17,773	144,729	10,847	155,576

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

Group	Attributable to equity holders of the Company							
	Share capital (Note 30)	Accumulated losses	Other Reserve, total	Restructuring reserves (Note 31)	Foreign currency translation reserve[1] (Note 31)	Equity attributable to owners of the Company, total	Non-controlling Interests	Total equity
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Balance at 1 January 2014	2,188,645	(1,868,263)	308,445	309,050	(605)	628,827	11,844	640,671
Profit/(loss) for the financial year	–	4,863	–	–	–	4,863	(2,188)	2,675
Other comprehensive income								
Net actuarial loss on post-employment benefits	–	(33,410)	–	–	–	(33,410)	(240)	(33,650)
Foreign currency translation gain	–	–	3,803	–	3,803	3,803	2	3,805
Other comprehensive income for the financial year, net of tax	–	(33,410)	3,803	–	3,803	(29,607)	(238)	(29,845)
Total comprehensive income for the financial year	–	(28,547)	3,803	–	3,803	(24,744)	(2,426)	(27,170)
Balance at 31 December 2014	2,188,645	(1,896,810)	312,248	309,050	3,198	604,083	9,418	613,501

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

Company	Share capital (Note 30)	Accumulated losses	Total equity
	Rp'million	Rp'million	Rp'million
Balance at 1 January 2015	2,188,645	(1,533,331)	655,314
Loss for the financial year, representing total comprehensive income for the financial year	–	(500,501)	(500,501)
Balance at 31 December 2015	2,188,645	(2,033,832)	154,813
Balance at 1 January 2014	2,188,645	(1,473,725)	714,920
Loss for the financial year, representing total comprehensive income for the financial year	–	(59,606)	(59,606)
Balance at 31 December 2014	2,188,645	(1,533,331)	655,314

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Notes	2015	2014
		Rp'million	Rp'million
Operating activities			
(Loss)/profit before tax		(450,774)	16,573
Adjustments for:			
Interest income	5	(544)	(651)
Interest expense	7	84,742	62,376
Net gain on disposal of property, plant and equipment	6	(3,351)	(5,413)
Depreciation of property, plant and equipment	12	131,986	114,387
Net loss/(gain) on change in fair value of biological assets	6, 8	2,589	(5,530)
Inventories written-down	8	54,609	1,165
Allowance for irrecoverable advance to suppliers	8	18,710	188
Allowance for doubtful receivables	8	10,409	4,108
Amortisation of land use rights	8	3,905	4,252
Amortisation of intangible assets	8,13	992	1,309
Impairment of intangible assets	8,13	34,915	–
Post-employment benefits expense	29	48,077	36,016
Net foreign exchange loss		70,795	8,456
Operating cash flow before changes in working capital		7,060	237,236
Changes in working capital			
Trade and other receivables		(14,592)	(73,147)
Inventories		(26,511)	(170,735)
Prepaid operating expenses		(2,928)	(30,568)
Advances to suppliers		15,742	5,941
Trade and other payables		84,290	50,238
Other liabilities		(15,750)	9,854
Advances from customers		12,452	(14,520)
Other non-current assets		(22,433)	799
Cash flow from operating activities		37,330	15,098
Income taxes paid, net of refund		(38,196)	(24,550)
Post employment benefits paid	29	(5,578)	(9,283)
Net cash flows used in operating activities		(6,444)	(18,735)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Notes	2015 Rp'million	2014 Rp'million
Investing activities			
Purchase of property, plant, and equipment (Note (i))		(91,677)	(183,098)
Additions of land use rights	17	(2,178)	(1,040)
Additions of biological assets	16	(2,692)	(4,227)
Interest received		544	651
Proceeds from disposal of property, plant and equipment		9,553	9,160
Investment in a subsidiary		(3,028)	–
Additional controlling interest from a subsidiary		2,019	–
Net cash flows used in investing activities		(87,459)	(178,554)
Financing activities			
Proceeds from loans and borrowings		2,134,138	2,061,606
Repayments of loans and borrowings		(1,984,829)	(1,822,801)
Interest paid		(75,043)	(57,952)
Withdrawal of restricted deposits		533	20,421
Placement of restricted deposits		(203)	(300)
Net cash flows generated from financing activities		74,596	200,974
Net (decrease)/increase in cash and cash equivalents		(19,307)	3,685
Effect of exchange rate change on cash and cash equivalents		3,309	547
Cash and cash equivalents at 1 January		107,073	102,841
Cash and cash equivalents at 31 December	24	91,075	107,073

(i) Purchase of property, plant and equipment

		2015	2014
Property, plant and equipment were purchased by :			
Cash payment		91,677	183,098
Reclassification of advances made in previous year for the purpose of property, plant and equipment		33,669	–
Advances for property, plant and equipment (Note 19)		–	(29,077)
Finance lease		754	2,540
		126,100	156,561

Non-cash transaction:

		2015	2014
Reclassification of other non-current assets to land use rights		–	10,436

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

1. General

Corporate information

Samko Timber Limited (the "Company") is a limited liability company which is incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 7500A Beach Road, #08-305/307 The Plaza, Singapore 199591.

The principal activities of the Company are investment holding and general wholesale trade. The principal activities of the subsidiaries are disclosed in Note 14.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

The financial statements are presented in Indonesia Rupiah (Rp) and all values in the tables are rounded to the nearest million as indicated, except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
FRS 114 Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 16 and FRS 41 Agriculture - Bearer Plants	1 January 2016
Amendments to FRS 27 Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 111 Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Improvements to FRSs (November 2014)	
- Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
- Amendments to FRS 107 Financial Instruments: Disclosures	1 January 2016
- Amendments to FRS 19 Employee Benefits	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 1 Disclosure Initiative	1 January 2016
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 109 Financial Instruments	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

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

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

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, evaluating significant financing components, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

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

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

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

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

(b) *Business combination and goodwill*

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

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

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

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combination and goodwill (cont'd)*

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

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

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

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

The cash generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

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

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) Business combination and goodwill (cont'd)

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

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

2.6 *Foreign currency*

The financial statements are presented in Indonesia Rupiah, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

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

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

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into Indonesia Rupiah at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	:	20 years
Machinery and heavy equipment	:	8 to 20 years
Electrical installations	:	5 to 15 years
Vehicles	:	4 to 8 years
Furniture, fixtures and equipment	:	4 to 10 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

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

2.8 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditures is incurred.

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and adjusted prospectively.

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

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

Technical know-how

This technical know-how was acquired in business combinations, relates to the development of technology to genetically duplicate elite tree candidates, thereby producing seedlings that have the same desirable characteristics as the mother tree. This technology is applicable for certain tree species, which are popular trees used in the plywood industry in Indonesia.

The valuation of the intangible assets is calculated based on the discounted cash flow model whereby the fair value is calculated using cash flows arising from the intangible assets as the developed technology for the remaining useful life of the assets, less all applicable contributory asset charges.

This asset is amortised using the straight line method over the period of 10 years starting from the acquisition date and the amortisation has been included in profit or loss.

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

2.9 *Biological assets*

Biological assets comprise of standing trees in a plantation forest, separate from the land on which these assets are located.

The plantation forests are recognised and measured at fair value less estimated point-of-sale costs at harvest. The valuation of the biological assets is calculated by the independent valuer based on the discounted cash flow model whereby the fair value is calculated using cash flows from continuous operations, assuming sustainable forest management plans, taking into account the growth potential from their industrial forest plantations. The yearly harvest made from the forecasted tree growth is multiplied by actual wood pines and the cost of fertilizer, before the deduction of harvesting. The fair value is measured as the present value of the harvest from one growth cycle based on the productive forestland.

