



# RESPONSIBLE DEVELOPMENT FOR THE FUTURE

ANNUAL REPORT 2015



PT AUSTINDO NUSANTARA JAYA Tbk.



# ANJ AT A GLANCE

Welcome to the 2015 Annual Report of PT Austindo Nusantara Jaya Tbk. We are proud to be an Indonesian food and renewable energy company.

## Who We Are

ANJ is a holding company principally engaged directly and through subsidiaries in producing and selling crude palm oil and palm kernel. We are proud to be at the forefront of innovation and operational efficiency in plantation management and palm oil processing.

We are also leveraging our experience in efficient plantation management to expand into sago harvesting and food production and develop a complementary renewable energy business.

The Company was listed on the Indonesia Stock Exchange in 2013, when we offered 10% of the shares in an IPO.

In 2015, we recorded US\$133.3 million of total income, EBITDA of US\$23.7 million and net loss of US\$8.4 million.

## Our Palm Oil Business

We own and operate four producing oil palm plantations: two in North Sumatra, one on Belitung Island off Sumatra, and one in West Kalimantan.

In 2015, we produced 756,673 tonnes of fresh fruit bunches from these plantations and purchased 136,191 tonnes from third parties, which together we milled into 192,891 tonnes of crude palm oil.

We are also currently developing plantations in West Papua and in South Sumatra.

We have a total landbank of 164,302 hectares. Of this, 45,605 hectares are planted or under development and around 50,000 hectares (including plasma) are available for future planting.

## Our Other Businesses

We are preparing for commercial operations in our sago harvesting and processing business in West Papua. This is in development phase, with the first sales expected in 2016.

In our energy segment, we commercially operate a biogas power plant at our Belitung Island plantation. We also have minority stakes in two geothermal power plant operations in Indonesia, as well as a minority stake in a coal-fired and diesel power plant business in Indonesia.

Finally, we have historically had non-core operations in tobacco processing, but we are transitioning this business into growing and processing higher-value crops such as edamame.

## Disclaimer

This annual report has been prepared by PT Austindo Nusantara Jaya Tbk. (ANJ) for informational purposes only. Certain statements herein may constitute "forward-looking statements", including statements regarding ANJ's expectations and projections for future operating performance and business prospects.

Such forward-looking statements are based on numerous assumptions regarding ANJ's present and future business strategies and the environment in which ANJ will operate in the future. Such forward-looking statements speak only as of the date on which they are made.

Accordingly, ANJ expressly disclaims any obligation to update or revise any forward-looking statement contained herein to reflect any change in the Company's expectations with regard to new information, future events or other circumstances.

ANJ does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

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

# CONTENTS

<b>Management Reports</b>	<b>2</b>
Report from the Board of Commissioners	4
Report from the Board of Directors	7
<b>Company Profile</b>	<b>10</b>
Corporate Overview	12
Our Core Strengths	18
Our Key Subsidiaries	20
Shareholder Information	25
Profiles of the Commissioners	28
Profiles of the Directors	32
Profiles of Key Members of Management	36
Human Resources	38
<b>Management Discussion &amp; Analysis</b>	<b>42</b>
Review of Operations	44
Review of Financial Performance	58
Industry and Market Outlook	68
Business Strategies and Future Plans	70
<b>Corporate Governance</b>	<b>72</b>
Governance Structures and Policies	74
Risk Management	92
<b>Corporate Social Responsibility</b>	<b>98</b>
Sustainability Standards	100
Environment and Conservation	104
Social Development	108
<b>Statement of Responsibility for Annual Report 2015</b>	<b>112</b>
<b>Consolidated Financial Statements</b>	<b>FS 1</b>
Directors' Statement Letter	FS 2
Independent Auditor's Report	FS 3
Consolidated Financial Statements	FS 5
Notes to the Consolidated Financial Statements	FS 10



## About This Report

This report has been prepared as a detailed and accurate picture of ANJ, its subsidiaries and their activities in 2015. It has also been prepared according to the regulations of the Indonesian Financial Services Authority (OJK). We hope you find it useful and we welcome your feedback. Please email [corsec@anj-group.com](mailto:corsec@anj-group.com) with your comments. To download a PDF copy of the report in English or Indonesian, please go to [www.anj-group.com](http://www.anj-group.com).

## Common Terms in This Report

In this report **PT Austindo Nusantara Jaya Tbk** is referred to as "ANJ" or "the Company". Several industry abbreviations and terms are also used throughout in connection with our core oil palm plantation business:

**Crude Palm Oil (CPO):** The oil extracted after crushing the fruit of the oil palm.

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

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

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

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

# MANAGEMENT REPORTS

<u>Report from the Board of Commissioners</u>	<u>4</u>
<u>Report from the Board of Directors</u>	<u>7</u>

**T**he year 2015 proved to be one of the toughest ANJ has faced. We were forced to negotiate the perfect storm of a dramatically weakened average selling price for crude palm oil, new export levies on palm oil products and El Niño drought conditions across much of Indonesia, including haze from hundreds of forest fires, affecting palm oil production volumes.

Revenues were significantly affected, and despite our established palm oil business remaining profitable, we recorded a net loss as a result of a decision to slow the development of our palm oil interests in West Papua.

# REPORT FROM THE BOARD OF COMMISSIONERS

## Dear Shareholders,

I am pleased to present the 2015 annual report of PT Austindo Nusantara Jaya Tbk. on behalf of the Company's Board of Commissioners.

While ANJ recorded disappointing financial results for 2015, chiefly as a consequence of continued downward pressure on global palm oil prices, there were plenty of positives for our company, notably record production and an eye-catching efficiency drive in our palm oil business and encouraging advances in our fledgling sago starch business.

## Challenges

The depressed palm oil market conditions of 2014 continued and deepened in 2015, with the CPO price reaching its lowest point in more than seven years and a modest rally towards the end of the second half of the year failing to make much impact.

In addition, the Indonesian Government introduced a new export levy in the middle of the year of US\$50 per tonne on CPO, which in the short term depressed realized prices and placed further strain on palm oil producers' margins.

Meanwhile, production volume was restricted by drought conditions brought in by El Niño weather patterns that took hold throughout the second half of 2015.

Finally, 2015 saw unsettling changes in the palm oil industry paradigm in the wake of the launch of the Indonesia Palm Oil Pledge (IPOP), an agreement by several major palm oil producers in Indonesia to commit to a series of efforts to ensure sustainable and environmentally-friendly production and estate development.

While laudable in aim, IPOP was introduced with little reference to other stakeholders, and has resulted in confusion and controversy: both local and national governments prioritize economic development and may revoke any concessions allocated for palm oil plantation which are not cleared and developed.

## Successes

In the context of these adverse conditions in 2015, we believe that the Board of Directors succeeded during the

year in effectively focusing on preserving conditions for ANJ's long-term growth and sustainability.

We particularly recognize their efforts in reducing the cash cost in our palm oil business by 22% over 2014 levels (as measured at our four established producing estates) and in managing to achieve record volumes in FFB, CPO and PK production.

While these production records were achieved with the assistance of the first production from newly matured palms at our young West Kalimantan plantation, volumes at our North Sumatra and Belitung plantations were kept at close to or above the record production levels recorded in 2014 despite the unfavorable weather conditions.

This is a direct result of continuing careful stewardship of these plantations and planning to mitigate the effects of the drought-bringing El Niño weather patterns.

2015 also brought positive news for our developing sago starch operation in West Papua. In 2014 we undertook a review of the mill production facilities and power plant following underperformance of the machinery, and decided that a comprehensive refit would be necessary.

Last October the mill refit was completed, and we are on track to commission a new power plant and begin commercial production of sago starch in the second quarter of this year.

This achievement was complemented by management efforts to forge closer links and dialogue with the local district chiefs and villagers in the areas around our mill and to create stronger community engagement with our plans. As part of this, we have increased the priority for identifying employment opportunities and training for local workers.

## Managing Progress

The Board of Commissioners met regularly with the Board of Directors in 2015 to evaluate management strategy and effectiveness, and we remain impressed with the responsive and transparent way that the Commissioners have been kept abreast of all relevant developments.

We remain in full agreement with the Directors' strategic focus: 1) on improving productivity and increasing production volume in our palm oil business to

create sustainable revenue growth in a changing industry environment with increasingly tight margins, and 2) on developing and expanding our complementary sago starch and renewable energy businesses.

In terms of the production targets set by management for 2015 in our core palm oil business, we are satisfied that while actual production fell short of the desired level, the extraordinary weather patterns and ensuing stress on trees on our estates rendered the target levels unachievable and commend management for ensuring that production volumes continued to grow, albeit at a lower rate.

We have been pleased also to see clear progress in remedying technical problems in our sago starch business and readying it for commercial production, and we retain full confidence in the viability of the business when fully operational.

## Responsibility First

This report emphasizes responsible development as a focus of 2015, and this was nowhere more evident than in the company's commitment to operating in a balanced way for the good of the nation – In line with one of our core values, respect for people and the environment.

We do this by improving the lives of people surrounding our estates through sustainable agriculture while limiting and mitigating wherever possible the environmental impact of our operations.

In 2015 further strides were taken to integrate sustainability principles into our ANJ's strategy and daily operations.

- Among the initiatives over the year were:
  - Integrating sustainability explicitly into ANJ's annual operating plan;
  - Appointing our first Sustainability Director and Supply Chain Management Director to the Company's Board of Directors;
  - Promoting the work of ANJ's sustainability steering committee overseeing and guiding the implementation of sustainability with the support of independent advisors;
  - Developing a conservation management plan for our West Papua estates, which is a new development frontier.
- We view sustainable development here in a holistic manner and are developing a bespoke Papua oil palm development model.

## Management Changes

There were no changes to the composition of the Board of Commissioners in 2015.

We thank Suwito Anggoro, who retired as President Director at the end of the year, for his loyal service and leadership. We welcome his former deputy, Istini Tatiek Siddharta, into the role of President Director and wish her success in leading ANJ's continued growth.

We also welcome three new Directors who were appointed in 2015, Handi Belamande Syarif and Sonny Sunjaya Sukada in June and Geetha Govindan in October.

We also express our thanks to Bambang Soerjanto, who stepped down as President Director of our West Papuan palm oil businesses in November.

All of the those stepping up to new roles in 2015 already know and are well suited to the ANJ Group's operations, and we are confident that they will be invaluable in assisting the company to face the challenges ahead.

## Closing Thanks

In concluding, the Board of Commissioners thanks and commends the Board of Directors for their efforts in 2015 to drive growth and responsible development through these challenging times.

We look forward to their continuing drive to propel ANJ along its path to growth in 2016 and beyond.

We also recognize and express thanks to all of our employees and stakeholders for their dedication and continuing support.

On behalf of the Board of Commissioners,



**Adrianto Machribie**  
President Commissioner



### The Board of Commissioners

- 1 Anastasius Wahyuhadi
- 2 Arifin Mohamad Siregar
- 3 George Santosa Tahija
- 4 Adrianto Machribie
- 5 Sjakon George Tahija
- 6 Istama Tatang Siddharta
- 7 Ridha Wirakusumah
- 8 Josep Kristiadi



### The Board of Directors

- 1 Sonny Sunjaya Sukada
- 2 Handi Belamande Syarif
- 3 Sucipto Maridjan
- 4 Istini Tatiek Siddharta
- 5 Suwito Anggoro
- 6 Lucas Kurniawan
- 7 Geetha Govindan

# REPORT FROM THE BOARD OF DIRECTORS

## Dear Shareholders,

The year 2015 proved to be one of the toughest ANJ has faced. We were forced to negotiate the perfect storm of a dramatically weakened average selling price for crude palm oil, new export levies on palm oil products and El Niño drought conditions across much of Indonesia that included haze from forest fires and affected palm oil production volumes nationwide.

Revenues were significantly affected, and despite our established palm oil business remaining profitable, we recorded a net loss as a result of a decision to slow the development of our palm oil interests in West Papua.

## Summary of Results

Total income was US\$133.3 million, 21.8% lower than in 2014, and EBITDA was US\$23.7 million, 62.6% lower. We recorded a net loss of US\$8.3 million, compared to net income of US\$18.3 million in 2014.

Sales revenue in our core palm oil business amounted to US\$114.6 million, accounting for 95.6% of our total revenue from sales, broadly in line with recent years.

CPO sales volume rose 5.6% over 2014 to 194,248 tonnes. CPO production rose to 192,891 tonnes, 2.7% higher than 2014, largely due to productivity gains at our North Sumatra II Plantation and first harvesting from newly mature trees at our West Kalimantan Plantation.

However, the higher production and sales volumes were offset by a steep drop in the CPO average selling price to US\$516 per tonne from US\$697 in 2014.

In our core palm oil business, we could not achieve our 2015 production and revenue targets. We had anticipated a lower CPO selling price but had hoped to increase CPO production by 10-15% and record net profits similar to 2014. However, the price fell significantly below the US\$650 per tonne we had anticipated due to a mix of factors including a sluggish world economy, in particular in China and Europe, sharp drops in crude oil prices, and unusually high CPO stocks in Malaysia and Indonesia early in the year.

Our planned production increase was limited, meanwhile, by drought conditions in the second half of the year.

Meanwhile, revenue in our investments in renewable energy were US\$6.1 million, marginally down from US\$6.2 million in 2014. Revenue from our tobacco production and trading business rose by 7.5% to US\$5.2 million.

## Palm Oil: Our Long-Term Focus

The largest operational challenge in 2015 was the severe drought brought by El Niño weather patterns in the second half, which affected palm oil producers across Indonesia.

However, thanks to a focused effort on improving efficiencies and management practices at our established North Sumatran and Belitung estates throughout the year, we were able to minimize the effects. FFB production at our Belitung Island Plantation decreased by just 1% and North Sumatra I Plantation by 5%, while North Sumatra II Plantation managed an increase of 7%.

At the same time, through our efficiency drive we reduced the cash cost of production to US\$233 per tonne of CPO from US\$298 in 2014. ANJ has consistently regarded its core long-term strategy as organic expansion and sustainable production growth in our palm oil business. Nevertheless, the challenge posed in 2015 by the depressed CPO selling price was of such severity that we decided to re-examine the pace of expansion.

We have planned for our principal source of future production growth to come from eastern Indonesia, through the development of new plantations in West Papua, and in 2013 and 2014 we acquired 105,159 hectares of landbank across three concessions.

Planting progressed in West Papua during 2015, but in light of the pressures outlined above, the Board of Directors in August decided to slow the planting process.

Land-clearing was halted temporarily as a prudent measure to ensure sustainable growth in the longer term. As a result, the company incurred a one-off charge of US\$8.8 million to terminate the contract of land clearing contractors there.

We have long recognized the challenges involved in fostering plantations in West Papua, and we maintain our strategy to develop there responsibly, balancing a good return to investors, commitment to conservation and economic development of the community.

While we feel it is prudent to slow development at this time, we continue to prepare the foundations for resuming growth in West Papua. This includes building a strong CSR program, actively establishing a new standard for Papua development with a range of external parties' involvement, including an independent consultant's assessment of our land use plan and integrating the development of our palm oil business with our nearby emerging sago business.

## REPORT FROM THE BOARD OF DIRECTORS

### West Kalimantan Developments

The extra-dry weather and high winds in August and September caused severe hazards for our plantation in West Kalimantan from wind-borne sparks originating in fires outside the plantation area.

Staff at PT Kayung Agro Lestari (KAL) were vigilant to prevent fires from sparking in our concession, and as a result the area affected by fire was minimal and we were able to extinguish all fires rapidly.

We also ensured that the conservation area adjacent to the plantation was protected, and in fact we welcomed 11 orangutans that entered it from outside to escape the threat of fire. With this addition, a total of 24 orangutans now call it home.

The experiences were a good lesson in teamwork and the importance of dissemination of knowledge and training in fire-fighting and prevention.

Also at our West Kalimantan estate, where the harvest is currently processed at our 15-tonne-per-hour mini-mill, construction began in 2015 of a full-scale mill with two lines each with a processing capacity of 45 tonnes per hour. The first line is expected to be ready for commissioning in October 2016, just in time to process the projected increase in FFB production at the newly maturing estate.

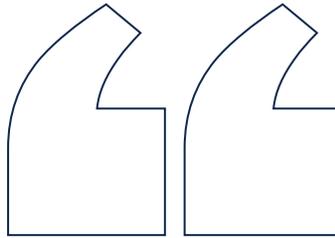
### Sago Starch Progress

In our emerging sago starch business in West Papua we completed a revamp of our factory facilities on time in October and test-produced a good quality of sago starch.

We are now on target to complete a combined coal- and biomass-fired power plant in May 2016, after which we can begin commercial production. We aim to ramp production volume up to the factory's 1,250Mt-a-month capacity by the year's end, and finish aligning communities to our production activities. We plan to sell the starch to overseas and domestic customers.

### Renewable Energy Boosts

We successfully completed an upgrade to the biogas-fuelled power plant run by our subsidiary PT Austindo Aufwind New Energy (AANE) at our Belitung Island Plantation. The upgrade increased the plant's capacity from 1.2MW to 1.8MW.



WE TRUST THAT WITH OUR INTEGRATED MANAGEMENT TEAM WE CAN OVERCOME THE CONTINUING BUSINESS CHALLENGES IN THE PALM OIL SECTOR, CONTINUE TO POSITION OURSELVES FOR LONG-TERM SUSTAINABLE GROWTH. AND START TO DEVELOP THE MARKET FOR OUR SAGO STARCH AND EDAMAME.

The AANE plant – the first biogas-fueled independent power producer in Indonesia to sell its electricity commercially to state power utility PT PLN (Persero) – saw its first full year of operation in 2014. In 2015 we increased its power output to 1.8MW, 50% more than in 2014, in line with our target of a 10-13% increase in output.

## Moving into Edamame

Following our decision in 2012 to streamline our core activities to focus on agribusiness (oil palm), emerging food (sago) and renewable energy, we accordingly began to transition a legacy subsidiary, PT Gading Mas Indonesian Tobacco (GMIT), out of its primary business of tobacco processing and trading.

After two years of exploring high-value agriculture products and gradually running down its tobacco business, in 2015 GMIT stopped purchasing tobacco altogether and has converted to processing and trading seasonal crops. In line with this, the company's name was amended in March to PT Gading Mas Indonesia Teguh.

A pilot project begun in 2014 to produce edamame, a versatile green bean used as a natural snack or soup ingredient, has proved successful and was expanded in 2015, with a focus on propagating plants to develop a seed bank in preparation for full-scale commercial edamame cultivation and export.

## Governance and Transparency

In the run-up to beginning a new chapter as a public company in 2013 and since, ANJ has taken every effort to enhance its already robust governance structures, policies and practices.

This has been characterized by an ongoing program to bring together the Company's many diverse subsidiaries and foster a common culture of excellence.

In 2015, this drive was continued with:

- The appointment of the Company's first dedicated Sustainability Director, Supply Chain Management Director and Palm Oil Operations Director;
- The launch of operational updates published on a monthly basis for investors and stakeholders;
- The streamlining of the corporate structure through the merger of ANJ with its wholly-owned subsidiary PT Pusaka Agro Makmur;

- The realignment under the Board of Directors of oversight for all subsidiaries, including palm oil companies in our western and eastern areas and also our West Papua sago venture, to improve communications, simplify management and maximize the potential for synergy in our operations.

## Changes to Board of Directors

There were a number of significant changes to the Board of Directors in 2015.

President Director Suwito Anggoro stepped down at the end of the year. We thank him for leading the Company loyally through its transition since 2012 to concentrate on our three core businesses. We express our deep appreciation for his dedicated service. Istini Tatiek Siddharta, formerly Deputy President Director, was appointed to replace him as President Director as of January 1, 2016.

Three new Directors were also appointed in 2015, as mentioned above. In June we welcomed Handi Belamande Syarif as Supply Chain Management Director and Sonny Sunjaya Sukada as Sustainability Director, followed by Geetha Govindan as Palm Oil Operations Director. He was also appointed President Director of our eastern palm oil subsidiaries in November.

We trust that with our integrated management team we can overcome the continuing business challenges in the palm oil sector, continue to position ourselves for long-term sustainable growth and start to develop the market for our sago starch and edamame.

To succeed, we will require intelligent teamwork and a clear-headed focus on aligning our management team and developing our future leaders.

In these efforts, we again thank all of our staff and stakeholders for your continued trust and support.

On behalf of the Board of Directors,



**Istini Tatiek Siddharta**  
President Director

# COMPANY PROFILE

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<b>Corporate Overview</b>	<b>12</b>
<b>Our Core Strengths</b>	<b>18</b>
<b>Profile of Our Key Subsidiaries</b>	<b>20</b>
<b>Shareholder Information</b>	<b>25</b>
<b>Profiles of the Commissioners</b>	<b>28</b>
<b>Profiles of the Directors</b>	<b>32</b>
<b>Profiles of Key Members of Management</b>	<b>36</b>
<b>Human Resources</b>	<b>38</b>

**F**rom its establishment in 1993 until 2012, ANJ was engaged principally in agribusiness, financial services and healthcare. In 2012 we began a shift in focus to agribusiness along with emerging food and renewable energy businesses.

The Company is now primarily engaged in the integrated cultivating and harvesting of fresh fruit bunches (FFB) from our oil palm plantations, milling FFB into crude palm oil (CPO) and palm kernel (PK) and selling the CPO and PK.

ANJ has been committed since its inception to improving business practices in Indonesia, and we strive to be a leader in innovation and operational efficiency in plantation management and palm oil processing. We continually strive to improve yields and productivity while balancing this with our environmental responsibilities.

# CORPORATE OVERVIEW

## OIL PALM PLANTATIONS AND LANDBANKS

We currently own four operational oil palm plantations: two in North Sumatra, one on Belitung Island off the eastern coast of Sumatra and one in West Kalimantan.

This annual report refers repeatedly to our oil palm plantation properties as follows:

### North Sumatra I Plantation

Our oil palm plantation of 9,935 hectares in Binanga, North Sumatra, run by our subsidiary PT Austindo Nusantara Jaya Agri (ANJA).

### North Sumatra II Plantation

Our oil palm plantation of 9,639 hectares in Padang Sidempuan, North Sumatra, run by our subsidiary PT Austindo Nusantara Jaya Agri Siais (ANJAS).

### Belitung Island Plantation

Our oil palm plantation of 16,307 hectares on Belitung Island, Bangka Belitung Province, run by our subsidiary PT Sahabat Mewah dan Makmur (SMM).

### West Kalimantan Plantation

Our oil palm plantation of 16,620 hectares in Ketapang, West Kalimantan, run by our subsidiary PT Kayung Agro Lestari (KAL).

Our North Sumatra and Belitung Island plantations are all established producing oil palm plantations with mature oil palms and an on-site processing mill at each property. Our plantation in West Kalimantan was planted more recently and the first harvesting of palms was in 2014.

We have also started planting areas of a landbank that we own in South Sumatra as well as landbanks in West Papua. These are referred to as follows:

### South Sumatra Landbank

Our landbank of 12,800 hectares located in Empat Lawang, South Sumatra, run by our subsidiary PT Galempa Sejahtera Bersama (GSB). We started planting areas of this landbank during the second half of 2013.

### West Papua Landbank

Our partially planted landbank of 91,242 hectares spread across three mostly contiguous areas in South Sorong and Maybrat, West Papua, run by the Company and our subsidiaries PT Permata Putera Mandiri (PPM) and PT Putera Manunggal Perkasa (PMP).

Operationally we have divided our plantations and landbanks into two regions. Those in Sumatra, Belitung Island and Kalimantan comprise our west region, and those in West Papua comprise our east region.

The Company is a member of the international Roundtable on Sustainable Palm Oil (RSPO) and has received RSPO certification for both of our North Sumatra plantations and our Belitung Island Plantation. We have applied for RSPO certification for our newly producing West Kalimantan Plantation.

All of our plantations in development follow RSPO guidelines, and we intend to apply for certification as they enter commercial operation.

As at December 31, 2015, the Company had a total landbank of 157,921 hectares. Of this, the planted area was 47,733 hectares, including 2,190 hectares that has been allocated for the Indonesian Government's Plasma Program to support community smallholders.

Of this planted area, 39,058 hectares, or 81.8%, contained mature oil palms, and 8,675 hectares, or 18.2%, contained immature oil palms. The total planted area increased from 45,605 hectares as at December 31, 2014.

The average age of our nucleus oil palms across all of

**We strive to produce quality, environmentally friendly products while adhering to the best management practices that help us to achieve excellent performance, ensure good employee welfare and empower the community as equal partners. This is achieved by unrelenting commitment to our vision, mission and core values.**

## **OUR VISION**

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To become a world-class food and renewable energy company that elevates the status of the Indonesian people.

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## **OUR MISSION**

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Committed to produce quality products that are environmentally-friendly whilst adhering to best management practices that achieve excellent performance, ensure good employee welfare and empower the community as equal partners.

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## **OUR VALUES**

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- Integrity
  - Respect for People and the Environment
  - Continuous Improvement
- 



## ANJ Business Identity

### Registration Details

**Name:** PT Austindo Nusantara Jaya Tbk.  
**Domicile:** South Jakarta  
**Registered address:**  
 Atrium Mulia, Fl. 3A,  
 Suite 3A-02,  
 Jl. H.R. Rasuna Said  
 Kav. B10-11, Jakarta 12910  
**Tel:** +62 21 2965 1777  
**Fax:** +62 21 2965 1788  
**E-mail:** [corsec@anj-group.com](mailto:corsec@anj-group.com)  
**Website:** [www.anj-group.com](http://www.anj-group.com)

### Foundation Date

April 16, 1993

### Commissioners

Adrianto Machribie  
*(President Commissioner)*  
 Arifin Mohamad Siregar  
 George Santosa Tahija  
 Sjakon George Tahija  
 Anastasius Wahyuhadi  
 Istama Tatang Siddharta  
 Josep Kristiadi  
 Ridha Wirakusumah

### Directors

Suwito Anggoro  
*(President Director to December 31, 2015)*  
 Istini Tatiek Siddharta  
*(President Director from January 1, 2016)*  
 Sucipto Maridjan  
 Lucas Kurniawan  
 Geetha Govindan  
 Handi Belamande Syarif  
 Sonny Sunjaya Sukada

## A Brief History of ANJ

- 1993 The Company is established.

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- 2000 PT Austindo Agro Nusantara and PT Austindo Nusantara Resources are merged into the Company. ANJ acquires PT Austindo Nusantara Jaya Agri (previously known as PT Eka Pendawa Sakti) through Verdaine Investments Ltd. and acts as management/operator.

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- 2001 PT Austindo Investama Jaya, PT Austindo Mining Corporindo and PT Austindo Nusantara Energi are merged into the Company.

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- 2003 ANJ acquires PT Sahabat Mewah dan Makmur.

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- 2004 ANJ acquires PT Austindo Nusantara Jaya Agri Siais (previously known as PT Ondop Perkasa Makmur).

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- 2005 ANJ acquires PT Kayung Agro Lestari.

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- 2006 ANJ acquires full ownership of PT Austindo Nusantara Jaya Agri.

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- 2010 PT ANJ Agri Papua obtains permit (IUPHHBK) to use 40,000 hectares of land in West Papua for sago plantation.

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- 2012 ANJ divests healthcare and financial services interests to focus on agribusiness, food and renewable energy. ANJ acquires PT Galempa Sejahtera Bersama.

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- 2013 ANJ acquires PT Permata Putera Mandiri and PT Putera Manunggal Perkasa. ANJ is listed on the Indonesian Stock Exchange (IDX). PT Austindo Aufwind New Energy's biogas plant begins commercial operation.

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- 2014 ANJ acquires PT Pusaka Agro Makmur.

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- 2015 PT Pusaka Agro Makmur is merged into ANJ.

## Awards and Certifications in 2015

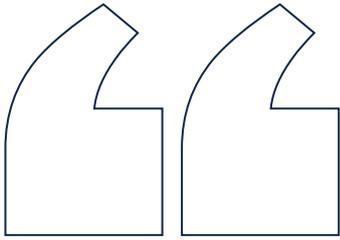
ANJAS, which operates our North Sumatra II Plantation, received ISPO certification.

ANJAS received a zero accident certificate from the Ministry of Manpower, having achieved 7,354,672 working hours without accident.

ANJAS received ISO 14001: 2004 certification for management systems in palm oil plantation and crude palm oil production.

SMM, which operates our Belitung Island Plantation, received a Blue rank PROPER Award for 2014-15 from the Ministry of the Environment and Forestry.

SMM also received a three-year renewal of its ISO 14001: 2004 management systems certification.



IN 2015, WE PRODUCED 756,673 TONNES OF FFB, UP FROM 726,292 TONNES IN 2014. OUR MATURE OIL PALM PLANTATIONS YIELDED ON AVERAGE 22.7 TONNES OF FFB PER HECTARE, 1.4% UP FROM 22.4 TONNES IN 2014. THE COMPANY EXPECTS TO CONTINUE TO IMPROVE ITS FFB YIELDS IN COMING YEARS AS A RESULT OF A FAVORABLE AGE PROFILE OF OUR TREES AND ENHANCEMENTS IN FERTILIZER APPLICATION.

the Company's plantations as at December 31, 2015, was 12.2 years.

Within the total landbank, an estimated 50,000 hectares are plantable but as yet unplanted (including plasma), and the Company has obtained or is in the process of obtaining the necessary permits and rights to develop this land into oil palm plantations.

The remaining portions of the Company's landbank are either not plantable due to unsuitable topography or are used for voluntary initiatives such as environmental

conservation, riverine buffers and conservation of historical and culturally significant sites, as well as infrastructure such as roads and employee housing and amenities.

At our West Kalimantan Plantation, the Company has transferred more than 20% of the landbank to operation by local smallholders to meet our Plasma Program obligations.

In 2015, we produced 756,673 tonnes of FFB, up from 726,292 tonnes in 2014. Our mature oil palm plantations yielded on average 22.7 tonnes of FFB per hectare, 1.4% up from 22.4 tonnes in 2014. We expect gradual improvement in FFB yields in coming years due to the favorable age profile of our trees and enhancements in fertilizer application.

To produce CPO and PK, we primarily use FFB harvested from our own oil palm plantations, and all of the FFB produced by our plantations are processed in our own mills.

As at December 31, 2015, the three full-size palm oil processing mills that we operate at our plantations each had a production capacity of 60 tonnes per hour, while a mini-mill at our West Kalimantan Plantation had a capacity of 15 tonnes per hour, for an aggregate processing capacity of 195 tonnes per hour, or 1,170,000 tonnes per year.

In 2015, we began to construct a full-scale mill at our West Kalimantan Plantation with a total capacity of 90 tonnes per hour, comprised of two lines each with a capacity of 45 tonnes per hour. The first line is expected to be commissioned in the fourth quarter of 2016, just in time to process the projected increase in FFB production at the estate.

In 2015, the Company produced 192,891 tonnes of CPO, a rise of 2.7% from 187,740 tonnes in 2014. We produced 44,204 tonnes of PK, up 5.2% from 42,037 tonnes in 2014.

Our CPO extraction rate (OER) was 21.6%, compared to 21.7% in 2014, while kernel extraction rate (KER) was 4.95%, in line with 4.86% in 2014.

In order to maximize the utilization and profitability of its mills, the Company also purchases FFB from third parties for milling.

In addition to the major holdings described above, the Company has minority stakes ranging from 5% to 20% in a number of Indonesian palm oil businesses with a total planted area of approximately 37,170 hectares.

## CORPORATE OVERVIEW

## OTHER BUSINESSES

The Company is in the process of commencing commercial operations in a sago harvesting and processing business. Our Papua Sago Project is located in South Sorong, West Papua. We have constructed the first sago starch mill to process sago logs from the 40,000 hectares of land for which we have harvesting licenses. The mill has reached its final construction stage and held its soft launch on October 27, 2015.

The mill currently has a capacity of 1,250 tonnes of dry starch per month, and we plan to expand this to 2,500 tonnes per month in a second phase. Construction of a power plant was under way by the end of 2015, and full commercial operation is expected to commence in the second quarter of 2016.

The Company also has minority stakes in two geothermal power plant operations in Indonesia in partnership with Chevron Group, as well as a minority stake in a coal-fired and diesel power plant business in Indonesia in partnership with Freeport-McMoRan Copper & Gold Inc.

Additionally, we have developed a biogas power-generation business, operated by our subsidiary PT Austindo Aufwind New Energy, as part of our renewable energy segment, with our first biogas power plant starting commercial operations in December 2013. Its capacity was increased from 1.2MW to 1.8MW during 2015.

Finally, the Company has non-core operations in a tobacco processing business in East Java, where our subsidiary PT Gading Mas Indonesia Teguh serves as a processor and an intermediary between tobacco growers and domestic and international producers of cigars and cigarettes.

In 2012, the management decided to gradually exit the tobacco business and concentrate on higher-value agricultural products, and GMIT has successfully performed extensive trials in cultivating edamame. Edamame is a green vegetable, similar to a soybean, and is consumed as a snack or a vegetable dish, used in soups or processed into sweets.

The management is exploring the opportunity to harvest, process and freeze the edamame for local consumption and export within Asia to countries such as Japan and China with an established consumer base.

*FFB ready for processing into CPO at our North Sumatra II Plantation.*





## ANJ Corporate Business Activities

Based on the Company's Articles of Association as currently stated, the Company engages in the business of trading, services and operations of palm oil plantation and processing as well as trading of palm oil products.