2.10 *Land use rights*

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 20 – 30 years.

2.11 *Subsidiaries*

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

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

2.12 *Associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investment in associates using the equity method from the date on which it becomes an associate.

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

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

2.12 *Associates (cont'd)*

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

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

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

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

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

2.13 *Impairment of non-financial assets*

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

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

2.13 *Impairment of non-financial assets (cont'd)*

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

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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

2.14 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) ***Loans and receivables***

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

(ii) ***Available-for-sale financial assets***

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

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

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

2.14 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

De-recognition

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

Regular way purchase or sale of a financial asset

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

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

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

2.14 *Financial instruments (cont'd)*

(c) ***Offsetting of financial instruments***

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

2.15 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

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

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

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

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

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

(b) ***Financial assets carried at cost***

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

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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

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

2.16 *Cash and cash equivalents*

Cash and cash equivalents comprise cash in bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 *Inventories*

Inventories are stated at the lower of cost or net realisable value. Cost incurred in bringing the inventories to their present location and condition are accounted for using the average method for finished goods, work in progress and raw materials and first-in, first-out method for indirect materials and spare parts.

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.19 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

No financial guarantee is recognised on the balance sheets of the Group.

2.20 *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.21 *Borrowing costs*

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

2.22 *Employee benefit*

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

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

(b) ***Termination benefits***

Termination benefits are payable when employment is terminated before the normal retirement age in accordance with the provision of the employment contract and/or local labour laws.

(c) ***Pension benefits***

The Group operates a defined benefit pension plan for severance and service benefits, which is required under the labour laws in Indonesia and is unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, is recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent period.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

The Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the net defined benefit obligation under 'administration expenses' in consolidated statement of profit or loss.

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

2.23 *Leases*

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

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

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

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

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

2.24 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent.

(a) ***Sales of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

2.24 *Revenue (cont'd)*

(b) ***Interest income***

Interest income is recognised using the effective interest method.

(c) ***Dividend income***

Dividend income is recognised when the Group's right to receive payment is established.

2.25 *Income taxes*

(a) ***Current income tax***

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

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

(b) ***Deferred tax***

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

2.25 *Income taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax 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 asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

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

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

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

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

2.25 *Income taxes (cont'd)*

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheets.

2.26 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment manages report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 *Contingencies*

A contingent liability is:

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

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

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

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

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

2.28 *Contingencies (cont'd)*

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

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

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Determination of functional currency

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

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are disclosed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3. Significant accounting judgments and estimates (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

(a) ***Impairment of loans and receivables***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 21 to the financial statements.

(b) ***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Property, plant and equipment are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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

The carrying amount of the Group's property, plant, and equipment and investment in an associate at the end of the reporting period is disclosed in Notes 12 and 15.

(c) ***Income taxes***

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax in the year in which such decision is made by the taxation authority. The carrying amount of income tax payable and deferred tax liabilities as of 31 December 2015 was Rp11,401 million (2014: Rp21,317 million) and Rp569 million (2014: Rp2,392 million), respectively.

3. Significant accounting judgments and estimates (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

(d) ***Deferred tax assets***

Deferred tax assets are recognised for tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets is reviewed at each balance sheets date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. There is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilised. The carrying value of deferred tax assets as at 31 December 2015 was Rp65,316 million (2014: Rp93,241 million).

(e) ***Useful lives of property, plant and equipment***

The cost of property, plant and equipment are depreciated on a straight-line method over the estimated economic useful lives. Management estimates of the useful lives of these property, plant and equipment are within 4 to 20 years. These are common life expectancies applied in the integrated timber processing industries. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as of 31 December 2015 was Rp662,542 million (2014: Rp679,537 million).

(f) ***Valuation of biological assets***

Certain assumptions are made in the valuation of biological assets and the calculation required the use of estimates in relation to the future cash flows and the suitable discount rate as disclose in Note 16. The carrying amount of biological assets as at 31 December 2015 was Rp55,603 million (2014: Rp55,500 million).

(g) ***Employee benefits***

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Post-employment liabilities as of 31 December 2015 amounted to Rp253,669 million (2014: Rp225,723 million). Further details about pension obligations are disclosed in Note 29.

4. Revenue

	Group	
	2015	2014
	Rp'million	Rp'million
Domestic sales	2,204,531	2,343,452
Export sales	1,258,477	938,340
	3,463,008	3,281,792

5. Finance income

	Group	
	2015	2014
	Rp'million	Rp'million
Interest income	544	651

6. Other income

	Group	
	2015	2014
	Rp'million	Rp'million
Net gain on disposal of property, plant and equipment	3,351	5,413
Insurance claim	1,226	1,107
Net gain on change in fair value of biological assets	–	5,530
Sales of scrap material	–	1,323
Miscellaneous income	442	4,471
	5,019	17,844

7. Finance expenses

	Group	
	2015	2014
	Rp'million	Rp'million
Interest expense on:		
Bank borrowings	82,735	60,472
Obligation under finance lease	2,007	1,904
Bank charges	6,700	3,960
	91,442	66,336

8. Other expenses

	Group	
	2015	2014
	Rp'million	Rp'million
Net foreign exchange loss	90,036	28,049
Inventories written-down	54,609	1,165
Impairment of intangible assets	34,915	–
Allowance for irrecoverable advance to suppliers	18,710	188
Tax penalties	11,091	5,695
Allowance for doubtful receivables	10,409	4,108
Amortisation of land use rights	3,905	4,252
Net loss on change in fair value of biological assets	2,589	–
Amortisation of intangible assets	992	1,309
Worker voluntarily separation expenses	–	5,526
	227,256	50,292

9. (Loss)/profit before tax

Other than as disclosed elsewhere in the financial statements, the following items have been included in arriving at (loss)/profit before tax:

	Group	
	2015	2014
	Rp'million	Rp'million
Audit fees paid to:		
- Auditor of the Company	1,264	1,349
- Other auditors	1,951	2,045
Factory overhead	950,847	836,640
Salaries and employees' benefits		
- Salaries	867,428	774,100
- Defined plan benefit	45,202	28,143
- Other short-term benefits	32,070	42,423
Post-employment benefits (Note 29)	48,077	36,016
Rental expenses	11,958	12,822
Depreciation of property, plant and equipment (Note 12)	131,986	114,387
Freight charges	136,558	123,350
Legal and other professional fees	22,761	17,208

There were no non-audit fees paid to auditor of the Company during the financial years ended 2015 and 2014.

10. Income tax expense

(a) ***Major components of income tax expense***

The major components of income tax expense for the years ended 31 December are:

	Group	
	2015	**2014**
	Rp'million	Rp'million
Consolidated income statement:		
Current income tax:		
Current year	11,044	36,488
Under provision in respect of previous years	1,180	2,933
	12,224	39,421
Deferred income tax (Note 18)		
Origination and reversal of temporary differences	16,253	(22,216)
Benefits from previously unrecognised tax losses	(841)	(3,307)
	15,412	(25,523)
Income tax expense recognised in profit or loss	27,636	13,898
Consolidated statement of comprehensive income:		
Deferred income tax:		
Net actuarial gain/(loss) on post-employment benefits	10,749	(10,596)

10. Income tax expense (cont'd)

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

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial years ended 31 December can be analysed as follows:

	Group	
	2015	**2014**
	Rp'million	Rp'million
(Loss)/profit before tax	(450,774)	16,573
Tax at domestic rates applicable in the countries where the Group operates	(180,541)	2,754
Income not subject to tax	(140)	(160)
Non-deductible expenses	105,873	12,159
Under provision of prior year income tax	1,180	2,933
Deferred tax assets not recognised	66,293	6,306
Benefits from previously unrecognised other timing differences	35,964	(6,767)
Benefits from previously unrecognised tax losses	(841)	(3,307)
Effect of partial tax exemption and tax relief	(252)	(390)
Others	100	370
Income tax expense recognised in profit or loss	27,636	13,898

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

<u>Tax losses</u>

As of 31 December 2015, the Group has tax losses of approximately Rp480,616 million (2014: Rp354,135 million) that is available for offset against future taxable profits, subjected to a maximum of five years period based on the Indonesia tax regulation. Out of these tax losses, approximately Rp374,141 million (2014: Rp217,436 million) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in the country in which the Company and its subsidiaries operate.

11. (Loss)/earnings per share

The basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares.

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

	Group	
	2015	**2014**
	Rp'million	Rp'million
(Loss)/profit of the year attributable to owners of the Company used in computation of earnings per share	(477,723)	4,863
	Number of shares	**Number of shares**
Weighted average number of ordinary shares used for basic and diluted earnings per share computation	1,401,445,464	1,401,445,464

12. Property, plant and equipment

Group

	Buildings and improvements	Machinery and heavy equipment	Electrical installations	Vehicles	Furniture, fixtures and equipment	Construction in progress: Buildings	Construction in progress: Machinery	Leased assets: Machinery and heavy equipment	Total
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Cost									
At 1 January 2015	329,549	1,150,165	42,630	53,677	79,292	18,956	80,145	51,723	1,806,137
Additions	638	16,425	1,537	2,466	6,084	14,078	84,872	–	126,100
Disposals	(204)	(56,790)	–	(2,358)	(244)	–	(5,024)	–	(64,620)
Reclassifications	17,928	117,292	4,114	(275)	1,546	(22,242)	(114,308)	(4,850)	(795)
Written off	–	(4,183)	–	–	–	–	–	–	(4,183)
Translation reserve	–	14	–	–	158	–	–	–	172
At 31 December 2015	347,911	1,222,923	48,281	53,510	86,836	10,792	45,685	46,873	1,862,811
Accumulated depreciation and impairment									
At 1 January 2015	134,025	858,627	25,558	38,445	51,938	–	–	18,007	1,126,600
Depreciation charge for the year	17,576	90,403	4,055	4,337	8,731	–	–	6,884	131,986
Disposals	(204)	(56,271)	–	(1,731)	(212)	–	–	–	(58,418)
Reclassifications	–	2,145	–	(275)	–	–	–	(1,870)	–
Translation reserve	–	15	–	(1)	87	–	–	–	101
At 31 December 2015	151,397	894,919	29,613	40,775	60,544	–	–	23,021	1,200,269
Net carrying amount									
At 31 December 2015	196,514	328,004	18,668	12,735	26,292	10,792	45,685	23,852	662,542

12. Property, plant and equipment (cont'd)

Group (cont'd)

						Construction in progress		Leased assets	
	Buildings and improvements	Machinery and heavy equipment	Electrical installations	Vehicles	Furniture, fixtures and equipment	Buildings	Machinery	Machinery and heavy equipment	Total
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Cost									
At 1 January 2014	313,037	1,207,675	36,821	50,052	68,485	10,830	29,039	79,551	1,795,490
Additions	2,751	17,507	2,091	5,348	10,983	30,129	87,752	–	156,561
Disposals	(2,356)	(138,581)	(1,061)	(1,723)	(1,508)	(90)	(613)	–	(145,932)
Reclassifications	16,117	63,574	4,779	–	1,304	(21,913)	(36,033)	(27,828)	–
Translation reserve	–	(10)	–	–	28	–	–	–	18
At 31 December 2014	329,549	1,150,165	42,630	53,677	79,292	18,956	80,145	51,723	1,806,137
Accumulated depreciation and impairment									
At 1 January 2014	120,530	904,858	22,161	34,330	45,221	–	–	27,287	1,154,387
Depreciation charge for the year	15,293	71,537	4,193	5,506	7,849	–	–	10,009	114,387
Disposals	(1,798)	(137,045)	(796)	(1,391)	(1,153)	–	–	–	(142,183)
Reclassifications	–	19,287	–	–	2	–	–	(19,289)	–
Translation reserve	–	(10)	–	–	19	–	–	–	9
At 31 December 2014	134,025	858,627	25,558	38,445	51,938	–	–	18,007	1,126,600
Net carrying amount									
At 31 December 2014	195,524	291,538	17,072	15,232	27,354	18,956	80,145	33,716	679,537

12. Property, plant and equipment (cont'd)

Company

	Furniture, fixtures and equipment
	Rp'million
Cost	
At 1 January 2015 and 31 December 2015	731
Accumulated depreciation	
At 1 January 2015	495
Depreciation charge for the year	87
At 31 December 2015	582
Net carrying amount	
At 31 December 2015	149
Cost	
At 1 January 2014 and 31 December 2014	731
Accumulated depreciation	
At 1 January 2014	404
Depreciation charge for the year	91
At 31 December 2014	495
Net carrying amount	
At 31 December 2014	236

Assets pledged as security

Buildings and improvements, machinery and heavy equipment with aggregate net book value of Rp576,589 million in 2015 (2014: Rp577,422 million) are pledged as collateral for interest bearing loans (Note 28).

13. Intangible assets

Group	Goodwill	Technical know-how	Total
	Rp'million	Rp'million	Rp'million
Cost:			
At 1 January 2014, 31 December 2014, and 31 December 2015	25,992	13,024	39,016
Accumulated amortisation and impairment:			
At 1 January 2014	–	1,817	1,817
Amortisation for the year	–	1,309	1,309
Effect of translation difference	–	65	65
At 31 December 2014	–	3,191	3,191
Amortisation for the year	–	992	992
Impairment loss for the year	25,992	8,923	34,915
Effect of translation difference	–	(82)	(82)
At 31 December 2015	25,992	13,024	39,016
Net carrying amount:			
At 31 December 2015	–	–	–
At 31 December 2014	25,992	9,833	35,825

Technical know-how relates to the development of technology to genetically duplicate elite tree candidates, thereby producing seedlings that have the same desirable characteristics as the mother tree. This technology is applicable for certain tree species, which are popular trees used in the plywood industry in Indonesia.

The amortisation of technical know-how is included in the "Other expenses" line items in profit or loss.

Goodwill acquired through business combination has been allocated to the plantation business as a single-cash generating unit (CGU).

Impairment testing of technical know-how and goodwill

During the financial year, as management carried out a review of the recoverable amount of the technical know-how and goodwill, management has decided to cease the production of the seedlings in the CGU for which the technical know-how and goodwill have been allocated.

Based on the review, a full impairment of Rp34,915 million was recognised to write-down the carrying amount of the goodwill and intangible assets. The impairment loss had been included in profit or loss under "Other expenses".