To achieve its purpose and objectives, the Company may carry out the following business activities:

### Main Business Activities

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

### Supporting Business Activities

- a)** Provide services to other parties by utilizing the assets owned by the Company;
- b)** Carry out other business related to and supporting the business activities listed above in accordance with prevailing laws and regulations.

## Changes to Articles of Association

ANJ's Articles of Association have been amended several times since the Company's establishment in 1993.

The most recent amendment was made in 2015, pursuant to Deed No. 270 of Dr. Irawan Soerodjo, SH, M.Si., Notary in Jakarta, dated June 23, 2015.

This amendment to the Articles of Association was: 1) with regard to a merger with our subsidiary PT Pusaka Agro Makmur; 2) to change the main business of the Company by including in its business activities the direct operation of plantations and processing and trading of palm oil products; and 3) to comply with obligations pursuant to OJK Regulation No. 32/POJK.04/2014 regarding Plan and Implementation of General Meeting of Shareholders for Public Company and OJK Regulation No. 33/POJK.04/2014 regarding Boards of Directors and Boards of Commissioners of Issuers or Public Companies.

# OUR CORE STRENGTHS

**W**e believe that we are well positioned to take advantage of ongoing growth in the palm oil industry and have qualities that will continue to differentiate us from our competitors.

We intend to leverage our strengths to expand our oil palm plantation area, increase our milling capacity and improve our overall operational efficiency and thereby increase our production of CPO and PK.

We believe also that our ongoing diversification and expansion into non-palm oil areas such as sago starch production and commercial biogas power generation, fit well with our core competencies and will allow us to develop sustainable and scalable long-term businesses.

Our principal strengths include:

## Good Position to Capture Growth in the Oil Palm Sector

Palm oil is the world's most consumed vegetable oil due to its competitive price and versatility, and consumption is predicted to keep growing at a fast pace along with consumption of edible oils worldwide. Growing population and economic development in Asian countries such as China, India, Indonesia and Malaysia, the key consuming markets of palm oil, should account for much of this growth.

## Well-Established Cost Management Techniques

We have implemented best management practices to reduce costs associated with planting, fertilizing, harvesting and processing. Examples include:

- Strategically located plantations and mills to help us deliver our product efficiently;
- Increased use of automation, including motorized harvesting, mechanized in-field loading of FFB and the first fully automated palm oil processing mill in Indonesia;
- Agronomic enhancements such as leaf and soil sampling to tune fertilizer use, use of legume cover crops to reduce weeds, use of empty fruit bunches and mill effluent as nutrients, progressive pruning of palms to increase productivity and use of high-quality imported fertilizers;
- Harvesting improvements, such as block harvesting

to increase manpower productivity and reduce transportation, and training harvesters to better assess fruit ripeness and collect loose fruit to reduce wastage;

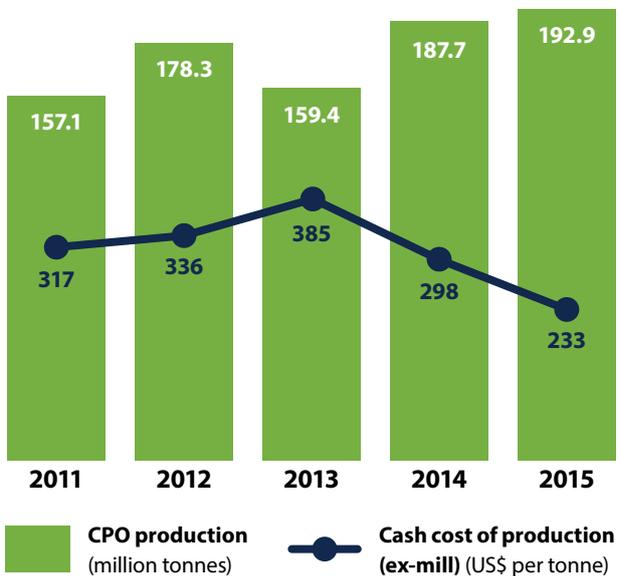
- Improvement of administrative and support systems such as computerized estate accounting, management and communications systems to increase efficiency, plus improved physical security to guard against theft, fire and human or animal incursions.

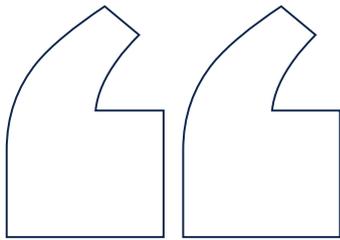
## Experienced Management Committed to Strong Corporate Governance

Our management team has proven abilities in managing the commercial, operational and financial aspects of our business. Members of our senior management team have an average of more than 25 years' industry experience and valuable, longstanding relationships with customers, suppliers and other market participants.

We believe sound corporate governance is essential, such as through detailed reporting systems, high ethical standards and transparency both internally and in relations with our customers and other stakeholders.

## Cash Cost vs CPO Production 2011-15





OUR MANAGEMENT TEAM HAS PROVEN ABILITIES IN MANAGING THE COMMERCIAL, OPERATIONAL AND FINANCIAL ASPECTS OF OUR BUSINESS. MEMBERS OF OUR SENIOR MANAGEMENT TEAM HAVE AN AVERAGE OF MORE THAN 25 YEARS' INDUSTRY EXPERIENCE.

### Favorable Maturity Profile and Significant Landbank

An oil palm typically has a commercial life span of 25-30 years. About 36.5% of our oil palms are between eight and 20 years and thus in the prime period of their commercial life, and 35.6% are either still young or immature at seven years or less.

Meanwhile, we have an estimated aggregate plantable landbank area of around 50,000 hectares of land available for future planting.

Through both of these factors we believe we are well placed to support strong and sustainable future growth.

### Low Production Costs and Strong Financial Position

Growth in our business and a long-term focus on cost efficiencies have helped us to reduce the cash cost of producing CPO and help us achieve strong revenues. This has assisted us in being able to weather challenging periods of low palm oil market prices and inclement weather, such as in the past year.

We are also supported by our healthy balance sheet and liquidity position, with current assets of US\$51.7 million balanced against US\$55.9 million in current liabilities as at December 31, 2015. This contributes to enabling us to keep our focus on long-term success, planning, developing and implementing our growth strategies.

### Strict Environmental Standards and Strong Socio-Economic Development Policies

We see corporate social responsibility as essential and promote practices that benefit surrounding communities and that minimize any potential adverse effects to the environment of our plantations and production processes. Our policies include:

- Developing communities in which we operate and providing amenities, including through public works and infrastructure, medical facilities, schools and places of worship, in addition to providing housing, medical care, schooling and training for our employees and their families.
- Adopting environmentally responsible practices, including not practising open-burning, minimizing pesticide use and recycling waste palm materials.

### Commitment to Best Practices and Certification

In sustainable palm oil production, we are committed to incorporating best practices in our operations and abiding by the highest standards.

As such, we are a member of the Roundtable on Sustainable Palm Oil (RSPO) and have received RSPO certification for three plantations and are applying for certification for a fourth.

# OUR KEY SUBSIDIARIES

## PT Austindo Nusantara Jaya Agri

### 1 Palm oil plantation

**ANJA** was established in March 1986 and acquired by ANJ in 2000 through Verdaine Investments Ltd. ANJ acquired direct ownership in 2006. It is engaged in planting, developing and cultivating oil palms, delivering crude palm oil (CPO) and palm kernel (PK), and activities related to their production and marketing. It owns, manages and operates our North Sumatra I Plantation in Binanga, North Sumatra. Through its subsidiaries, it also holds interests in our six other palm oil plantations and landbanks.

ANJA itself has a total of 9,935 hectares, of which 9,813 hectares are planted and contain mature oil palms. Its mill processes fresh fruit bunches (FFB) from our own plantation as well as FFB purchased from third parties. The mill has a capacity of 60 tonnes of FFB per hour.

## PT Sahabat Mewah dan Makmur

### 2 Palm oil plantation

**SMM** was established in July 1985 and acquired by ANJA in March 2003. It is engaged in planting, developing and cultivating oil palms, delivering CPO and PK, and related activities. SMM owns, manages and operates our Belitung Island Plantation. The first seedlings were planted in 1990 and its processing mill was completed in 1996.

SMM has a total area of 16,307

hectares, of which 14,227 hectares are planted and 13,682 hectares contain mature oil palms. A mill there primarily processes FFB from our plantation. FFB purchased from third parties is minimal. The mill has a capacity of 60 tonnes per hour.

## PT Austindo Nusantara Jaya Agri Siais

### 3 Palm oil plantation

**ANJAS** was established in May 2002 and acquired by ANJA in November 2004. It owns, manages and operates our North Sumatra II Plantation at Padang Sidempuan, North Sumatra. ANJAS has a total area of 9,639 hectares, of which 7,912 hectares are planted and contain mature oil palms. A processing mill there primarily processes FFB from our plantation as well as FFB purchased from third parties. The mill has a capacity of 60 tonnes per hour.

## PT Kayung Agro Lestari

### 4 Palm oil plantation

**KAL** was established in September 2004 and acquired by ANJA in December 2005. It owns, manages and operates our West Kalimantan Plantation in Ketapang, West Kalimantan. KAL has a total of 16,620 hectares. It holds land cultivation rights (HGU) for 10,920 hectares (nucleus), while the HGU certification process is ongoing for 2,427 hectares (plasma).

The first seedlings were planted in 2010, and 9,871 hectares are

now planted; of this, 6,181 hectares contain mature oil palms, 3,690 hectares are not yet mature.

## PT Galempa Sejahtera Bersama

### 5 Palm oil plantation

**GSB** was established in January 2012 and was acquired by ANJA in May 2012. GSB holds a location permit for 12,800 hectares of oil palm plantation in Empat Lawang, South Sumatra, and has completed planting of 279 hectares.

## PT Permata Putera Mandiri

### 6 Palm oil plantation

**PPM** was established in July 2007 and acquired by ANJA in January 2013. It holds land cultivation rights for 26,571 hectares of oil palms (nucleus) and has made a cadastral map for 5,454 hectares (plasma) in South Sorong, West Papua. It began planting oil palms in 2014.

## PT Putera Manunggal Perkasa

### 7 Palm oil plantation

**PMP** was established in November 1999 and acquired by ANJA in January 2013. PMP holds land cultivation rights for 22,678 hectares of oil palms (nucleus and plasma) in South Sorong and Maybrat, West Papua. It began planting oil palms in 2014.



Data as at December 31, 2015

Company name	Principal business location	Registered address	Commercial operations began	ANJ effective ownership	Commissioners <i>PC = President Commissioner</i>	Directors <i>PD = President Director</i>
<b>ANJA</b> PT Austindo Nusantara Jaya Agri	Binanga, North Sumatra	Sinarmas Land Plaza, 7th Floor, Jl. P. Diponegoro No. 18, Medan, North Sumatra	1995	99.99%	George Santosa Tahija (PC) Suwito Anggoro Istini Tatiek Siddharta Anastasius Wahyuhadi	Geetha Govindan (PD) Sucipto Maridjan Nopri Pitoy Aloysius D'Cruz Handi Belamande Syarif Sonny Sunjaya Sukada
<b>ANJAS</b> PT Austindo Nusantara Jaya Agri Siais	Padang Sidempuan, North Sumatra	Sinarmas Land Plaza, 7th Floor, Jl. P. Diponegoro No. 18, Medan, North Sumatra	2009	99.99%	George Santosa Tahija (PC) Suwito Anggoro Istini Tatiek Siddharta Anastasius Wahyuhadi	Geetha Govindan (PD) Sucipto Maridjan Nopri Pitoy Handi Belamande Syarif Sonny Sunjaya Sukada
<b>SMM</b> PT Sahabat Mewah dan Makmur	Belitung, Bangka Belitung	Atrium Mulia, 3A Fl., Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910	1994	99.99%	George Santosa Tahija (PC) Suwito Anggoro Istini Tatiek Siddharta Anastasius Wahyuhadi	Geetha Govindan (PD) Sucipto Maridjan Nopri Pitoy Handi Belamande Syarif Sonny Sunjaya Sukada
<b>KAL</b> PT Kayung Agro Lestari	Ketapang, West Kalimantan	Sinarmas Land Plaza, 7th Floor, Jl. P. Diponegoro No. 18, Medan, North Sumatra	2014	99.99%	George Santosa Tahija (PC) Suwito Anggoro Istini Tatiek Siddharta Anastasius Wahyuhadi	Geetha Govindan (PD) Sucipto Maridjan Nopri Pitoy Handi Belamande Syarif Sonny Sunjaya Sukada
<b>GSB</b> PT Galempa Sejahtera Bersama	Empat Lawang, South Sumatra	Sinarmas Land Plaza, 7th Floor, Jl. P. Diponegoro No. 18, Medan, North Sumatra	At pre-operating stage	99.99%	George Santosa Tahija (PC) Suwito Anggoro Istini Tatiek Siddharta Anastasius Wahyuhadi	Geetha Govindan (PD) Sucipto Maridjan Nopri Pitoy Handi Belamande Syarif Sonny Sunjaya Sukada
<b>PPM</b> PT Permata Putera Mandiri	South Sorong, West Papua	Atrium Mulia, 3A Fl., Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910	At pre-operating stage	99.99%	George Santosa Tahija (PC) Suwito Anggoro Istini Tatiek Siddharta Anastasius Wahyuhadi	Geetha Govindan (PD) Sucipto Maridjan Handi Belamande Syarif Sonny Sunjaya Sukada
<b>PMP</b> PT Putera Manunggal Perkasa	South Sorong and Maybrat, West Papua	Atrium Mulia, 3A Fl., Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910	At pre-operating stage	99.99%	George Santosa Tahija (PC) Suwito Anggoro Istini Tatiek Siddharta Anastasius Wahyuhadi	Geetha Govindan (PD) Sucipto Maridjan Handi Belamande Syarif Sonny Sunjaya Sukada

## OUR KEY SUBSIDIARIES

### PT Aceh Timur Indonesia

**8** Agribusiness (palm oil)

**ATI** was established in July 1952 and acquired by ANJ in 1997. It is a holding company for our minority stake in PT Simpang Kiri Plantation Indonesia, which has an oil palm plantation in southeastern Aceh.

### PT Perusahaan Pertanian, Perkebunan, Perindustrian dan Perdagangan Surya Makmur

**10** Agribusiness (palm oil)

**SM** was established in September 1962 and acquired by ANJ in 1997. It is a holding company for our minority stake in PT Bilah Plantindo, which has an oil palm plantation at Kotapinang, North Sumatra.

### PT ANJ Agri Papua

**11** Agribusiness (sago)

**ANJAP** was established in September 2007 to develop and oversee ANJ's Papua sago project focusing on building a sago starch business. ANJAP holds a license to operate a concession of 40,000 hectares of sago forest in West Papua.

ANJAP has a sago mill in West Papua that is at its final construction stage and held its soft launch on October 27, 2015. The mill currently has a capacity of 1,250 tons of dry starch per month, which we plan to expand to 2,500 tons per month.

### PT Lestari Sagu Papua

**12** Agribusiness (sago)

**LSP** was established in November 2011 to engage primarily in non-timber forest resources concession businesses and the processing of various kinds of sago starch, as well as the marketing and transportation of sago starch. It is still in development and has yet to commence operations.

### PT Austindo Aufwind New Energy

**13** Renewable energy (biogas)

**AANE** was established in October 2008 and operates ANJ's biogas power-generation business at our Belitung Island Plantation, using methane from waste material to generate electricity. In 2013 AANE was granted a license to be an independent power producer (IPP) and began commercial operation on December 31, 2013. In 2015 AANE expanded its production capacity from 1.2MW to 1.8MW.

### PT Darajat Geothermal Indonesia

**14** Renewable energy (geothermal)

**DGI** was established in April 1999 to engage in electricity supply and to build, own, operate and sell steam power and/or electricity. DGI owns a 5% participating interest

in a consortium with Chevron Geothermal Indonesia Ltd. and Chevron Darajat Ltd.

Since 2003, the consortium has acted under contract to PT Pertamina Geothermal Energy to develop the geothermal power plants Darajat II and Darajat III, with a total capacity of 211MW, in the Darajat Geothermal Resource field in West Java.

### PT Gading Mas Indonesia Teguh

**15** Agribusiness (tobacco and horticulture)

**GMIT** was established as PT Gading Mas Indonesian Tobacco in March 1970 and runs our tobacco business, which primarily processes tobacco purchased from individual farmers in Indonesia for sale to cigar and cigarette producers in Indonesia, Europe and China.

Since 2012 GMIT has gradually exited the tobacco business to focus on higher-value agricultural products such as edamame. Its name was accordingly amended to PT Gading Mas Indonesia Teguh as of March 12, 2015.