14. Investment in subsidiaries

	Group 2015	Group 2014
	Rp'million	Rp'million
Unquoted shares, at cost	2,086,697	2,086,697
Impairment losses	(1,960,621)	(1,466,248)
	126,076	620,449

Principal subsidiaries of the Group are as follow:

	Name (Country of incorporation)	Principal activities	Percentage of effective equity interest held by the Company 2015	2014
@	PT Sumber Graha Sejahtera (Indonesia)	Production of plywood, laminated veneer lumber wood panels and wood based furniture	99.99	99.99
#	Samko Trading Pte Ltd (Singapore)	Wholesale of plywood, sawn timber, logs and related products	100.00	100.00
#	Bioforest Pte Ltd (Singapore)	Production and marketing of elite tree seedlings and provision of consultation services	100.00	100.00
@	PT Panca Usaha Palopo Plywood (Indonesia)	Production of plywood, sawn timber, wood mouldings and construction materials	98.45	98.45
@	PT Sejahtera Usaha Bersama (Indonesia)	Production of plywood and building materials	99.98	99.98
@	PT Makmur Alam Sentosa (Indonesia)	Production of plywood and veneers	99.98	99.98
&	PT Makmur Alam Lestari (Indonesia)	Production of veneers	99.92	99.92
@	PT Putra Sumber Utama Timber (Indonesia)	Production of plywood and laminated veneer lumber, wood mouldings and building material components	99.58	99.58
&	PT Alam Raya Makmur (Indonesia)	Wholesale of plywood, sawn timber, logs and related products	100.00	100.00
&	PT Anugrah Karunia Alam (Indonesia)	Wholesale of plywood, sawn timber, logs and related products	100.00	100.00
	PT Nusantara Mitra Sejahtera (Indonesia)	Promote, develop and assemble wooden truck body	60.00	–

Audited by Ernst & Young LLP Singapore
@ *Audited by Purwantono, Sungkoro & Surja, Jakarta – a member of Ernst & Young Global Limited*
& *Audited by Tanubrata Sutanto Fahmi & Rekan, Jakarta – a member of BDO International Limited*

14. Investment in subsidiaries (cont'd)

In February 2015, Samko Trading Pte Ltd entered into an agreement with NS Trading Co Ltd, Japan, one of the affiliates companies of Nakamura Shinko, Japan, which is the Group's long term customer of wooden truck body products, to establish a company in Indonesia under the name of PT Nusantara Mitra Sejahtera.

The objective of the company is to promote, develop and assemble wooden truck body leveraging the Japanese truck body concept (big panel, ready to use, sell together with the truck) to Indonesian market. The production facility will be co-existed with the Group's existing factory located in Jambi, Sumatera, Indonesia.

Pursuant to the terms of the agreement, Samko Trading Pte Ltd and NS Trading Co Ltd will respectively hold 60% and 40% equity interest in the company. The initial issued and paid-up share capital of the company is US$400,000 comprising 400 registered shares, each with nominal value of US$1,000.

Impairment testing of investment in subsidiaries

During the financial year, management performed impairment tests for the investments in PT Sumber Graha Sejahtera and Bioforest Pte Ltd, as these subsidiaries had been making losses. Total impairment losses of Rp494,373 million (2014: Rp52,373 million) were recognised for the year ended 31 December 2015 to write down these subsidiaries to their recoverable amount.

15. Investment in an associate

	Group	
	2015	**2014**
	Rp'million	Rp'million
At equity		
At 1 January and 31 December	73,275	73,275
Less: share of losses	(73,275)	(73,275)
Net carrying amount	–	–
Fair value of investment in an associate for which there is published price quotation	38,309	47,503

15. Investment in an associate (cond't)

Name (Country of incorporation)	Principal activities	Percentage of effective equity interest held by the Company	
		2015	2014
PT SLJ Global Tbk (Indonesia)	Forest exploration, industrial timber estate and utilisation of forest products	24.6	24.6

Audited by Purwantono, Sungkoro & Surja, Jakarta – a member of Ernst & Young Global Limited

The summarised audited financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2015	2014
	US$'000	US$'000
Assets and liabilities:		
Total assets	85,851	72,672
Total liabilities	(106,744)	(103,211)
Net liabilities	(20,893)	(30,539)
Results:		
Revenue	64,284	44,615
Profit for the year	223	205

16. Biological assets

	Group	
	2015	2014
	Rp'million	Rp'million
At fair value		
At 1 January	55,500	59,782
Capitalisation of expenses	2,692	4,227
Harvests during the year	–	(14,039)
Net change in fair value less estimated cost to sell	(2,589)	5,530
At 31 December	55,603	55,500

Our plantations are located in Java and Sulawesi with total planted areas that cover 1,570 hectares in 2015 (2014: 1,666 hectares). Plantation trees consist of Gmelina Arborea, Paraserianthes Falcataria, Anthocepalus Cadamba and Tectona Grandis with 80% aged between 1 – 7 years (2014: 90%).

16. Biological assets (cont'd)

Fair value determination

The fair value of biological assets is estimated with reference to a professional valuation using the present value of expected net cash flows from the biological assets. The valuations are based on the following significant assumptions:

(a) No new planting or re-planting activities are assumed.
(b) The economic life of each standing tree is 6 – 9 years (2014: 6 – 8 years);
(c) Yield is 26 – 283 (2014: 26 – 283) cubic meter per hectare;
(d) Average inflation rate is 5.03% (2014: 7.33%) per annum;
(e) Discount rate is 13.23% per annum; and
(f) Market price is derived from average market price per species.

As at 31 December 2015 and 2014, there was no biological asset pledged as collateral for interest bearing loans.

Financial risk management strategies related to agricultural activities

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

17. Land use rights

	Group	
	2015	**2014**
	Rp'million	Rp'million
Cost:		
At 1 January	104,825	93,349
Additions	2,178	1,040
Reclassification	795	10,436
At 31 December	107,798	104,825
Accumulated amortisation:		
At 1 January	37,019	32,767
Amortisation	3,905	4,252
At 31 December	40,924	37,019
Net carrying amount	66,874	67,806

Land use rights with the aggregate carrying amount of Rp55,732 million in 2015 (2014: Rp56,499 million) are pledged as collateral for interest bearing loans (Note 28).

18. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group				Company	
	Consolidated balance sheets		Consolidated income statement		Balance sheets	
	2015	2014	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Deferred tax assets:						
Unutilised tax losses	26,619	34,175	(7,556)	12,000	–	–
Difference in employees' benefits obligation	36,835	53,375	(8,623)	10,070	–	–
Difference in amortisation of land use rights	–	7,441	(7,441)	1,240	–	–
Difference in accounting and tax treatment of finance lease	(6,065)	1,512	(7,577)	1,664	–	–
Allowance for incentives	704	1,239	(535)	(633)	–	–
Allowance for inventory obsolescence	4,624	936	3,688	543	–	–
Allowance for bad debts	1,790	410	1,380	410	–	–
Allowance for irrecoverable advance to suppliers	616	–	616	–	–	–
Effect of change in value of biological assets	–	(1,109)	1,109	808	–	–
Difference in intangible assets	–	(1,239)	1,239	164	–	–
Difference in depreciation for tax purposes	(245)	(3,988)	3,743	(479)	–	–
Other items	438	489	(24)	(717)	–	–
	65,316	93,241			–	–
Deferred tax liabilities:						
Difference in employees' benefits obligation	207	3,014	(61)	1,161	–	–
Difference in amortisation of land use rights	–	475	(475)	210	–	–
Allowance for incentives	–	212	(212)	212	–	–
Difference in depreciation for tax purposes	(776)	(877)	101	(258)	–	–
Difference in accounting and tax treatment of finance lease	–	(5,216)	5,216	(872)	–	–
	(569)	(2,392)			–	–
Deferred income tax (Note 10)			(15,412)	25,523		

19. Other non-current assets

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Estimated claim for tax refund	22,284	–	–	–
Advances for purchase of property, plant and equipment	6,978	40,060	–	–
Guarantee deposits - net	2,224	1,929	9	9
Prepaid rental	500	1,222	–	–
Others	–	11	–	–
	31,986	43,222	9	9

20. Inventories

	Group	
	2015	2014
	Rp'million	Rp'million
Balance sheets:		
At cost		
Raw materials	37,327	54,286
Work in progress	216,020	168,256
Indirect materials and spare parts	106,107	94,385
At cost or net realisable value		
Finished goods	208,521	279,146
	567,975	596,073
Income statement:		
Inventories recognised as an expense in cost of sales	1,375,237	1,188,209
Inventories written-down in other expenses	54,609	1,165

Inventories with the aggregate carrying amount of Rp457,206 million in 2015 (2014: Rp478,999 million) are pledged as collateral for interest bearing loans (Note 28).

21. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Trade receivables				
- Third parties	225,031	225,485	6,033	11,108
Other receivables				
- Third parties	13,678	8,705	–	–
- Related parties	–	336	–	336
- Subsidiary companies	–	–	31,587	34,542
Total trade and other receivables	238,709	234,526	37,620	45,986
Add:				
- Cash and cash equivalents (Note 24)	91,075	107,073	2,411	7,276
- Restricted deposits (Note 23)	7,525	7,589	–	–
- Estimated claim for tax refund (Note 19)	22,284	–	–	–
- Guarantee deposits – net (Note 19)	2,224	1,929	9	9
Total loans and receivables	361,817	351,117	40,040	53,271

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their values on initial recognition.

Trade receivables with the aggregate carrying amount of Rp133,186 million in 2015 (2014: Rp192,519 million) are pledged as collateral for interest bearing loans (Note 28).

Other receivables from related parties and subsidiary companies are unsecured, interest free and are repayable on demand.

At the end of the reporting period, trade receivables arising from export sales amounting to Rp9,239 million (2014: Rp4,266 million) are arranged to be settled via letters of credits issued by banks in countries where the customers are based.

21. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp52,567 million (2014: Rp52,678 million) that are past due at the balance sheets date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheets date is as follows:

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
61 – 90 days	6,759	10,838	–	–
More than 90 days	45,808	41,840	21,487	31,381
Total	52,567	52,678	21,487	31,381

Receivables that are impaired

The Group's trade and other receivables that are impaired at the balance sheets date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Trade receivables	16,807	6,398	–	–
Less: Allowance for impairment	(16,807)	(6,398)	–	–
Other receivables	585	565	1,007	565
Less: Allowance for impairment	(585)	(565)	(1,007)	(565)
Total	–	–	–	–
Movement in allowance accounts:				
At 1 January	6,963	4,863	565	578
Charge for the year	10,409	4,108	422	–
Written-off	–	(1,990)	–	–
Translation	20	(18)	20	(13)
At 31 December	17,392	6,963	1,007	565

21. Trade and other receivables (cont'd)

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

At the balance sheet date, trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	157,361	180,082	–	–
United States Dollar	81,348	52,397	10,742	28,077
Singapore Dollar	–	–	26,878	17,909
Malaysian Ringgit	–	2,047	–	–
	238,709	234,526	37,620	45,986

22. Advances to suppliers

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
For the procurement of:				
Logs	10,605	28,936	–	–
Veneers	495	11,664	–	–
Spare parts	13,562	9,772	–	–
Others	6,218	14,960	–	361
	30,880	65,332	–	361

23. Restricted deposits

	Group	
	2015	2014
	Rp'million	Rp'million
Indonesian Rupiah	4,824	5,127
United States Dollar	2,701	2,462
	7,525	7,589

This represents escrow accounts opened and maintained with a lender and are pledged as collateral for interest bearing loans (Note 28).

24. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Cash on hand	3,280	5,234	–	2
Cash in banks	87,795	101,839	2,411	7,274
	91,075	107,073	2,411	7,276
Interest rate per annum	0.1% - 2.0%	0.1% - 2.2%	0.1%	0.1%

Cash in banks earns interest at floating rates based on daily bank deposit rates.

At the balance sheet date, cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	53,326	42,028	–	–
United States Dollar	32,308	58,095	874	6,562
Singapore Dollar	4,013	5,484	1,529	705
Others	1,428	1,466	8	9
	91,075	107,073	2,411	7,276

25. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Trade payable				
- Third parties	322,503	245,056	–	–
- Related parties	12,525	12,595	–	–
- Subsidiary company	–	–	7,540	14,685
Other payable				
- Third parties	4,386	501	–	–
Total trade and other payables	339,414	258,152	7,540	14,685
Add:				
- Other liabilities (Note 26)	112,325	128,048	3,636	3,807
- Loans and borrowings (Note 28)	992,883	777,411	–	–
Total financial liabilities carried at amortised cost	1,444,622	1,163,611	11,176	18,492

At the balance sheet date, trade and other payables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	317,060	94,671	–	–
United States Dollar	20,848	161,032	7,540	14,685
Singapore Dollar	–	1,613	–	–
Others	1,506	836	–	–
	339,414	258,152	7,540	14,685

Trade payable to third parties are non-interest bearing. Trade payables are normally settled on 60-days terms while other payables have an average term of three months.

Trade payable to related parties are unsecured, non-interest bearing and repayable on demand.

26. Other liabilities

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Accrual for operating expenses	86,830	82,004	3,134	3,418
Value-added tax	20,956	39,022	502	389
Post-employment benefits (Note 29)	13,394	8,179	–	–
Accrued interest	3,866	3,839	–	–
Others	673	3,183	–	–
	125,719	136,227	3,636	3,807

27. Advances from customers

	Group		Company	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Local	5,433	8,822	–	–
Export	22,064	6,223	723	995
	27,497	15,045	723	995

This account represents advances received from customers for sales of the Group's products.

28. Loans and borrowings

	Group	
	2015	2014
	Rp'million	Rp'million
Current		
Interest bearing loans	532,266	357,904
Obligation under finance lease	3,973	9,481
	536,239	367,385
Non-current		
Interest bearing loans	456,186	406,263
Obligation under finance lease	458	3,763
	456,644	410,026
Total loans and borrowings	992,883	777,411

28. Loans and borrowings (cont'd)

(i) *Interest bearing loans*

	Group 2015 Rp'million	Group 2014 Rp'million
(a) Total facilities up to US$41,659,962 and Rp453,810 million (2014: US$34,395,000 and Rp428,850 million) comprising term loans, demand loans, pre and post export financing, bank guarantee and foreign exchange line. Term loans is payable on 20 quarterly instalments commencing from August 2016. Interest for US$ and Rp loan is at LIBOR plus 4.25% - 4.75% and lender prime lending rate plus 1.75% per annum, respectively. The loan includes financial covenants which require a group of subsidiaries to maintain EBITDA to debt service ratio not less than 1.25 times, adjusted leverage ratio not more than 2.75 times, consolidated debt to EBITDA not more than 3 times, and loan to value ratio not more than 75%.	720,491	502,895
(b) US$20,000,000 multi currency specific advance facility and payable within 1 - 3 months. Interest rate per annum to be agreed at each withdrawal of advance.	213,823	199,040
(c) Total facilities up to Rp58,000 million for *Post Import Financing Non Letter of Credit*. The loans are repayable within 1 month from withdrawal and bear interest at JIBOR one-month plus 4.75% per annum. The loans include financial covenants which require the lenders to maintain EBITDA to debt service ratio not less than 1.25 times and debt to equity ratio not more than 2.5 times.	36,638	44,732
(d) Rp17,500 million working capital facility repayable at 120 days from the date of withdrawal and bear interest at 10% per annum.	17,500	17,500
	988,452	764,167
Effective interest rate per annum	4.1%-14.1%	4.4%-13.3%
Within one year	532,266	357,904
Between two and five years	456,186	406,263
	988,452	764,167

During the current financial year, PT Sumber Graha Sejahtera ("SGS"), a subsidiary of the Company breached the financial covenants for not maintaining certain covenants listed above. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the events of breach of covenant.