### PT Austindo Nusantara Jaya Boga

**16** Consumer products

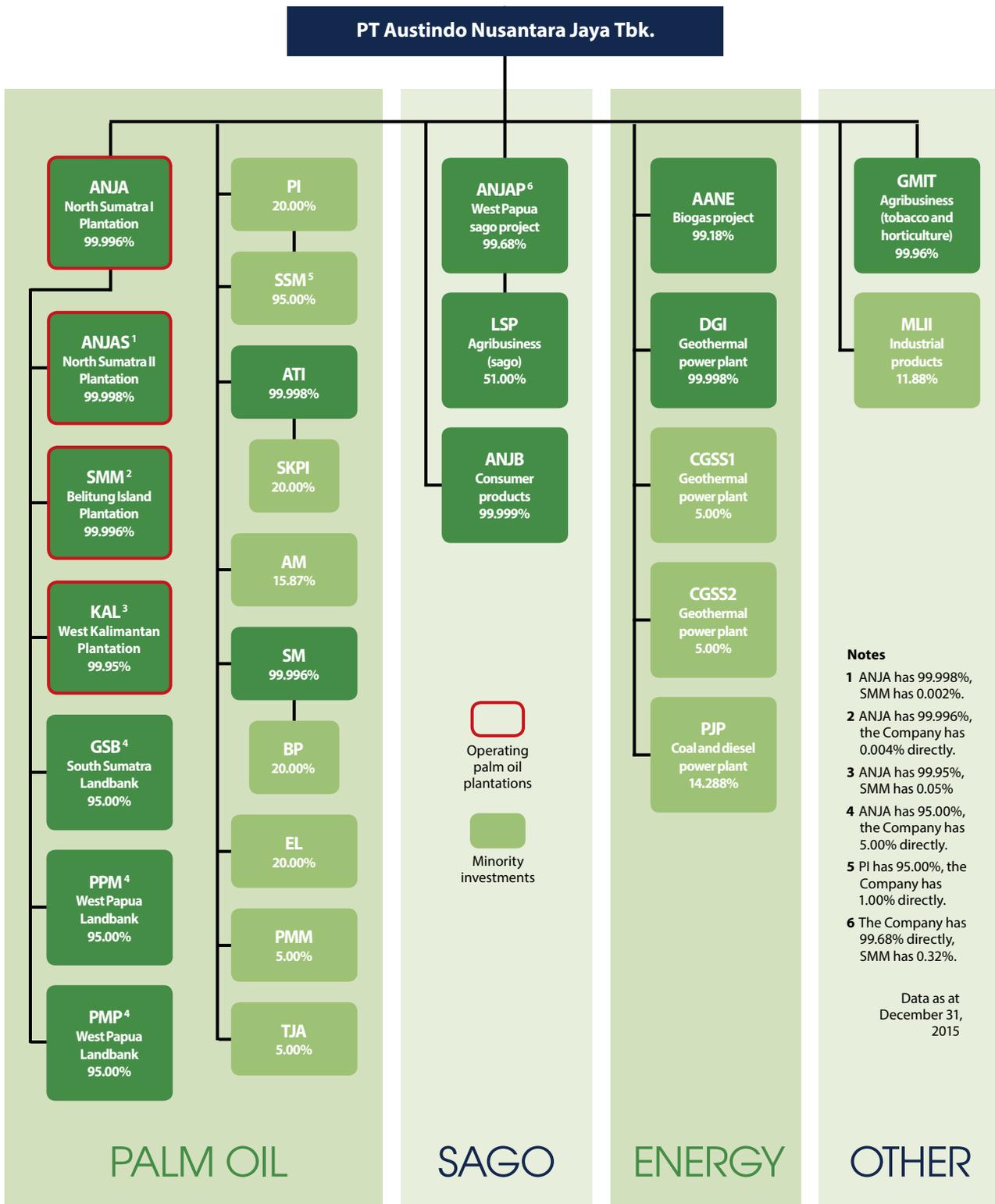
**ANJB** was established in May 2013 by the Company to engage in our emerging food business. ANJB is developing product and marketing plans for our sago starch project.

Company name	Principal business location	Registered address	Commercial operations began	ANJ effective ownership	Commissioners <i>PC = President Commissioner</i>	Directors <i>PD = President Director</i>
<b>ATI</b> PT Aceh Timur Indonesia	Jakarta	Atrium Mulia, 3A Fl., Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910	1998	99.99%	George Santosa Tahija	Anastasius Wahyuhadi
<b>SM</b> PT Perusahaan Pertanian, Perkebunan, Perindustrian dan Perdagangan Surya Makmur	Medan, North Sumatra	Sinarmas Land Plaza, 7th Floor, Jl. P. Diponegoro No. 18, Medan, North Sumatra	1998	99.99%	George Santosa Tahija	Anastasius Wahyuhadi
<b>ANJAP</b> PT ANJ Agri Papua	South Sorong, West Papua	Atrium Mulia, 3A Fl., Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910	At pre-operating stage	99.99%	George Santosa Tahija (PC) Istini Tatiek Siddharta Anastasius Wahyuhadi	Suwito Anggoro (PD) Sucipto Maridjan Handi Belamande Syarif Sonny Sunjaya Sukada
<b>LSP</b> PT Lestari Sagu Papua	South Sorong, West Papua	Atrium Mulia, 3A Fl., Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910	At pre-operating stage	51%	George Santosa Tahija (PC) Hendrik Sasmito	Suwito Anggoro (PD) Chan Hian Siang
<b>AANE</b> PT Austindo Aufwind New Energy	Belitung, Bangka Belitung	Atrium Mulia, 3A Fl., Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910	2013	99.18%	George Santosa Tahija (PC) Suwito Anggoro Istini Tatiek Siddharta Anastasius Wahyuhadi	Sucipto Maridjan (PD) Thomas Wagner Handi Belamande Syarif Sonny Sunjaya Sukada
<b>DGI</b> PT Darajat Geothermal Indonesia	Darajat, West Java	Atrium Mulia, 3A Fl., Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910	1998	99.99%	George Santosa Tahija (PC) Anastasius Wahyuhadi	Sucipto Maridjan
<b>GMIT</b> PT Gading Mas Indonesia Teguh	Jember, East Java	Jl. Gajah Mada No. 254, Jember, East Java	2000	99.96%	George Santosa Tahija (PC) Suwito Anggoro Istini Tatiek Siddharta Sucipto Maridjan Anastasius Wahyuhadi Geetha Govindan Aloysius D'Cruz	Jahya Lukas (PD) Erwan Santoso
<b>ANJB</b> PT Austindo Nusantara Jaya Boga	Jakarta	Atrium Mulia, 3A Fl., Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910	2014	99.99%	George Santosa Tahija (PC) Anastasius Wahyuhadi Suwito Anggoro Istini Tatiek Siddharta	Naga Waskita (PD) Sucipto Maridjan Handi Belamande Syarif Sonny Sunjaya Sukada

## Business Details of ANJ Associated Companies

Company name and line of business	Principal business location	Registered address	Commercial operations began	ANJ effective ownership	Commissioners <i>PC = President Commissioner</i>	Directors <i>PD = President Director</i>
<b>PT Pangkatan Indonesia (PI)</b> Palm oil plantation	Pangkalan, Labuhan Batu, North Sumatra	Gedung Graha Aktiva, Suite 1001, 10th Floor, Jl. H.R. Rasuna Said, Blok X-1, Kav. 3, Jakarta	1997	20.00%	Philip Anthony Fletcher (PC) Peter Edwin Hadsley-Chaplin Tristan Robert Julian Price Geetha Govindan	Chandra Sekaran K.V. Nair (PD) Gunasekaran Uthiradam Markian Gunawan
<b>PT Simpang Kiri Plantation Indonesia (SKPI)</b> Palm oil plantation	Simpang Kiri, Aceh	Gedung Graha Aktiva, Suite 1001, 10th Floor, Jl. H.R. Rasuna Said, Blok X-1, Kav. 3, Jakarta	1998	20.00%	Philip Anthony Fletcher (PC) Peter Edwin Hadsley-Chaplin Tristan Robert Julian Price Anastasius Wahyuhadi	Chandra Sekaran K.V. Nair (PD) Markian Gunawan Osde Simbolon
<b>PT Bilah Plantindo (BP)</b> Palm oil plantation	Bilah, Labuhan Batu, North Sumatra	Gedung Graha Aktiva, Suite 1001, 10th Floor, Jl. H.R. Rasuna Said, Blok X-1, Kav. 3, Jakarta	1998	20.00%	Philip Anthony Fletcher (PC) Peter Edwin Hadsley-Chaplin Tristan Robert Julian Price Anastasius Wahyuhadi	Chandra Sekaran K.V. Nair (PD) Gunasekaran V. Uthiradam Aleksa Sihombing
<b>PT Evans Lestari (EL)</b> Palm oil plantation	Musi Rawas, South Sumatera	Gedung Graha Aktiva, Suite 1001, 10th Floor, Jl. H.R. Rasuna Said, Blok X-1, Kav. 3, Jakarta	At pre-operating stage	20.00%	Philip Anthony Fletcher (PC) Peter Edwin Hadsley-Chaplin Tristan Robert Julian Price Anastasius Wahyuhadi	Chandra Sekaran K.V. Nair (PD) Sivabalan Subbiah Markian Gunawan Satheesan AL. T.A. Menon

ANJ Group Corporate Structure



**Key to Company Names**

- AANE** PT Austindo Aufwind New Energy
- AM** PT Agro Muko
- ANJA** PT Austindo Nusantara Jaya Agri
- ANJB** PT Austindo Nusantara Jaya Boga
- ANJAP** PT ANJ Agri Papua
- ANJAS** PT Austindo Nusantara Jaya Agri Siais
- ATI** PT Aceh Timur Indonesia
- BP** PT Bilah Plantindo
- CGSS1** PT Chevron Geothermal Suoh Sekincau

- CGSS2** PT Chevron Geothermal Sekincau Selatan
- EL** PT Evans Lestari
- DGI** PT Darajat Geothermal Indonesia
- GMIT** PT Gading Mas Indonesia Teguh
- GSB** PT Galempa Sejahtera Bersama
- KAL** PT Kayung Agro Lestari
- LSP** PT Lestari Sagu Papua
- MLII** PT Moon Lion Industries Indonesia
- PI** PT Pangkatan Indonesia
- PJP** PT Puncakjaya Power

- PMM** PT Prima Mitrajaya Mandiri
- PMP** PT Putera Manunggal Perkasa
- PPM** PT Permata Putera Mandiri
- SKPI** PT Simpang Kiri Plantation Indonesia
- SM** PT Perusahaan Pertanian, Perkebunan, Perindustrian dan Perdagangan Surya Makmur
- SMM** PT Sahabat Mewah dan Makmur
- SSM** PT Sembada Sennah Maju
- TJA** PT Teguh Jayaprima Abadi

# SHAREHOLDER INFORMATION

**A**NJ began a new chapter in 2013, transitioning from a privately held to a public company as the final step of a detailed corporate restructuring plan.

The listing of 10% of ANJ's shares on the Indonesian Stock Exchange (IDX) was intended to provide it with access to capital to support expansion plans in its three lines of business.

Prior to the listing, the Company was wholly owned by the Tahija family through individual shareholdings and corporate entities.

The Financial Services Authority (OJK) issued an

effective letter for the Company's initial public offering on May 1, 2013. The Company officially listed its shares on the IDX on May 8, 2013, under the stock code "ANJT".

A total of 333,350,000 common shares were offered with a nominal value of Rp100 per share. The share price at the Initial Public Offering (IPO) was Rp 1,200 per share.

During 2015, the Company's share price broadly outperformed the Jakarta Composite Index, and particularly in the second half of the year.

The Company's share price closed at Rp 1,610 at the end of trading in 2015, equating to a market capitalization of Rp 5.37 trillion.

## ANJT Daily Closing Share Price vs JCI in 2015



## ANJT Quarterly Share Price Data 2014-2015

Quarter	Open (Rp)	High (Rp)	Low (Rp)	Close (Rp)	Shares traded	Value of trades (Rp)	Total shares	Market cap. (Rp)
<b>2014 Q1</b>	1,490	1,650	1,490	1,620	3,227,200	5,086,207,500	3,333,350,000	5,400,027,000,000
<b>Q2</b>	1,620	1,625	1,400	1,500	369,600	578,986,500	3,333,350,000	5,000,025,000,000
<b>Q3</b>	1,500	1,450	1,125	1,125	3,345,900	4,131,536,000	3,333,350,000	3,750,018,750,000
<b>Q4</b>	1,125	1,325	1,070	1,325	5,721,200	6,498,675,500	3,334,900,000	4,418,742,500,000
<b>2015 Q1</b>	1,180	1,325	1,010	1,180	1,062,600	1,261,676,500	3,334,900,000	3,935,182,000,000
<b>Q2</b>	1,170	1,220	900	1,220	22,178,500	23,341,928,500	3,334,900,000	4,068,578,000,000
<b>Q3</b>	1,240	1,630	1,180	1,610	14,581,300	21,447,319,000	3,334,900,000	5,369,189,000,000
<b>Q4</b>	1,610	1,610	1,610	1,610	-	-	3,335,525,000	5,370,195,250,000

## SHAREHOLDER INFORMATION

### DETAILS OF SHARE OWNERSHIP

As at December 31, 2015, the Company's authorized capital amounted to Rp 1.2 trillion, consisting of 12 billion shares each with a nominal value of Rp 100.

Issued and paid capital amounted to Rp 333,552,500,000, consisting of 3,335,525,000 shares each with a nominal value of Rp 100.

The ownership of shares was as in the table at right. Indonesian investors owned 95.34% of the total issued shares, foreign investors 1.19%. No public shareholders owned 5% or more of our shares.

As at December 31, 2015, commissioners and directors of the Company owning shares were as follows:

George Santosa Tahija (Commissioner) ..... 156,242,000  
 Sjakon George Tahija (Commissioner)..... 156,147,130  
 Suwito Anggoro (Director)..... 750,000  
 Istini T. Siddharta (Director) .....600,000  
 Geetha Govindan (Director)..... 100,000

The Company has no other securities listed.

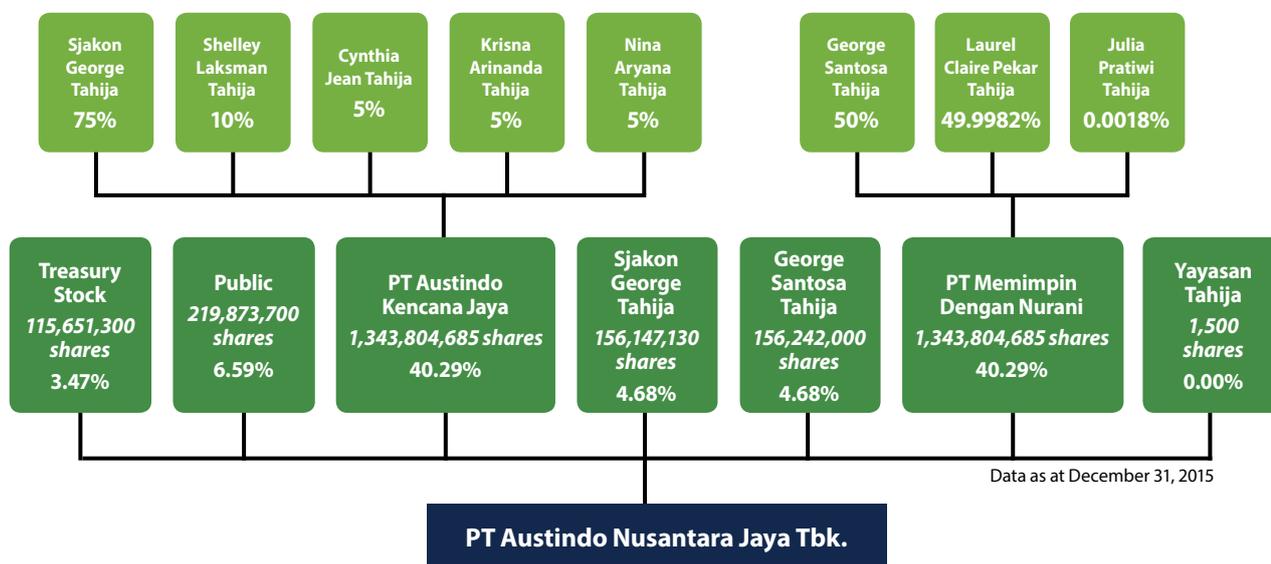
No securities rating agency was associated with our public share offering.