On 30 December 2015, the bank issues a waiver letter to SGS not recall for immediate repayment of the loan with condition that no dividend payment to be made as long as the covenant breach is continuing.

28. Loans and borrowings (cont'd)

(i) ***Interest bearing loans (cont'd)***

The interest bearing loans are secured by following:

(a) Guarantee undertaking from two major shareholders of the Company, the Company and certain subsidiaries; and

(b) Secured over the land use rights, buildings, machinery, inventories, account receivables, bank balances of certain subsidiaries. All other assets of these subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed on them.

(ii) ***Obligation under finance lease***

The Group has finance leases for certain items of machinery and heavy equipment and vehicles. There are no restrictions placed upon the Group by entering into these leases.

The future minimum lease payments under the lease agreements are as follows:

	Group			
	2015		2014	
	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments
	Rp'million	Rp'million	Rp'million	Rp'million
Within one year	4,147	3,973	10,273	9,481
Between two and five years	513	458	3,838	3,763
Total minimum lease payments	4,660	4,431	14,111	13,244
Less: interest	(229)	–	(867)	–
Present value of minimum lease payments	4,431	4,431	13,244	13,244
Effective interest rate per annum	2% - 12%		5% - 16%	

All assets acquired under finance leases are secured against the assets under lease.

The net book value of assets under finance lease amounts to Rp23,852 million for the financial year ended 31 December 2015 (2014: Rp33,716 million).

29. Post-employment benefits

The Group calculate and record post-employment benefits for its qualified employees based on Indonesia Labour Law No. 13/2003 dated March 2003. The number of employees entitled to the benefits as at 31 December 2015 was 9,143 people (2014: 9,289 people).

The following tables summarise the components of provision for post employment benefits included in salaries and employee allowances and employee benefits under "General and Administrative Expenses" in consolidated income statement and "Post-employment Benefits" in the consolidated balance sheets.

	Group	
	2015	2014
	Rp'million	Rp'million
Benefit liabilities:		
Beginning of the year	225,723	154,744
Expenses during the year	48,077	36,016
Actual payments during the year	(5,578)	(9,283)
Actuarial (gain)/loss during the year	(14,553)	44,246
Ending of the year	253,669	225,723
Less: current portion (Note 26)	13,394	8,179
Non-current portion	240,275	217,544
Net benefit expense:		
Current service costs	29,049	21,888
Interest costs	18,726	14,128
Net curtailments effect or termination	302	–
Net benefit expense	48,077	36,016

The cost of providing post-employment benefits is calculated by an independent actuary, using the following key assumptions:

	Group	
	2015	2014
Discount rate per annum	9.04% - 9.20%	8.12% - 8.39%
Mortality table*	TMI III - 2011	TMI III - 2011
Rates of increase in compensation per annum	10%	10%
Retirement age	55 years old	55 years old

*TMI III – 2011 refer to Table of Mortality in Indonesia

30. Share capital

	Group and Company			
	2015		2014	
	Number of shares	Rp'million	Number of shares	Rp'million
Issued and fully paid				
At 1 January and 31 December	1,401,445,464	2,188,645	1,401,445,464	2,188,645

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. Each ordinary share carries one vote per share without restrictions. The ordinary shares have no par value.

31. Reserves

(a) ***Restructuring reserves***

Restructuring reserves represent the difference between the nominal value of shares issued in exchange for the nominal value of shares and reserves of subsidiaries acquired under common control, in accordance with the principles of merger accounting.

(b) ***Foreign currency translation reserves***

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

32. Commitments and contingencies

Financial support

The Company has agreed to provide financial support to a subsidiary having current liabilities in excess of its current assets by Rp124,086 million.

Capital commitments

Capital expenditures relates to machineries for decking products contracted for as at the end of the reporting period but not recognised in the financial statements amounting to Rp2,797 million (2014: Rp19,055 million).

32. Commitments and contingencies (cont'd)

Operating lease commitments – as lessee

The Group has various operating lease agreements for the rental of office. Office leases have an average life of between 1 and 5 years and contain renewable options. Lease terms do not contain escalation clauses or contingent rentals and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Operating lease payments recognised as an expense in the profit or loss for the financial year ended 31 December 2015 amounted to Rp5,751 million (2014: Rp4,984 million).

Future minimum lease payments payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2015	**2014**
	Rp'million	Rp'million
Not later than one year	6,139	8,173
Later than one year but not later than five years	6,315	16,943
	12,454	25,116

33. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

In addition to those related party information disclosed elsewhere in the financial statements, the following transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties.

33. Related party disclosures (cont'd)

	Group	
	2015	2014
	Rp'million	Rp'million
PT Pelayaran Nelly Dwi Putri Tbk - Freight charges	16,909	25,109
PT Wijaya Triutama Plywood Industri - Purchase of veneer	12,580	–
PT Sampoerna Land - Office rental	4,838	4,104
PT Wahana Sekar Agro - Cooperation for cultivation of trees	864	1,774

Certain Sunarko family members are substantial shareholders of PT Pelayaran Nelly Dwi Putri Tbk (a listed company in Indonesia) and PT Wijaya Triutama Plywood Industri. They are also substantial shareholders and directors of the Company.

PT Sampoerna Land and PT Wahana Sekar Agro are controlled by the Sampoerna family, which is related to a substantial shareholder of the Company.

Compensation to key management personnel

	Group	
	2015	2014
	Rp'million	Rp'million
Directors fees	2,392	2,297
Short-term employee benefits	24,784	23,905
Central provident Fund contribution	80	242
	27,256	26,444
Comprise amount paid to:		
- Directors of the Company	9,967	11,414
- Other key management personnel	17,289	15,030
	27,256	26,444

Compensation to key management personnel consist of salaries, bonus, and car allowance.

Financial guarantee

The Company has granted financial guarantee to the lenders for interest bearing loans for certain subsidiaries (Note 28).

34. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk, and liquidity risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer, Head of Treasury and Head of Credit Control. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rates risk arises primarily from their loans and borrowings and cash in bank.

The Group's policy is to manage interest cost using a mix of fixed and floating rate borrowings. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rate while enabling benefits to be enjoyed if interest rates fall.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Surplus funds are placed with reputable banks and financial institutions which generate interest income for the Group.

Sensitivity analysis for interest rate risk

The Group's borrowing interest rates are mainly floating rates. At the end of each reporting period, if the borrowing interest rates had been 100 basis points lower/ higher with all other variables held constant, the Group's profit after tax in 2015 would have been Rp7,744 million (2014: Rp6,161 million) higher/lower.

34. Financial risk management objectives and policies (cont'd)

(b) *Foreign currency risk*

Substantially all of the Group's export sales are denominated in US$. Prices of products sold in domestic market are also influenced by the international prices of timber products which are denominated in US$.

The Group has practices that include the periodic review of the impact of movements in foreign exchange rates on profitability so that appropriate action is taken to mitigate these risks. The Group uses derivative financial instruments when it is available in the market to hedge foreign exchange exposure arising from US$ denominated loans. Derivative financial instruments require bank line which is quite often difficult for companies operating in Indonesia given the limited risk appetite of the bank in providing US$/IDR swap facility. The Group does not use derivative financial instruments for trading or speculative purposes.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax from a reasonably possible change in the Indonesian Rupiah exchange rate against US$, with all other variables held constant.

	Group	
	2015	**2014**
	Rp'million	Rp'million
Strengthened 2.5%	8,774	10,465
Weakened 2.5%	(8,774)	(10,465)
Strengthened 5%	17,548	20,929
Weakened 5%	(17,548)	(20,929)
Strengthened 7.5%	26,321	31,394
Weakened 7.5%	(26,321)	(31,394)
Strengthened 10%	35,095	41,858
Weakened 10%	(35,095)	(41,858)

34. Financial risk management objectives and policies (cont'd)

(c) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's and the Company's exposures to credit risk are primarily from trade and other receivables and bank balances. It is the Group's policy to monitor the financial standing of these receivables on an on-going basis to ensure that the Group is exposed to minimal credit risk. Bank balances are placed with credit worthy financial institutions. More than 95% of the Group's customers have been customers for more than 5 years with good credit standing. The Group adopts prudent credit risk assessment on new and existing customers by implementing a 'know-your-customer' policy.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents, and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(d) ***Liquidity risk***

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

The Group's and the Company's exposure to liquidity and cash flow risk arise mainly from general funding and business activities. Its objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group adopts prudent liquidity risk management by maintaining sufficient cash balances.

As at balance sheets date, approximately 54% (2014: 47%) of the Group's loans and borrowings (Note 28) will mature in less than one year based on the carrying amount reflected in the financial statements. The Group will continue to monitor and address this risk by monitoring liquidity ratios (including projecting cash flow) and maintaining debt financing plans.

34. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk (cont'd)***

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to liquidity risk:

(In Rp'million)	Within 1 year	1-2 Years	2-3 years	3-4 Years	4-5 Years	Total undiscounted financial liabilities
2015						
Trade and other payables	339,414	–	–	–	–	339,414
Interest bearing loans	592,557	152,341	175,937	205,514	–	1,126,349
Obligations under finance lease	4,147	356	91	38	28	4,660
2014						
Trade and other payables	258,152	–	–	–	–	258,152
Interest bearing loans	427,824	77,920	126,735	146,616	177,132	956,227
Obligations under finance lease	10,273	3,580	258	–	–	14,111

35. Fair value of assets and liabilities

(a) *Fair value hierarchy*

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety is the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) *Assets and liabilities that are carried at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			
	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	Rp'million	Rp'million	Rp'million	Rp'million
2015				
Non-financial assets				
Biological assets	–	–	55,603	55,603
2014				
Non-financial assets				
Biological assets	–	–	55,500	55,500

35. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities that are carried at fair value (cont'd)*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3).

Biological assets – Standing Timber

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber older than 6 years (the age at which it becomes marketable)	Estimated harvesting costs (Rp196,766 to Rp332,130, weighted average of Rp273,320)	The estimated fair value increases the lower are the estimated harvest transportation costs.
Younger standing timber	• Estimated future timber market price per m3 with average price ranging from Rp799,169 to Rp1,315,216, weighted average of Rp1,013,233 • Adjusted Yield per hectare (84 m3 to 150 m3, weighted average of 130 m3) • Discount rate at 13.23%	The estimated fair value increases, the higher is the estimated timber price and the yield per hectare and the lower is the discount rate.

For biological assets, a significant increase/(decrease) in the discount rate would result in a significantly lower/(higher) fair value measurement. The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

35. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities that are carried at fair value (cont'd)***

	31 December 2015	
		Effect of reasonably possible alternative assumption
	Carrying amount	Profit or loss
	Rp'million	Rp'million
Recurring fair value measurements		
Increase by 1%	52,235	(1,680)
Decrease by 1%	55,667	1,752

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the key unobservable input, used in the fair value measurement, by adjusting the discount rate by increasing and decreasing the assumptions by 1%. The movement in biological assets and valuation policies and procedures are disclosed and described in Note 16.

There were no transfers between level 1, 2 and 3 during the financial years ended 31 December 2015 and 2014.

(c) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The following table shows an analysis of each class of assets and liabilities not measured at fair value at the end of the reporting period but for which fair value is disclosed:

	Group			
	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	Rp'million	Rp'million	Rp'million	Rp'million
31 December 2015				
Non-financial assets				
Investment in an associate	38,309	–	–	38,309
31 December 2014				
Non-financial assets				
Investment in an associate	47,503	–	–	47,503

35. Fair value of assets and liabilities (cont'd)

(d) ***Financial Instruments whose carrying amount approximates fair value***

Management has determined that the carrying amounts of cash in banks, trade and other receivables, trade and other payables and accrued operating expenses based on their notional amounts, reasonably approximate their fair values because they are mostly short term in nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

36. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure the Group's ability to operate as a going concern and to maintain a healthy capital structure in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

The capital for the Group is tabulated below:

	Group	
	2015	2014
	Rp'million	Rp'million
Loans and borrowings (Note 28)	992,883	777,411
Equity	144,729	604,083
Total loans and borrowings and equity	1,137,612	1,381,494

37. Segment information

For management purposes, the Group is organised into business divisions based on their products and services, and has two reportable segments as follows:

1. SGS division – refers to the operations of PT Sumber Graha Sejahtera group of entities. This division principally in the business of manufacturing and sales of 1) primary processed timber products (main) such as general plywood and laminated veneer lumber and 2) secondary processed timber products such as truck, piano body parts and decking.

2. ST division – refers to the operations of Samko Timber Limited and Samko Trading Pte Ltd group of entities. This division principally trade in all types of timber products manufactured by the division, SGS division and third parties. This division also produces mainly secondary timber products such as doors and windows.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss after tax which in certain respects, as explained in the table below, is measured differently from profit or loss after tax in the consolidated financial statements. Group corporate expenses are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

37. Segment information (cont'd)

	SGS division		ST division		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2015	2014	2015	2014	2015	2014		2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million		Rp'million	Rp'million
Revenue:									
External customers	1,981,991	1,913,341	1,481,017	1,368,451	–	–		3,463,008	3,281,792
Inter-segment	1,376,513	1,252,756	–	–	(1,376,513)	(1,252,756)		–	–
Total revenue	3,358,504	3,166,097	1,481,017	1,368,451	(1,376,513)	(1,252,756)		3,463,008	3,281,792
Results:									
Finance income	494	589	50	62	–	–		544	651
Finance expenses	(75,211)	(50,492)	(16,231)	(15,844)	–	–		(91,442)	(66,336)
Depreciation of property, plant and equipment	(129,186)	(111,295)	(2,800)	(3,092)	–	–		(131,986)	(114,387)
Amortisation of land use rights	(3,905)	(4,252)	–	–	–	–		(3,905)	(4,252)
Post-employment benefits expense	(47,135)	(34,433)	(942)	(1,583)	–	–		(48,077)	(36,016)
(Loss)/gain on change in fair value of biological assets	(2,589)	5,530	–	–	–	–		(2,589)	5,530