### Shareholders by Type

	Investors	Shares	Shares (%)
<b>Domestic</b>	<b>1,010</b>	<b>3,180,257,200</b>	<b>95.34</b>
<i>Retail</i>	55	316,920,630	9.50
<i>Employee</i>	944	3,250,500	0.10
<i>Foundation</i>	1	1,500	0.00
<i>Insurance</i>	3	152,471,000	4.57
<i>Corporation</i>	5	2,707,613,370	81.17
<i>Mutual Fund</i>	2	200	0.00
<b>Foreign</b>	<b>13</b>	<b>39,616,500</b>	<b>1.19</b>
<i>Retail</i>	4	670,000	0.02
<i>Corporation</i>	9	38,946,500	1.17
<b>Treasury Stock</b>	<b>1</b>	<b>115,651,300</b>	<b>3.47</b>
<b>Total</b>	<b>1,024</b>	<b>3,335,525,000</b>	<b>100.00</b>

Data as at December 31, 2015

### ANJ Majority and Controlling Share Structure



Data as at December 31, 2015

## CORPORATE ACTIONS AND SHARE SUSPENSIONS

There were no corporate actions such as stock splits, reverse stock split, stock dividends, stock bonuses, or a decline in the nominal value of shares during 2015 besides the exercise of the Management Stock Option Plan and merger, as set out below.

There was no suspension of share trading for any reason during 2015.

### Management Stock Option Plan

In relation to the IPO, the shareholders of the Company approved a Management Stock Option Plan (MSOP) for certain senior management and directors of the Company and its subsidiaries.

As per the MSOP terms as set out in the IPO prospectus, the Company in late 2014 opened a first window for the exercise of options, in which options for 1,550,000 shares were exercised at an exercise price of Rp 1,095 per share, increasing ANJT's total number of shares from 3,333,500,000 to 3,334,900,000.

Subsequently, two windows for the exercise of options were opened in May-June 2015 and November-December 2015, with the same exercise price of Rp 1,095 per share. Options for 625,000 shares were exercised during the second period, after which the Company now has a total of 3,335,525,000 shares listed on the IDX. This is documented in IDX announcement no. Peng-P-00262/BEI.PG1/12-2015, dated December 4, 2015. The nominal price remained at Rp 100 per share.

For more details on the structure of the MSOP, please see page 91.

### Merger

On June 23, 2015, the Company legally merged with PT Pusaka Agro Makmur, 100% owned subsidiary of the Company. PT Pusaka Agro Makmur (PAM) has a location permit of approximately 40,000 hectares located in Aifat Selatan District, Maybrat, West Papua.

PAM was legally dissolved so that no liquidation was necessary. All assets and liabilities of PAM were transferred to the Company.

## Our Capital Market Supporting Professionals

	External Auditor	Shares Administration Agency
<b>Company name</b>	Osman Bing Satrio & Eny	PT Datindo Entrycom
<b>Address</b>	The Plaza Office Tower, 32nd Floor, Jl. M.H. Thamrin Kav. 28-30, Jakarta 10350, Indonesia	Puri Datindo, Wisma Sudirman, Jl. Jend. Sudirman Kav 34-35, Jakarta 10220, Indonesia
<b>Service</b>	Audit for the Company's financial statements	Keep and maintain the shareholders register, prepare the register for the General Meeting of Shareholders and assist in dividend and bonus shares payment.
<b>Annual fee</b>	US\$60,000	Rp 40 million
<b>Period of assignment</b>	2012-2015	2013-2015

On June 22, 2015, ANJT held an Extraordinary General Meeting of Shareholders (EGMS) to obtain approval from shareholders for the proposed merger.

Under prevailing Indonesian laws and regulations, a shareholder of ANJT who disagreed with the proposed merger had a right to have their shares purchased by the Company at the EGMS.

During the EGMS, 3.56% of the shareholders voted against the merger plan and 3.47% shareholders exercised their rights to have their shares bought back by the Company at Rp 1,224 per share.

The price was determined by calculating the average of closing price of ANJ at the IDX during a period of 90 days before the announcement of merger plan.

These shares were recorded as treasury stock and must be released back within three years at a price higher than the purchase price.

The value of the treasury stock was approximately US\$10.6 million.

# PROFILES OF THE COMMISSIONERS

## Adrianto Machribie

President Commissioner (Independent)

Mr Machribie is an Indonesian citizen aged 74. He was born in Bandung in 1941.

*Experience:* Mr Machribie became a Commissioner of the Company in July 1996 and was appointed as President Commissioner in September 2003.

He is a member of many professional organizations. He is currently the President Director of PT Media Televisi Indonesia (Metro TV), a 24-hour Indonesian news channel.

Previously, he served as Chief Executive Officer of PT Freeport Indonesia, and after retirement as a Commissioner of the company and as the key Senior Advisor to the Office of the Chairman of parent company Freeport-McMoRan Copper & Gold Inc.

*Education:* Mr Machribie holds a master's degree in social science from the Institute of Social Studies, The Hague, and a bachelor's degree in law from the University of Indonesia.

*Affiliations:* Mr Machribie has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



## George Santosa Tahija

Commissioner

Mr Tahija is an Indonesian citizen aged 57. He was born in Jakarta in 1958.

*Experience:* Mr Tahija has served as a Commissioner of the Company since December 2012 after more than 20 years as President Director.

He is a member of the Global Advisory Council of Darden School, University of Virginia, the Board of Supervisors of Endeavor Indonesia, and founder and Chairman of the Bali-based Coral Triangle Center (CTC). He is a founding

member and Trustee of the Dharma Bermakna Foundation whose vision is Progressive Education in Indonesia, a founding member of PSKD Mandiri School, Jakarta, a member of The

Nature Conservancy (TNC) Indonesia Chapter Advisory Board and TNC Asia Pacific Council, a member of the Asia Business Council (ABC), and a member of the Indonesia Chapter of the World Presidents' Organization (WPO).

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

*Affiliations:* Mr Tahija is the brother of Sjakon George Tahija, a commissioner of the Company.

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



## Sjakon George Tahija

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### Commissioner

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Dr. Tahija is an Indonesian citizen aged 63. He was born in Jakarta in 1952.

*Experience:* Dr. Tahija has served as a Commissioner of the Company since it was established.

He is a practising vitreo-retinal consultant and founder of Klinik Mata Nusantara, a national chain of eye clinics. He also serves as the chairman of the clinic's Medical Advisory Board.

*Education:* Dr. Tahija graduated from the University of Indonesia in 1980 with a bachelor's degree in medicine.

*Affiliations:* Dr. Tahija is the brother of George Santosa Tahija, a commissioner of the Company.

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



## Arifin Mohamad Siregar

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### Independent Commissioner

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Dr. Siregar is an Indonesian citizen aged 82. He was born in Medan in 1934.

*Experience:* Dr. Siregar was the Governor of Bank Indonesia from 1983 to 1988, the Minister of Trade from 1988 to 1993 and the Indonesian Ambassador to the United States of America from 1993 to 1997. He became a Commissioner of the Company in April 2001.

He is also the President Commissioner of PT Airfast Indonesia and a Commissioner of PT Cabot Indonesia.

He has served as a member of the Strategic Advisory Board of Ancora Capital Management Pte. Ltd. since November 2009, and as an advisor to Procter & Gamble Indonesia since August 2010.

*Education:* Dr. Siregar obtained a bachelor's degree from the Netherlands School of Economics, Rotterdam, in 1956, and a master's degree in economics in 1958 and a doctorate in economics in 1960, both from the University of Munster in Germany.

*Affiliations:* Dr. Siregar has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



## PROFILES OF THE COMMISSIONERS

### Anastasius Wahyuhadi

Commissioner

Mr Wahyuhadi is an Indonesian citizen aged 70. He was born in Klaten in 1946.

*Experience:* Mr Wahyuhadi was ANJ's Corporate Services Director from 1997 to 2005 and became a Commissioner of the Company in January 2006. He is also a Commissioner or Director of a number of ANJ's subsidiaries.

He has served as a board member of a number of multinational and national companies in Indonesia.

He is active in philanthropy activities and served as the Chairman of the Board of Management of the Tahija Foundation from 2003 to 2016. In May 2016 he was appointed as a member of the foundation's Board of Trustees.

*Education:* Mr Wahyuhadi holds a bachelor's degree in law from Satyawacana University in Indonesia.

*Affiliations:* Mr Wahyuhadi has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



### Istama Tatang Siddharta

Commissioner

Mr Siddharta is an Indonesian citizen aged 56. He was born in Jakarta in 1959.

*Experience:* Mr Siddharta became a Commissioner of the Company in July 2004. Prior to this, he was the Chairman of Siddharta, Siddharta & Widjaja, the Indonesian affiliate of the international accounting firm KPMG.

He is a member of the Institute of Indonesian Accountants. He is also an Independent Commissioner of PT Mitra Pinasthika Mustika Tbk.

*Education:* Mr Siddharta holds a doctorate in accounting from the University of Indonesia.

*Affiliations:* Mr Siddharta is the brother of Istini Tatiek Siddharta, a director of the Company.

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



## Josep Kristiadi

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Independent Commissioner

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Mr Kristiadi is an Indonesian citizen aged 68. He was born in Yogyakarta in 1948.

*Experience:* Mr Kristiadi joined the Company as an Independent Commissioner in March 2012. He also serves as the Secretary of the Board of Directors of the CSIS Foundation.

Prior to joining ANJ, Mr Kristiadi held various positions including Social and Political Sciences lecturer, Atma Jaya University, lecturer at the National Resilience Institute, guest lecturer at the Army Staff and Command College, Bandung, guest lecturer at the Air Force Staff and Command College, Bandung, lecturer at the National Resilience Institute, lecturer at the National Police Staff College, Bandung, and Politics

Department head and Deputy Executive Director at CSIS, Jakarta.

He is a columnist and commentator for domestic and international media, particularly on political development, civil-military relations, security and constitutional reform.

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

*Affiliations:* Mr Kristiadi has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



## Ridha Wirakusumah

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Independent Commissioner

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Mr Wirakusumah is an Indonesian citizen aged 52. He was born in Bogor in 1963.

*Experience:* Mr Wirakusumah has several decades' experience in finance and investment across Asia-Pacific. He has held senior posts in Indonesia and overseas, including Corporate Group Head of Citigroup (1987-93), Head of Corporate Finance at Bankers Trust (1993-95); Business Development Director at General Electric (1995-1997), based in Atlanta; President and CEO of

General Electric Consumer Finance Asia (2001-2005); Banking Head for Asia Pacific at

General Electric (2005-06); President and CEO for Asia Pacific for AIG Consumer Finance. (2006-08); President and CEO of PT Bank International Indonesia

Maybank Tbk. (2009-11); and Head of Indonesia at Kohlberg, Kravis, Roberts & Co. (2011-14). He is currently a Managing Partner of DNB Consulting and Investments (HK) Ltd and currently serves as Senior Advisor to leading Bank in Indonesia and the Philippines.

*Education:* Mr

Wirakusumah earned a bachelor's degree in electrical engineering, electronics and computer science in 1985 and an MBA in 1987, both from Ohio University, and completed an

Advanced Management Program at University of California, Berkeley.

*Affiliations:* Mr Wirakusumah has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



# PROFILES OF THE DIRECTORS

## Suwito Anggoro

President Director (to December 31, 2015)

Mr Anggoro is an Indonesian citizen aged 62. He was born in Malang in 1954.

*Experience:* Mr Anggoro joined the Board of Commissioners of the Company in July 2010 and was appointed as the Deputy President Director of the Company in February 2012. He was appointed as President Director of the Company in December 2012 and retired effective as of December 31, 2015.

He began his career with PT Chevron Pacific Indonesia (CPI), previously PT Caltex Pacific Indonesia. He served as President Director of CPI from 2005 to 2010 and then President Commissioner until March 2011. In addition, he has served on the Board of Commissioners of PT Dalle Energy since March 2012.

*Education:* Mr Anggoro earned a degree in electrical engineering from the Bandung Institute of Technology, Bandung, in 1979, a master's degree in power system engineering from Union College, Schenectady, New York, in 1986, and certification in international business management from University of Michigan, Ann Arbor, in 2000. He has also completed a course on power system engineering at General Electric in the United States.

*Affiliations:* Mr Anggoro has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



## Istini Tatiek Siddharta

Deputy President Director (to Dec. 31, 2015)  
President Director (since January 1, 2016)

Mrs Siddharta is an Indonesian citizen aged 53. She was born in Jakarta in 1962.

*Experience:* Mrs Siddharta joined the Company as Group Finance Director in 2001. She was appointed Deputy President Director in December 2012. Effective as of Jan 1, 2016, she was appointed as the President Director.

Mrs Siddharta started her career as a public accountant and was subsequently made a Partner at Siddharta, Siddharta & Harsono in Indonesia, a member firm of Coopers & Lybrand, which became a member firm of KPMG in 1998. She is an active member of the Institute of Indonesian Accountants, as well as a member of the Consultative Board of Financial Accounting Standards of the Institute of Indonesian Accountants. She was chairwoman for the Indonesian Financial Accounting Standards Board from 2000 to 2002.

*Education:* Mrs Siddharta holds a bachelor's degree in accounting from the University of Indonesia and an MBA from the John Anderson School at the University of California, Los Angeles.

*Affiliations:* Mrs Siddharta is the sister of Istama Tatang Siddharta, a commissioner of the Company.

*Basis of Appointment:* Deed No. 72 of Mala Mukti, S.H., Notary in Jakarta, dated December 14, 2012 (Deputy President Director), and Deed No. 84 of Dr. Irawan Soerodjo, S.H., M.Si., Notary in Jakarta, dated January 19, 2016 (President Director).



## Sucipto Maridjan

External Affairs Director

Mr Maridjan is an Indonesian citizen aged 55. He was born in Tanjung Pinang in 1959.

*Experience:* Mr Maridjan was appointed as a director of the Company in October 2012. He is also a director of numerous ANJ subsidiaries.

Prior to joining the Company, Mr Maridjan held senior roles with Australian mining companies in Indonesia. He has over 20 years' experience in resource-based administrative management. He joined ANJ's Mining & Energy Division in 1997 as a Director of our mining services company and Mining Contract of Work company.

He also had responsibility for minority interests in gold projects in Indonesia with Newmont (formerly Normandy Anglo Asian) and Meekatharra Minerals, and with power generation projects through a joint venture with Duke Energy in Papua at Freeport and with Chevron Texaco in West Java with the Darajat Geothermal Project.

*Education:* Mr Maridjan holds a degree in economic studies from Universitas Nasional Jakarta.

*Affiliations:* Mr Maridjan has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

*Basis of Appointment:* Deed No. 107 of Mala Mukti, S.H., Notary in Jakarta, dated October 30, 2012.



## Lucas Kurniawan

Independent/Finance Director

Mr Kurniawan is an Indonesian citizen aged 44. He was born in Teluk Betung, Bandar Lampung in 1971.

*Experience:* Mr Kurniawan joined the Company on October 1, 2014, and was appointed as Independent/Finance Director in November 2014.

Prior to joining ANJ, Mr Kurniawan was a public accountant for 21 years. He began his career in October 1993 with public accounting firm Siddharta, Siddharta & Widjaja (formerly Siddharta, Siddharta & Harsono), a member firm of Coopers and Lybrand until 1998 and then a member of KPMG. He became a partner at the firm in 2005. In 2007, he joined KPMG Ltd., Vietnam, where he was an audit partner for four years. From 2011 to 2014 he was a partner at Tanudiredja, Wibisana & Rekan, a member firm of PricewaterhouseCoopers International Ltd. He is a member of the Indonesian Institute of Accountants and the Indonesian Institute of Certified Public Accountants.

*Education:* Mr Kurniawan has a bachelor's degree in accounting from Tarumanagara University, Jakarta. He was awarded INSEAD certification for KPMG

AsPac Chairman's 25 Program in 2008 and PwC Understanding the Client's Strategic Agenda in 2012.

*Affiliations:* Mr Kurniawan has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



## PROFILES OF THE DIRECTORS

### Handi Belamande Syarif

Supply Chain Management Director

Mr Syarif is an Indonesian citizen aged 53. He was born in Surabaya in 1963.

Experience: Mr Syarif has served as the Operations Director at PT ANJ Agri Papua (a subsidiary of ANJ for the company's sago project in West Papua) since October 2013 and the Supply Chain Director of ANJ's subsidiaries since May 2015.

Prior to joining the Company, Mr Syarif was a Partner at PT Vcap Visitama from 2012 to 2013, the Vice President in charge of cargo operations for Garuda Indonesia Airlines from 2008 to 2011, the General Manager of Equipment Services of Coca-Cola Amatil from 2004 to 2007.

Before that he held senior managerial positions at Coca-Cola Amatil, Reckitt Benckiser, Gillette and Virginia Oil Company.

He is a member of the Indonesia Supply Chain and Logistics Professionals Association.

Education: Mr Syarif holds a Bachelor of Science degree in mathematics and computer engineering from the Colorado School of Mines, United States.

Affiliations: Mr Syarif has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



### Sonny Sunjaya Sukada

Sustainability Director

Mr Sukada is an Indonesian citizen aged 56. He was born in Jakarta in 1960.

Experience: Prior to joining the Company, Mr Sukada was the Sustainable Development Director of PT Tirta Investama (Danone Aqua) from 2011 to 2015, a Partner at Kiroyan Partners from 2008 to 2011, the Head of External Affairs of PT Ara Gemilang Imaji (Assessment Group Indonesia) from 1998 to 2008, the Development Manager of PT Krakatau Lampung Tourism Development Corporation, Lampung from 1997 to 1998.

He was a Lecturer at the Faculty of Social and Political Sciences (the Business Administration Department) of the University of Indonesia from 1985 to 1995.

He is a member of the Indonesian Association of CSR Professionals and also a member of the CSR Consortium.

Education: Mr Sukada holds a Bachelor degree in Business Administration from the University of Indonesia and a Master of Science degree from the University of Surrey, United Kingdom.

Affiliations: Mr Sukada has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



## Geetha Govindan

### Palm Oil Operations Director

Mr Govindan is a Malaysian citizen aged 57. He was born in Selangor in 1959.

**Experience:** Mr Govindan has been President Director of ANJA since January 2014.

He has worked in the plantation industry for more than 30 years, and joined the Company in January 2014 after working for 13 years at PT REA Kaltim Plantations, where his last position was the Vice President Director from 2008 to 2013. Prior to that, he served as a Director of Operations from 2005 to 2008.

His other positions included Chief Operating Officer and Estates Controller. He has also worked as a regional controller for PT Sinar Mas Agro Resources and Technology Tbk, and prior to this he spent 16 years with Socfin Co. Bhd in Malaysia as an Estate Manager.

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

**Affiliations:** Mr Govindan has no affiliate relationships with any other commissioners, directors or shareholders of the Company.

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



## Our Management and Governance

For a full discussion of the roles, responsibilities and activity of the Board of Commissioners and Board of Directors, please turn to the Corporate Governance section on pages 77-78 and 81-85.

## Management Training In 2015

The Company is committed to providing opportunities and support as required by members of the Board of Commissioners and Board of Directors to develop their competence and to improve their skills in performing their duties as directors of the Company.

Board members take part in and attend training programs, seminars, and conferences in accordance with and relating to their respective responsibilities and skills.

Training or development programs attended by board members in 2015 included:

- 1) The Executive Program: Strategic Leadership at the Top, at the Darden School of Business, University of Virginia from June 7-26.
- 2) Young Presidents' Organization/World Presidents' Organization Indonesia Chapter Executive Education Seminar "How to Develop Knowledge-Based Strategy" on November 20-21.
- 3) ANJ Crisis Management Simulation, led by Maverick communications consultancy, on March 16.

# PROFILES OF KEY MEMBERS OF MANAGEMENT

## Aloysius D’Cruz

ANJA Director

Mr D’Cruz has been the Estate Director of ANJA since early 2011. Prior to joining ANJA, he was the Joint President of Birla Lao Pulp and Plantations Co. Ltd, a subsidiary of India’s Aditya Birla Group in Laos.

He has also held key roles in a number of plantation companies, including Riau Fiber Plantations and Sinar Mas Forestry Plantations in Riau as well as Sime Darby Plantations in Malaysia.

He received a bachelor’s degree in agriculture from Allahabad University, India, in

1973 and an associate diploma from the Incorporated Society of Planters Malaysia in 1979.



## Nopri Pitoy

ANJA Director

Ms Pitoy has served as Director and Chief Financial Officer of ANJA since May 2011. She joined ANJA in June 2001 and was appointed Head of Finance and Accounts in January 2006.

Prior to joining ANJA, she was a financial controller of the Ukindo group. She started her career in the public accounting firm PricewaterhouseCoopers in Jakarta. She has over 15 years experience in the palm oil industry.

She received a bachelor of commerce degree with major in accounting and information systems from the University of New South Wales in Sydney, Australia.



## Thomas Wagner

AANE Director

Mr Wagner has served as Director of AANE since the Company was formed in 2008 as a joint venture with Aufwind Group, today a subsidiary of German energy company BayWa r.e. renewable energy GmbH.

Before focusing on AANE in 2012 he was responsible for several national and international biogas and business development projects at BayWa r.e since 2006. Earlier activities include a mining venture in Kalimantan and a position as Supervising Director for BFI-Group, a Factoring and IT services company in Bremen, Germany.

He is a certified project manager (GPM/IPMA) and holds a law degree (Diplom) from Ludwig Maximilian University of Munich in the German state of Bavaria.



## Jahya Lukas

GMIT President Director

Mr Lukas joined GMIT in 2001 and currently serves as President Director.

Previously he worked for PT British American Tobacco as a manager in the Leaf, Agribusiness (Vanilla) and Trade Marketing departments.

He received a bachelor’s degree in agriculture majoring in agronomy from Satya Wacana Christian University, Salatiga.



## Erwan Santoso

GMIT Operations Director

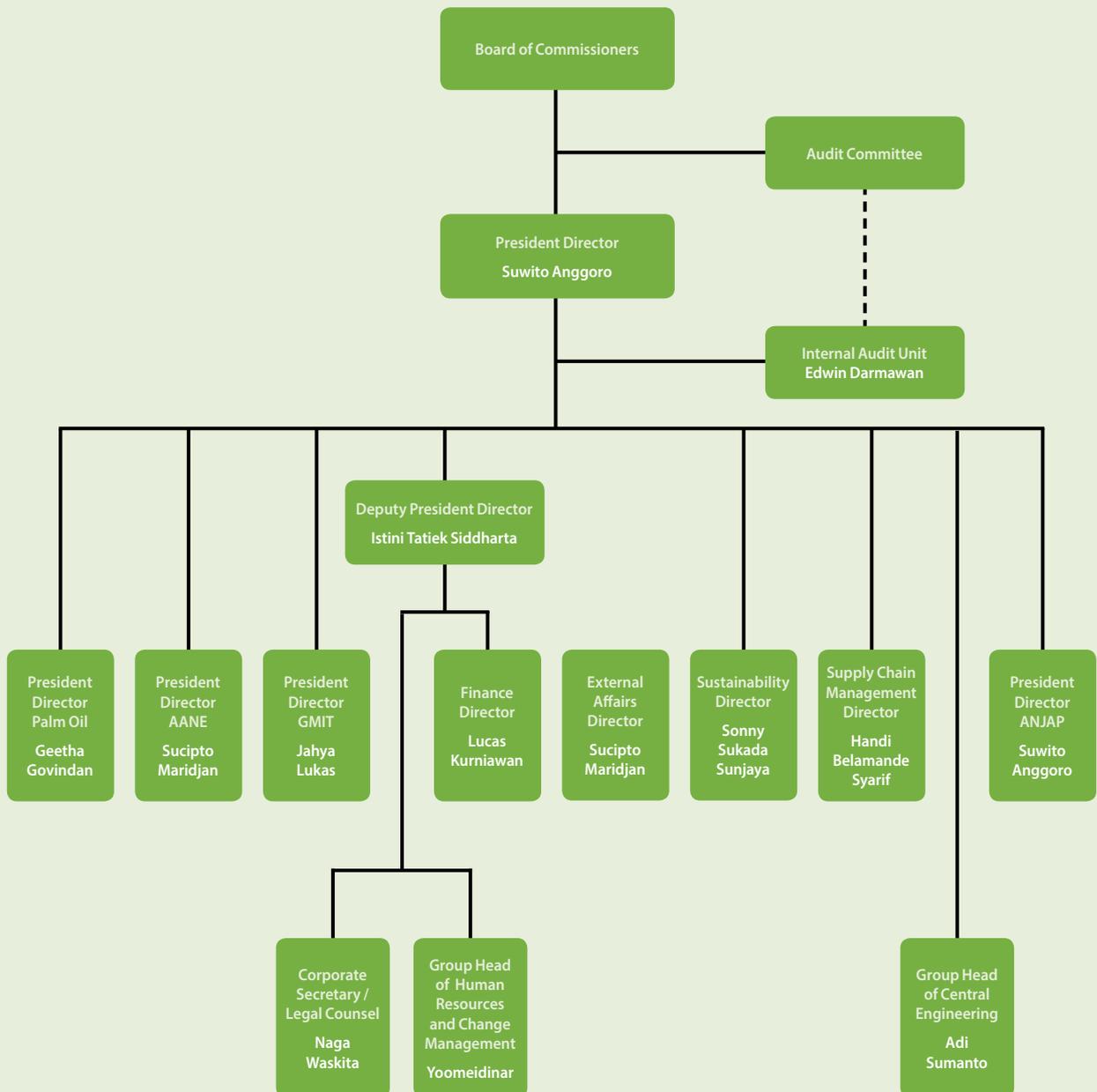
Mr Santoso has served as Operations Director at GMIT since joining the Company in 2007.

Prior to joining GMIT, he was Leaf Operations Manager at PT Philip Morris Indonesia from 2002 to 2007. He worked as Crop Manager at Bentoel Prima Group from 2001 to 2002, Operations Manager at PT Drassindo, part of the Mustika Ratu Group, from 1998 to 2000, and Business Plan & Control Section Head at PT Sumalindo, part of PT Astra International Tbk., from 1994 to 1998.

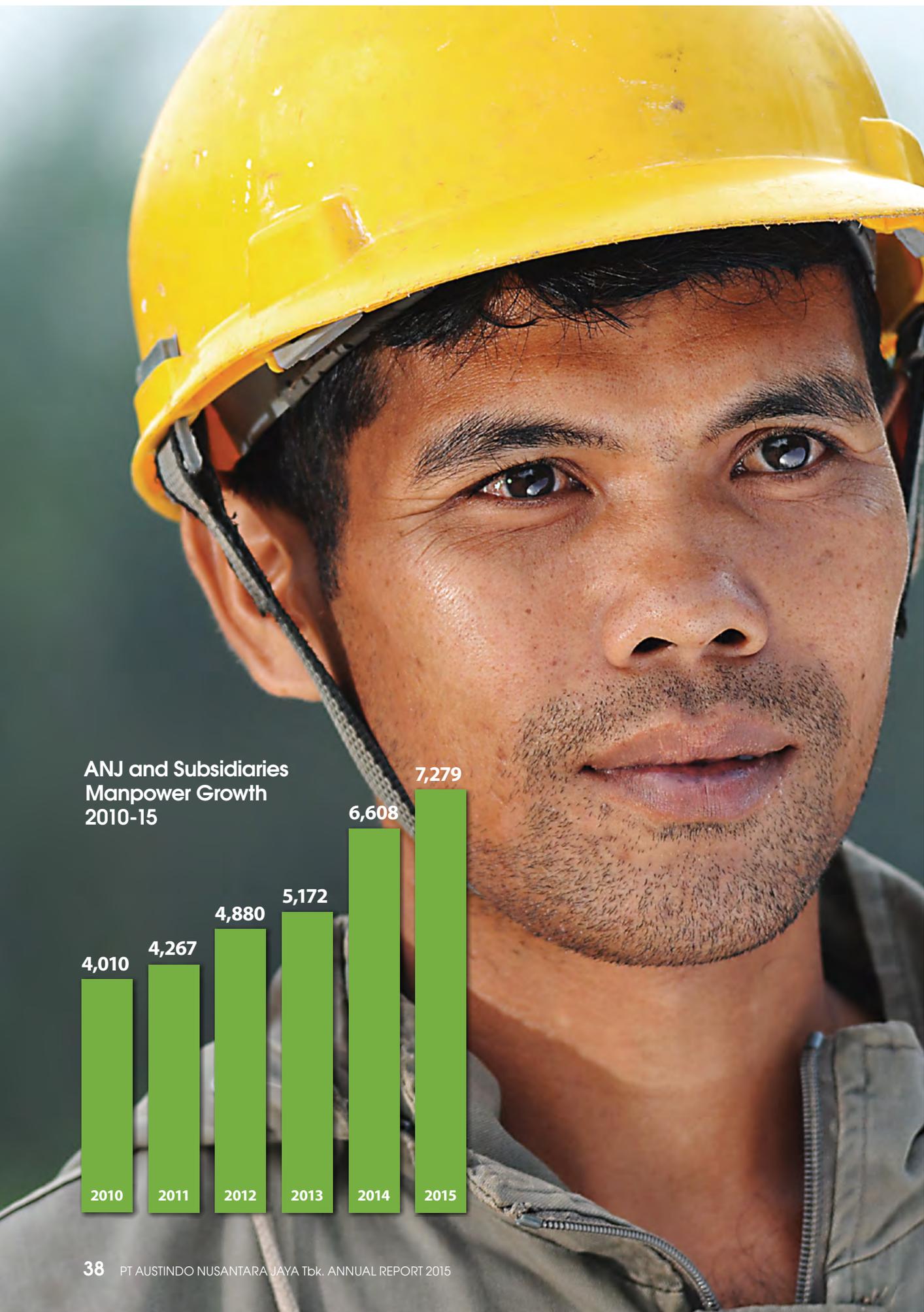
He received a bachelor’s degree in agronomy from the Bogor Institute of Agriculture in 1993.



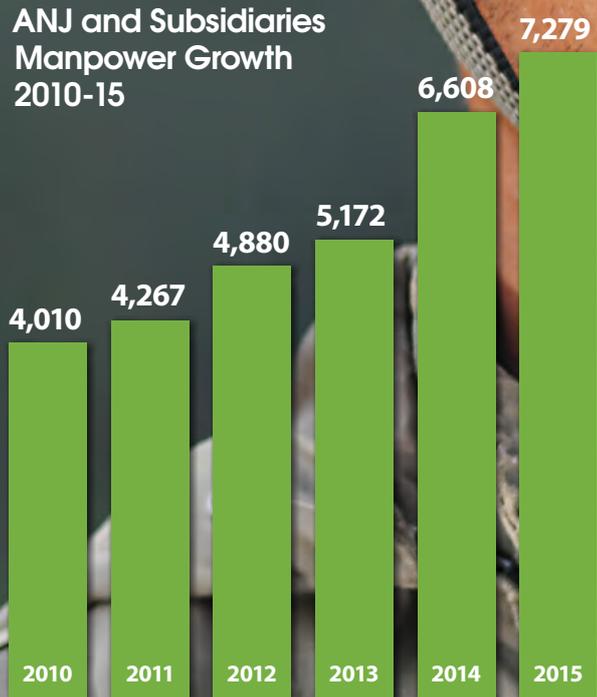
## ANJ Organization Chart



Data as at December 31, 2015



ANJ and Subsidiaries  
Manpower Growth  
2010-15



# HUMAN RESOURCES

**A**NJ is committed to continuous improvement in our human resource programs and to increasing employee engagement in the knowledge that they underpin our business sustainability and growth. In a rapidly growing company such as ours, organization development is crucial. We energize our people through clear accountability, a systematic development program, career management, and competitive compensation benefits.

## Change management

In 2015, we overhauled our human resources strategy to improve our commitment to our employees through a number of strategic steps:

- We initiated our Leadership Development Program for region heads, group heads and general managers. All were assigned to the program to be coached by members of the Board of Directors.

- We formalized leadership competencies for managers and inaugurated a specific development program for line managers. Senior management's leadership and business insight skills have also been heightened with case studies and roleplaying exercises. We also established a pool of trainers to ensure flexibility in covering our employees' training needs and ensure internal training is always conducted by trainers who are experts in their field.

- As a company in growth mode, ANJ faces the challenge of continual changes in organizational needs. In 2015 we realigned our organization structure to fit these

## ANJ and Subsidiaries Manpower in 2014 vs 2015

		2014			2015		
		ANJ	Subsidiaries	Total	ANJ	Subsidiaries	Total
<b>Total Manpower</b>		47	6,561	<b>6,608</b>	64	7,215	<b>7,279</b>
<b>By Education</b>	Master's/bachelor's degree	39	420	<b>459</b>	57	482	<b>539</b>
	Diploma	3	99	<b>102</b>	3	115	<b>118</b>
	Senior/vocational high school	5	1,618	<b>1,623</b>	4	1,786	<b>1,790</b>
	Other	-	4,424	<b>4,424</b>	-	4,832	<b>4,832</b>
<b>By Age</b>	Over 55	6	53	<b>59</b>	10	98	<b>108</b>
	41-55	12	1,516	<b>1,528</b>	18	1,723	<b>1,741</b>
	25-40	29	4,116	<b>4,145</b>	34	4,421	<b>4,455</b>
	Under 25	-	876	<b>876</b>	2	973	<b>975</b>
<b>By Position</b>	Director	4	7	<b>11</b>	6	6	<b>12</b>
	General Manager (GM)	12	19	<b>31</b>	14	23	<b>37</b>
	Manager	17	160	<b>177</b>	14	78	<b>92</b>
	Staff	12	308	<b>320</b>	27	439	<b>466</b>
	Laborers or workers	2	6,067	<b>6,069</b>	3	6,669	<b>6,672</b>
<b>By Status</b>	Contract workers	5	128	<b>133</b>	7	310	<b>317</b>
	Permanent staff	42	6,433	<b>6,475</b>	57	6,905	<b>6,962</b>

## HUMAN RESOURCES

needs. This is a continuous process that we manage and monitor carefully.