37. Segment information (cont'd)

	SGS division		ST division		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2015	2014	2015	2014	2015	2014		2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million		Rp'million	Rp'million
Inventories written-down	(54,609)	(1,165)	–	–	–	–		(54,609)	(1,165)
Impairment of intangible assets	(3,723)	–	(31,192)	–	–	–		(34,915)	–
Amortisation of intangible assets	(263)	(1,309)	(729)	–	–	–		(992)	(1,309)
Tax (expense)/benefit	(29,056)	(9,080)	1,420	(4,818)	–	–		(27,636)	(13,898)
Segment (loss)/profit	(435,575)	3,721	(42,835)	(1,046)	–	–		(478,410)	2,675
Assets:									
Deferred tax assets	60,436	89,329	4,880	3,912	–	–		65,316	93,241
Segment assets	1,757,914	1,666,583	523,380	962,325	(387,960)	(587,319)	A	1,893,334	2,041,589
Liabilities:									
Loans and borrowings	742,265	533,486	250,618	243,925	–	–		992,883	777,411
Income tax payable	10,261	18,326	1,140	2,991	–	–		11,401	21,317
Deferred tax liabilities	486	2,266	83	126	–	–		569	2,392
Segment liabilities	1,732,034	1,414,400	392,722	361,944	(386,998)	(348,256)	B	1,737,758	1,428,088

37. Segment information (cont'd)

Revenue and other non-current assets information based on the geographical location of the customers and assets respectively are as follows:

Notes Nature of adjustments and elimination to arrive at amounts reported in the consolidated financial statements

A. The following items are deducted from segment assets to arrive at total assets reported in consolidated balance sheets:

Inter-segment assets	(387,960)	(587,319)

B. The following items are deducted from segment liabilities to arrive at total liabilities reported in consolidated balance sheets:

Inter-segment liabilities	(386,998)	(348,256)

Geographical information

Revenue and other non-current assets information based on the geographical location of the customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2015	2014	2015	2014
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesia	2,015,968	2,156,341	784,164	835,016
North Asia	772,947	641,369	–	–
Malaysia	306,000	235,945	220	66
Singapore	176,004	123,570	635	3,586
United States of America	100,283	20,996	–	–
Europe	35,393	21,491	–	–
Middle East	23,771	48,667	–	–
Australia	14,662	9,889	–	–
South East Asia	10,006	17,406	–	–
Others	7,974	6,118	–	–
	3,463,008	3,281,792	785,019	838,668

Non-current assets information presented above consist of property, plant and equipment, intangible assets, biological assets and land use rights as presented on the consolidated balance sheets.

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 29 March 2016.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2016

SHAREHOLDERS' INFORMATION

Class of shares	Number of issued shares excluding treasury shares	Voting Rights
Ordinary Shares	1,401,445,464	One vote per share

There are no treasury shares held in the issued share capital of the Company.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholding			Number of Shareholders	%	Number of Shares	%
1	-	99	19	2.13	284	0.00
100	-	1,000	31	3.47	25,473	0.00
1,001	-	10,000	319	35.68	1,813,126	0.13
10,001	-	1,000,000	486	54.36	46,581,600	3.32
1,000,001		and above	39	4.36	1,353,024,981	96.55
			894	100.00	1,401,445,464	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Sampoerna Forestry Limited	600,246,305	42.83	-	-
First Fortuna Holdings Pte Ltd	150,597,000	10.75	-	-
Koh Tji Kiong @ Amir Sunarko (1)	129,473,231	9.24	33,846,346	2.42
Cindy Sunarko or Koh Tji Beng @ Ambran Sunarko	148,473,230	10.59	-	-
Aris Sunarko @ Ko Tji Kim (2)	34,698,231	2.48	190,100,346	13.56

Notes:

(1) Mr Koh Tji Kiong @ Amir Sunarko is deemed to be interested in the 33,846,346 shares held by Hasan Holdings Pte Ltd, by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Mr Aris Sunarko @ Ko Tji Kim is deemed to be interested by virtue of Section 7 of the Companies Act, Cap. 50, in the following shares:-

(a) 5,657,000 shares held by Noah Shipping Pte Ltd;
(b) 33,846,346 shares held by Hasan Holdings Pte Ltd; and
(c) 150,597,000 shares held by First Fortuna Holdings Pte Ltd.

SHAREHOLDERS' INFORMATION (CONT'D)

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Raffles Nominees (Pte) Limited	698,425,536	49.84
2.	UOB Kay Hian Private Limited	222,451,231	15.87
3.	Cindy Sunarko or Koh Tji Beng @ Ambran Sunarko	148,473,230	10.59
4.	Citibank Nominees Singapore Pte Ltd	40,395,500	2.88
5.	Hasan Holdings Pte Ltd	33,846,346	2.42
6.	Pang Yoke Min	27,000,000	1.93
7.	Temasek Life Sciences Ventures Private Limited	26,701,621	1.91
8.	Natalia Tanwir Tan	18,238,000	1.30
9.	Aris Sunarko @ Ko Tji Kim	17,225,000	1.23
10.	Horng Jiin Shuh @ Hung Ching Hsu	16,694,000	1.19
11.	DBS Nominees (Private) Limited	13,125,006	0.94
12.	Koh Boon Hong	12,804,000	0.91
13.	HSBC (Singapore) Nominees Pte Ltd	12,096,275	0.86
14.	First Fortuna Holdings Pte Ltd	10,597,000	0.76
15.	Patricia Althea Leong Peck Han	7,200,000	0.51
16.	Noah Shipping Pte Ltd	5,657,000	0.40
17.	See Kim Hua @ Tan Kim Hua	4,400,000	0.31
18.	Bank of Singapore Nominees Pte. Ltd.	3,817,700	0.27
19.	OCBC Securities Private Limited	2,634,000	0.19
20.	Phillip Securities Pte Ltd	2,553,000	0.18

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 20.07% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Samko Timber Limited (the "Company") will be held at Carlton Hotel Singapore, Connaught Room, Level 2, 76 Bras Basah Road, Singapore 189558 on Friday, 22 April 2016, at 3:00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 94 of the Constitution of the Company:

   Mr Ng Cher Yan **(Resolution 2)**
   Mr Michael Joseph Sampoerna **(Resolution 3)**
   Mr Wee Ewe Lay Laurence John **(Resolution 4)**

   Mr Ng Cher Yan will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating, Remuneration and Board Risk Committees respectively and will be considered independent.

   Mr Wee Ewe Lay Laurence John will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees respectively and will be considered independent.

3. To note the retirement of Mr Koh Boon Hong, who was previously re-appointed to hold office until this Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50, which was in force immediately before 3 January 2016, as the Non-Executive Chairman and Non-Executive Director of the Company.

4. To approve the payment of Directors' fees of S$227,150 for the year ending 31 December 2016, payable quarterly in arrears. (2015: S$245,300) **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as an Ordinary Resolution, with or without any modifications:

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 7)**

By Order of the Board

Lynn Wan Tiew Leng
Kiar Lee Noi
Secretaries
Singapore, 6 April 2016

Explanatory Note:

(i) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 7500A Beach Road, #08-305/307, The Plaza, Singapore 199591 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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