- In 2015 we created a supply chain management directorate as we see this function as critical to operational efficiency. We established a new engineering department to oversee building construction and housing both to better accommodate our operational needs and increase employees' welfare. We established a sustainability directorate to reinforce our commitment to sustainable development through socially and environmentally friendly plantation practice.

- Along with the development of our organization, we have developed career paths to accommodate our employees' career progress and help develop them for key positions. In order to ensure systematic and proper implementation, we established a succession committee.

- We designed a performance management system to support and drive our employee development programs and career management system. In addition, the system is aligned with compensation and benefits.

- We formulated new initiatives and maintain ongoing initiatives that have been successfully embedded. To ensure that our programs are well understood and applied we provide human resource workshops to nurture and develop our HR staff.

- We understood that 2015 was another year of challenges and transformation for ANJ, so we organized employee bonding and teamwork events, helping to encourage a sense of belonging, ownership and collaboration in our employees.

### Employee Remuneration and Welfare

We believe that retaining the best talent and maintaining employees' engagement is critical, and fair treatment and rewards best incentivize our employees to raise the performance and professionalism of the company.

To achieve this, we continuously benchmark our internal salary structure to industry standards through participation in salary surveys.

To maximize our employees' welfare, we continuously improve the housing at our estates and provide extensive healthcare, including through dedicated medical clinics. We have also integrated our clinics with the national health insurance program



### Annual Report Photo Competition 2015

At the end of 2015, we invited our staff to take part in our third annual photo competition to highlight images taken on and around our plantations.

This year we had an overall theme of "Responsible Development" and invited entries in three categories:  
 A) Managing a Responsible Operation  
 B) Protecting Our Planet  
 C) Engaging With the Community

We received a total of 100 photographs, and for judging we were able to shortlist 30 in category A, 24 in category B and 17 in category C.

You will find the winning photos on pages 62 (Category A), 101 (Category B) and 110 (Category C).

Congratulations to our winners and thanks to all for taking part!

initiated by the Indonesian Government under the Social Security Organizing Body (BPJS).

We are committed to offering quality education for our employees' children, and we have built and maintain schools on our sites.

New employees must all undergo a comprehensive safety induction program, including understanding and learning company rules and guidelines on safety at work. Development and refresher training is then given continuously, most regularly in the use of personal protective equipment.

### Talent Management

To keep our employees engaged and performing to their best, we provide systematic career planning. We devised career maps based on industry best practice

adjusted to meet our employees' needs and cope with our rapidly growing company. By compiling highlights of our employees' career we can assess their talent and competencies and plan their development towards potential future roles as leaders in the Company.

Succession planning is a tool to catalyze our future success, and we ensure careful succession planning for key positions to ensure effective regeneration and minimize the challenges of vacant positions.

Our leaders are committed to nurturing our employees to fill in key positions wherever practical. To demonstrate this commitment, we have formed a succession committee to monitor and direct the succession-planning process, ensuring optimal development of our future leaders.

### ANJ Learning Center

The importance of developing our employees cannot be stated enough. This is why in 2013 we built our ANJ Learning Center (ALC) at our estate in Belitung Island and now allocate a dedicated budget towards training our employees there. We provide five categories of training:

**Core training:** mandatory for all employees, featuring the Company's values, code of conduct and safety knowledge.

**Technical training:** enhancing employees' technical capabilities to improve performance in their roles.

**Soft skills training:** improving employees' teamwork and organizational skill to help them can collaborate effectively within the organization and with external parties.

**Leadership and supervisory program:** preparing our employees to lead units, teams and divisions and as potential future leaders of the Company.

**Certification program:** Ensuring and standardizing employees' technical proficiency in specific skills related to their job function.

The ALC is the focal point of training and hosts our management training program. Each year selected employees are provided with extensive training to prepare as leaders in ANJ. Mentors are assigned to the students to assess and enhance their progress.

In 2015 the ALC delivered 778 hours of training across 51 courses, as described in the panel to the right.

## Staff Training Courses in 2015

### Number of Training Courses by Category

Technical training .....	18
Soft skills training.....	9
Certification training .....	1
General events.....	23

### Types of Training Included

#### Technical competency

- Harvesting management
- Replanting
- Service excellence
- SOP housekeeping
- Technical mills
- Hazard analysis and critical control point (HACCP)
- RSPO and HCV
- Weeding control
- Mini-tractor (Kubota) operation system and maintenance
- Palm tree diseases and pest control
- Microsoft Excel
- ARIS business process mapping
- 5S
- EHS
- Results-based management of community development programs

#### Leadership and soft skills

- Training the trainers
- Leadership for field assistant
- Supervisory skills (situational leadership, problem solving and coaching)
- Operational leadership development program (translating strategy and setting goals)

#### Certification

- First aid

## HUMAN RESOURCES

### OCCUPATIONAL HEALTH AND SAFETY

In line with ANJ's corporate values, in 2015 we remained committed to ensuring a safe, healthy and environmentally sound workplace and further improved ANJ's occupational health and safety standards.

We take our commitment to respect people and the environment seriously and continuously monitor and improve workplace conditions and policies to ensure best-practice safety standards and no compromise in occupational health and safety (*kesehatan dan keselamatan kerja*, or K3).

The company's Environment, Health and Safety (EHS) Department works closely with all units to achieve a world-class EHS standard, including by reducing accidents in our operations to zero, preventing unsafe working practices and maintaining the balance of the environmental ecosystem in and around our plantation areas. Implementation of safety measures is rigorous.

We ensure all employees routinely undergo health checks and are provided with all necessary protective safety gear and equipment, such as helmets, boots and covers for harvesting blades, and our operational plantations have medical clinics permanently staffed with doctors and nurses and serviced by ambulances.

We have established regulations and policies regarding standards and safety procedures that must be maintained in the workplace. We also have a safety committee in head office and operations sites comprising staff and workers that supports the EHS department and holds regular health and safety training, including courses on first aid and fire drills, as well as promotional campaigns through demonstrations, posters and educational literature.

#### Safety Index and Standards

Our target accident rate is zero. Our four operational plantations have an established internal safety index that incorporates all reported accident data and fosters communication to promote safety on a daily basis.

Both of our North Sumatra plantations, Belitung Island Plantation and our newly mature West Kalimantan Plantation analyze discrete data for estate activities and processing mill activities. At our developing West Papua

estate, our operational safety has continually rising safety standards.

In all cases, our safety index benchmark is well beyond the required minimum. The index records accidents in two categories: incidents requiring medical attention and lost-time injuries. The benchmark is set to 0.4, and the cumulative index score across our businesses was 0.38 in 2013; 0.38 in 2014 and 0.35 in 2015 with zero fatalities. We target a result below 0.35 in 2016.

Our North Sumatra II Plantation received a zero accident certificate in August from the Ministry of Manpower, having achieved 7,354,672 working hours without accident.

Our Belitung Island Plantation has maintained international certifications for its environmental, health and safety systems in the form of ISO 14001: 2004 since 2012, our North Sumatra I Plantation adopted the standard in 2014, and our North Sumatra II Plantation received this certificate in 2015. We are rolling out compliance to our other estates.

We also work to adhere to the standards of OHSAS 18001, a British standard for occupational health and safety management systems widely seen as the world's best-recognized. So far our North Sumatra I Plantation has been certified, and it is intended to earn certification for our other plantations as soon as is practical.

In addition, Indonesian law obliges companies to uphold occupational health and safety standards through the government's SMK3 certification; so far our Belitung Island Plantation and both of our North Sumatra plantations have this certification.

One further achievement in 2015 saw ANJ improve safety for sea and river transportation by ensuring 100% life-vest usage for sea and river traffic and prohibiting night journeys to reduce the risk of accidents.

#### Healthcare

We improved our health programs and on-site health facilities in 2015. Clinics provided for staff and their families comprise both outpatient and inpatient facilities, and doctors also make referrals where necessary to designated full-service hospitals. The Company requires doctors also to offer education and support for new mothers with additional infant nutrition and regular mother and baby clinics (*posyandu*).



*Staff and families have access to a dedicated polyclinic at our Belitung Island Plantation.*

Employees receive regular medical checkups and have access to integrated health advice centers and family planning services as integrated in our social development activities (see pages 108-111). We hold regular counseling on health issues, conduct training in prevention of infectious diseases, promote healthy-living education, provide sports facilities where feasible, and support local government health campaigns.

In 2015 we were pleased to open a new health clinic in West Papua with river ambulance and medic from International SOS. In West Papua we regularly conduct insecticide fogging and mosquito control, hygiene promotion, and water treatment facilities.

### Staff Training and Estate Monitoring

Good channels of communication with workers and comprehensive health and safety training are vital. ANJ's estate workers mostly are from the community surrounding our operations, and we directly employ a high percentage of our harvesters rather than using contract workers. This enables us to increase supervision and monitoring and to offer them better training.

It also helps us to uphold quality-control procedures and allows us to swiftly identify and mitigate any problem areas. We plan to continue this policy.

We have developed a ranking system that tracks estate performance across a number of metrics, including productivity and cost control, as well as environmental responsibility and safety, providing us with more insight into areas that require attention and improvement.

Defined procedures are in place for dealing with workplace accidents or health threats such as chemical/biological spills, burns, explosions or natural disasters. We regularly review standard operating procedures for emergency response and house emergency response teams at each of our operational estates.

ANJ has established co-operation with local healthcare officials and our estates receive regular visits from local public health offices (*dinas kesehatan*).

We provide regular emergency response training – focused on fire-fighting, first aid and site evacuation – and emergency simulations are held at least once in a year.

During 2015's unusually severe drought and resulting fire outbreaks we also ensured particular care against the effects of smoke for our employees and communities surrounding our operations by providing masks and 24-hour health service during the events.

We also provided training in fire-preparedness and awareness to the communities surrounding PMP's operations in West Papua amid the long dry season and built a number of fire watch towers.

# MANAGEMENT DISCUSSION & ANALYSIS

<b>Review of Operations</b>	<b>46</b>
<b>Review of Financial Performance</b>	<b>58</b>
<b>Industry and Market Outlook</b>	<b>68</b>
<b>Business Strategies and Future Plans</b>	<b>70</b>

**P**alm oil is the only long-established segment in ANJ's business, and in 2015 it remained as the principal cash-generator for the group. The other two segments are complementary to our palm oil business.

Our sago starch business is still in development and had not begun operating commercially in 2015, and in our renewable energy segment we experienced only the second full year of commercial operation in 2015 of our first biogas power-generation plant.

For our sago starch venture, we are able to leverage the expertise we have gained in the management of our palm oil business, while our renewable energy business is intended to allow us to make environmentally friendly and profitable use of waste products from our plantation business as well as to reduce the fuel costs of running our operations.

This section discusses the performance, developments and targets of each business segment in turn.

# REVIEW OF OPERATIONS

## PALM OIL

We faced another challenging year in 2015 amid a global economy still struggling with sluggish GDP and productivity growth, and in particular the slowing down of China's economic development and ongoing uncertainty in Europe. This global condition had a knock-on effect on the Indonesian economy, with GDP here growing at just 4.8%, well under the targeted 5.7%. The rupiah remained volatile, and further weakened to end the year at Rp13,795 to the US dollar.

Global crude oil prices continued their dramatic fall from the second half of 2014, and combined with high levels of CPO stocks in Indonesia and Malaysia early in the year this put a lot of downward pressure on palm oil prices. As a result, our average CPO selling price went down from US\$697 per tonne in 2014 to US\$516 per tonne in 2015, the lowest price level in nine years.

In addition, in the second half of the year, the El Niño weather phenomenon resulted in a prolonged drought, affecting the productivity of palm oil companies in Indonesia especially as well as Malaysia. The challenge facing the palm oil industry then developed into low production volumes combined with low prices, two forces that usually do not come together.

In 2015, we had four producing plantations: North Sumatra I, North Sumatra II, Belitung Island and West Kalimantan. As a result of a proactive program to improve agronomy and management practices at these estates, we managed to effectively mitigate the El Niño effect and increase our total CPO production volume for the year as well as lower our cash cost of production to a healthy US\$233 per tonne, 21.8% less than the average of US\$298 in 2014. This allowed us minimize the effect of low CPO prices and maintain a healthy operational EBITDA.

We also had four non-producing properties: two plantations and one landbank (acquired in October 2014) in West Papua and one plantation in South Sumatra. Some planting has begun in these three non-producing plantations. However, the pronounced decline in CPO prices, macro-economic headwinds, volatile exchange rates and other factors prompted us to slow down the planting program at our new estates in West Papua and temporarily halt land-clearing activity as a prudent response to ensure long-term sustainable growth.

## Production and Sales

Total FFB production from our four producing estates in 2015 was 756,673 tonnes, 4.2% higher than the 726,292 tonnes produced in 2014. FFB purchased from smallholders slightly decreased to 136,191 tonnes from 138,676 tonnes in 2014 or 1.8%. In total, we processed 27,897 tonnes more FFB in 2015 than in 2014.

Higher FFB processed resulted in a higher total production of CPO and PK in 2015 than in 2014. We produced 192,891 tonnes of CPO, 2.7% more than 187,740 tonnes in 2014, and we produced 44,204 tonnes of PK, 5.2% higher than 42,037 tonnes in 2014.

CPO sales volume was accordingly higher at 194,248 tonnes, a 5.6% increase on 184,006 tonnes in 2014. PK sales volume decreased slightly, however, by 0.9% from 43,408 tonnes to 43,019 tonnes.

Our average extraction rates in 2015 were 21.6% for CPO compared to 21.7% in 2014, and 4.95% for PK, compared to 4.86% in 2014.

Our CPO selling price for the full year averaged US\$516 per tonne, 26.0% less than the average of US\$697 per tonne in 2014. Following a modest rally late in the second half of 2014, CPO market prices showed a downward trend starting in November 2014 and with particularly steep drops in June and July 2015. The price did not begin to rally weakly until October 2015 and failed to recover much by year-end.

The sharply lower prices were primarily due to the ongoing slump in the macro-economic environment driven by China and Europe along with significant declines in crude oil prices combined with higher CPO production volumes in Indonesia and Malaysia. The negative impact on production volumes from the El Niño drought was not felt until towards the end of the year, helping to explain the upturn in prices going into 2016.

Despite our higher CPO sales volume, then, the significant decrease in CPO selling price resulted in lower revenue from palm oil in 2015. We recorded revenue of US\$114.6 million from the palm oil segment, 22.2% lower than 2014 revenue of US\$147.4 million.

## Product Marketing

We typically sell our oil palm products through an open auction tender process, on an ex-mill, ex-jetty or free on board (FOB) basis, and our customers are responsible

## Oil Palm Production

	2015	2014	Chg
<b>FFB PRODUCTION (tonnes)</b>			
FFB from our estates	756,673	726,292	4.18%
<i>Belitung Island</i>	291,052	294,198	-1.07%
<i>North Sumatra I</i>	233,512	244,908	-4.65%
<i>North Sumatra II</i>	189,615	177,372	6.90%
<i>West Kalimantan</i>	42,495	9,815	332.9%
FFB bought from third parties	136,191	138,676	-1.79%
<b>Total FFB processed</b>	<b>892,864</b>	<b>864,968</b>	<b>3.2%</b>
<b>FFB YIELD (tonnes per hectare)</b>			
Average yield *	22.74	22.42	1.41%
<i>Belitung Island</i>	21.27	20.68	2.89%
<i>North Sumatra I</i>	23.80	24.96	-4.66%
<i>North Sumatra II</i>	23.97	22.42	6.90%
<i>West Kalimantan</i>	6.87	2.56	169.0%
<b>CPO PRODUCTION (tonnes)</b>			
<b>Total production</b>	<b>192,891</b>	<b>187,740</b>	<b>2.74%</b>
<i>Belitung Island</i>	67,278	67,736	-0.68%
<i>North Sumatra I</i>	58,798	65,619	-10.39%
<i>North Sumatra II</i>	55,465	52,435	5.78%
<i>West Kalimantan</i>	11,350	1,950	482.2%
Palm Kernel production	44,204	42,037	5.15%
<b>PRODUCTIVITY</b>			
CPO extraction rate	21.60%	21.70%	-0.46%
PK extraction rate	4.95%	4.86%	1.85%
CPO yield (tonne/ha)	5.00	4.94	1.2%

\* Average yield excludes the newly mature West Kalimantan Plantation. If included, average yield is 20.1 for 2015 and 20.3 for 2014.

## Oil Palm Product Sales

	2015	2014	Chg
<b>SALES VOLUME (tonnes)</b>			
CPO	194,248	184,006	5.57%
Palm Kernel	43,019	43,408	-0.9%
<b>SALES VALUE (US\$million)</b>			
CPO	100.1	128.3	-22.0%
Palm Kernel	14.5	19.1	-24.1%
<b>AVERAGE SELLING PRICE EX-MILL (US\$/tonne)</b>			
CPO	516	697	-26.06%
Palm Kernel	336	439	-23.5%

## CPO Price 2015



## REVIEW OF OPERATIONS

### Profile of Oil Palm Plantations

	2015	2014	Chg
<b>Planted Area (Ha)</b>			
<b>Total</b>	<b>47,733</b>	<b>45,605</b>	<b>4.67%</b>
Total Planted Nucleus	45,543	43,415	4.90%
<i>Mature</i>	37,588	35,794	5.01%
<i>Immature</i>	7,955	7,621	4.38%
Total Planted Plasma	2,190	2,190	0.00%
<i>Mature</i>	1,470	0	-
<i>Immature</i>	720	2,190	-67.12%
<b>Mature Palm Distribution (Ha)</b>			
Belitung Island	13,682	14,229	3.84%
North Sumatra I	9,813	9,813	0.00%
North Sumatra II	7,912	7,912	0.00%
West Kalimantan *	7,651	3,840	99.24%
West Papua	0	0	-
South Sumatra	0	0	-
<b>Nucleus Palm Age Profile (Ha)</b>			
Immature (< 4 years)	10,234	10,476	-2.31%
Mature: Young (4-7 years)	6,631	5,079	30.56%
Mature: Prime (8-20 years)	17,319	16,710	3.64%
Mature: Old (> 20 Years)	11,359	11,151	1.87%
Average Age	12.2	12.1	0.83%

\* Including Plasma

Data as at December 31, 2015

for transporting the products they purchase from us from our palm oil processing mills, jetty or ports close to our plantations.

The tender is conducted on a weekly basis with an indicative reserve price disclosed to bidders. Bidders who eventually enter into a sales contract with us pay for our CPO and PK two to five days after a tender is concluded and typically take delivery within two weeks after payment.

In 2015, we started to enter into long-term CPO sales contracts with several customers, on an ex-jetty basis or on a cost and freight (C&F) basis where we are responsible for transporting the products to our customer's refinery facility. As at December 31, 2015, we have non-cancellable CPO sales commitments, based on the average market price over the two weeks before the delivery date, for delivery until June 30, 2016, of 5,000 tonnes per month from our North Sumatra I and North Sumatra II Plantations and for delivery until December 31, 2017, of 3,000 tonnes per month from our Belitung Plantation.

Our customers are typically companies that operate palm oil refineries and PK crushing plants, which process these raw materials into downstream palm oil-based products. Our customers are primarily focused on the business of processing palm oil products in Indonesia and do not typically include distribution agents or trading companies.

Our top customers in 2015 were PT Synergy Oil Nusantara, PT Pacific Indopalm Industries, PT Pacific Palmindo Industri and PT Musim Mas, which together contributed 32% of our total income.

### Operational Developments in 2015

Significant operational improvements and developments in 2015 included the following:

- Construction of a full-size CPO mill at our West Kalimantan Plantation, comprising two lines of 45tph capacity each, was 46% completed by the end of 2015 and remains on schedule. The first line is expected to be ready for commissioning in October 2016, in time to process a projected increase in FFB production at the estate, which is not yet at full maturity. Currently, the harvest is processed at a mini-mill with a capacity of 15 tonnes per hour.

- We started a replanting program in 2015 at our



Progress on the full-scale mill at our West Kalimantan Plantation in 2015. It is due to be finished by the end of 2016.

Belitung Island Plantation and will continue this in 2016 and in future years, followed by a similar program at our North Sumatra I Plantation.

- With the appointment of our new operations director Geetha Govindan, we were able during 2015 to establish a group research and development function with the objective of improving and standardizing agronomic practices across our plantations. It has focused on formulating sustainable yields and optimizing the mix of inorganic and organic fertilizers for each plantation; improving management practices to further the sustainability of our operations; developing the internal skills and capabilities of estate teams; building a research network, especially with regard to fertilizers and pest and disease control as a basis for future operating procedures. The research and development team also provided technical on-site training to estate workers, include in pest control and effective fertilizer application.

- At our North Sumatra II Plantation we introduced a new composting regime intended to maximize our use of FFB waste from the milling process and reduce our

use of inorganic fertilizers. This strategy will result in fewer chemicals used and increased soil fertility, while reducing the costs of purchasing fertilizers. We plan to extend the strategy to our Belitung Island and North Sumatra I plantations in 2016.

- The total cumulative planted area at our developing West Papua estates, PT Putera Manunggal Perkasa (PMP) and PT Permata Putera Mandiri (PPM), increased to 3,441 hectares by the end of 2015.

- In June 2015, our subsidiary PT Pusaka Agro Makmur (PAM) obtained the land rights certificate title (*hak guna usaha*) for 30,515 hectares of land located in South Sorong, West Papua, for a period of 35 years. (PAM was subsequently legally merged into ANJ following shareholder approval at an extraordinary general meeting of shareholders on June 22.)

- Our South Sumatra Plantation showed gradual improvement in obtaining land release and compensation. In 2015, 551 ha was compensated and made the total cumulative land compensation to date 1,886 ha.

- Two of our four producing plantations, Belitung Island and North Sumatra II, received certification for



*Young palms being readied for planting in the nursery at our West Papua Plantation.*

the mandatory Indonesian Sustainable Palm Oil (ISPO) program in 2014 and 2015. Our two other plantations, North Sumatra I and West Kalimantan Plantations are in the process of applying for this certification.

- Our Belitung Plantation received certification in April 2015 for compliance with ISO 14001: 2004, the international standard for assessing environmental management systems. North Sumatra I and North Sumatra II plantations also have this certification.

- As of December 31, 2015, certain officers in our West Kalimantan subsidiary were subject to an inquiry by a law enforcement agency into a fire that originated outside our plantation area but which subsequently spread to a section of the estate. The inquiry was ongoing as of the issuance date of this annual report.

### Land Area

Our total oil palm landbank amounted to 157,921 hectares by the end of 2015. Of this, the total area already planted was 47,733 hectares, including plasma area of 2,190 hectares owned by plasma co-operatives.

This represented a net increase of 2,128 hectares from 45,605 hectares at the end of 2014, as a result of new planting of 2,145 hectares at our West Papua plantations and allocation of land for composting and infrastructure of 17 hectares.

The total area of mature palms at our four producing estates had increased to 39,058 hectares at the end of 2015 from 35,794 hectares in 2014. This increase was mainly contributed by 3,811 hectares of newly mature areas at our West Kalimantan Plantation.

## Achievement Against Target in 2015

The 756,673 tonnes total FFB production that we achieved from our four producing estates was 1.4% lower than our 2015 production target of 767,578 tonnes. Consequently, the actual sales volume for both CPO and PK were also lower. Our CPO sales volume of 194,248 tonnes was 7.3% lower than the target of 209,642 tonnes, while our PK sales volume of 43,019 tonnes was 6.3% lower than the target of 45,916 tonnes.

Our budgeted CPO selling price for 2015 was US\$650 per tonne, but we were forced to revise this to US\$550 per tonne in mid-2015 following continued downward pressure on the CPO selling price. Our actual average selling price for CPO in 2015 ended lower than these expectations at US\$516 per tonne. Our actual average selling price of PK was US\$336 per tonne, also less than our budgeted price of US\$358 per tonne.

As a result of these low prices, revenue received from our palm oil segment of US\$114.6 million was 15.2% lower than our pre-year target revenue of US\$135.1 million.

At the same time, however, our production cash costs in our mature plantations (excluding our newly mature West Kalimantan plantation) were US\$233 per tonne, lower than our budgeted production cash costs of US\$284 per tonne, reflecting our continuous efforts to manage costs and improve production efficiencies as well as a favorable impact from rupiah depreciation against the US dollar during 2015.

## Our Target in 2016

In 2016, we are targeting an increase of approximately 10% in CPO production volume and sales volume.

Our profitability in 2016 will largely depend on the selling price of CPO during the year. We have observed positive improvements in the CPO selling price after it rose from 2015's lowest point in the final quarter and continued a modest rise during the first quarter of 2016.

Nevertheless, we have anticipated an average selling price for CPO of approximately US\$475 per tonne, US\$41 lower than in 2015. Under these assumptions, we expect our total income from the palm oil segment in 2016 to be similar to 2015.

Our production cash costs per tonne are expected to increase by approximately 10%, in line with the increases

## Our Plasma Program Responsibilities

The Plasma Program is an Indonesian government scheme to assist and benefit rural smallholders. Since February 28, 2007, the plantation business licenses necessary for developing new plantations have typically been granted along with a requirement that the company receiving the license must dedicate 20% of the total plantation area for operation by local smallholders. Companies must buy fresh fruit bunches from landholders at a price that tracks the FFB market price.

ANJ's only producing estate obliged to have a Plasma Program is our West Kalimantan Plantation, as its license was granted after February 28, 2007. Our newly developed South Sumatra and West Papua plantations will also be required to implement the Plasma Program once planting programs have begun.

Under the Plasma Program, plantation operators face the risk of having to buy lower-quality product from plasma land; we seek to minimize this risk by helping smallholders to pool their land together and transfer the title to such land to a co-operative in which each of the smallholders retain an interest. We then cultivate and develop that land and manage it in the same way and to the same standards as our plantations, then provide the net income from the sale of the FFB harvested from it to the co-operative to be distributed to the smallholders.

We are also in the process of implementing voluntary smallholder initiatives of a similar nature to the Plasma Program at our North Sumatra plantations and our Belitung Island Plantation.

## REVIEW OF OPERATIONS

in CPO production volume and due to efforts to mitigate the effects on production of 2015's El Niño conditions.

Through our responsible development policy, we will strive to achieve our planned increase in sales volume and continue our careful management of costs to achieve healthy profits in 2016.

## SAGO STARCH

In 2010, we were awarded by the local government a right to develop and process the sago logs from 40,000 hectares of natural sago forest in West Papua, for which we have harvesting licenses, in order to process the logs into dry sago starch for use in food preparation.

Sago palms grow in clusters of different ages in swampland and are relatively low maintenance, requiring minimal pruning and no fertilization or pest management. The most valuable part of the plant is the trunk, where the starch is found.

Palms are harvested when they reach full maturity at around 10 years of age, and we plan to harvest sustainably by averaging no more than 10% of the total stand in any area in each year, maintaining a continuous supply of sago logs as the forest regenerates naturally.

Processing sago palms into starch is labour-intensive. Trees must be felled, then the trunks cut into 1.5-meter logs and floated in bound groups along canals to a processing mill. There they are mechanically stripped of their bark, shredded, mashed and boiled to extract starch solution, which is filtered and dried, resulting in starch powder.

Our venture in South Sorong is our first experience of commercially developing the dense natural forest of sago palms. We must develop and maintain infrastructure such as the canals for transporting sago palm logs to our processing mills, permanent housing and other facilities for our employees and mills at fixed locations.

The area is located mainly in swampland relatively far from any town or city and thus remote from reliable infrastructure and electricity supplies. In these circumstances, we have met with some delays due to logistical and construction challenges.

In 2013 we began building our first sago starch mill to process sago logs from the first 6,000 hectares. After integrating the plant and trialing it in continuous

operation in the first half of 2014, it became evident that the front-end and wet station machines were not functioning to the required performance to achieve our commercial production target.

Following an economic cost-benefit analysis by independent process engineering and equipment manufacturing consultants in the first half of 2014, we decided in May 2014 to replace the underperforming machinery. We booked an impairment charge of US\$10.8 million to reflect this.

In December 2014 we appointed a qualified contractor to implement the refit along with construction of a 3MW power plant for the mill. The project had an investment of US\$12.2 million and was estimated to take 16 months, thus full commercial sago production is expected in the second quarter of 2016.

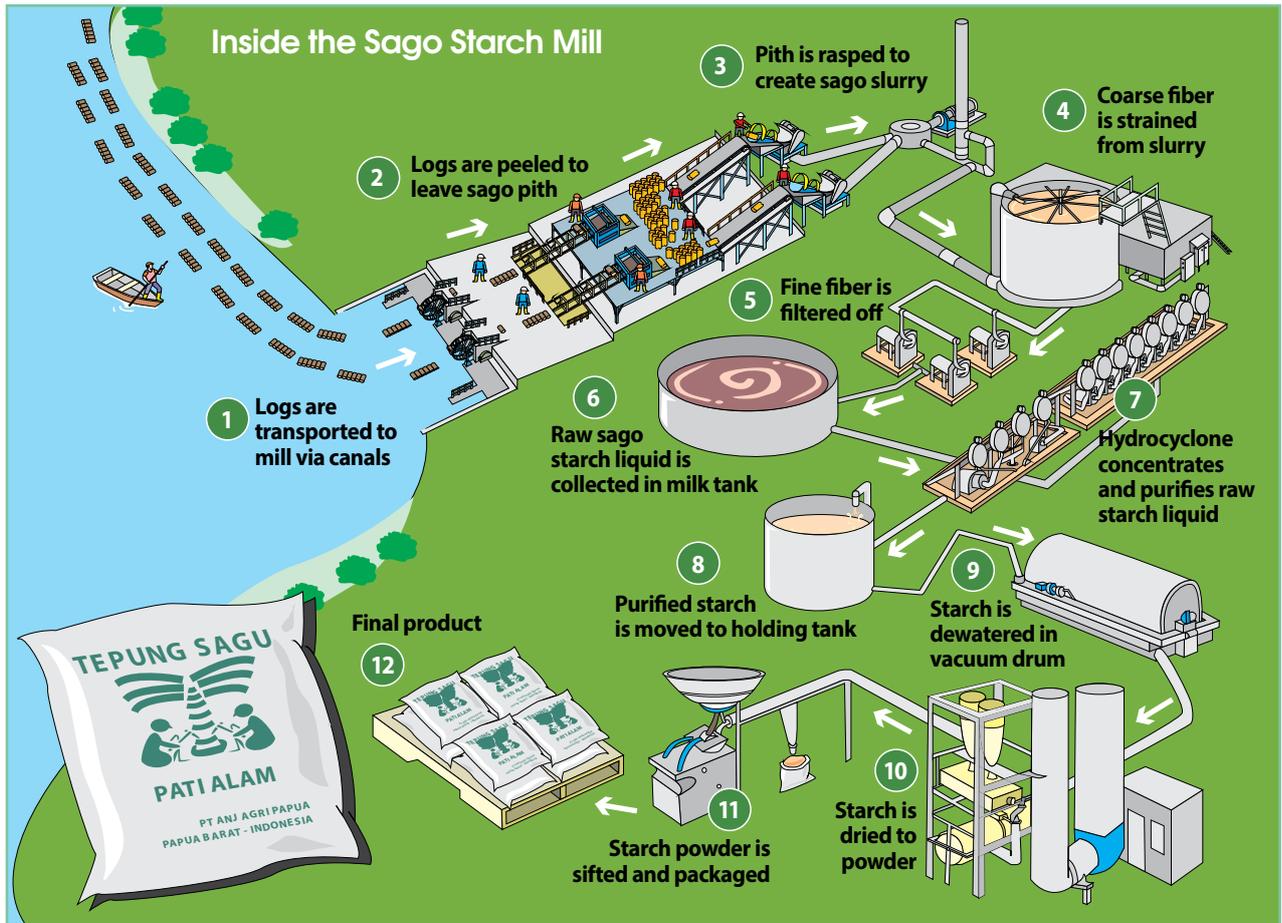
Replacement of the machinery was completed in the second half of 2015, and we held a "soft launch" in October, consisting of a period of pre-commercial start-up testing. Full commercial operation is expected on schedule in the second quarter of 2016, on completion and commissioning of the power plant. The commercial production capacity of the mill will be 1,250 tonnes of sago starch per month, but a second phase of construction is planned to double this capacity when we have established successful commercial operation of our sago business.

As at December 31, 2015, our investment in our sago business stood at US\$42.0 million, including the impairment charge of US\$10.8 million. We remain confident that our sago business promises healthy returns once we are able to begin commercial production.

### Product Marketing

The sago starch market is rudimentary and fragmented, but we believe that there is a significant potential demand for sago starch relative to world supply. This situation creates both opportunities and challenges for us in introducing sago starch to a domestic and international market.

Currently, the domestic food industry uses little sago starch due to inconsistent quality and irregular supply, because traditional, small-scale methods are used to process the sago starch. We are certain that we can eliminate problems of quality and supply since we are operating with modern machinery and technology. We intend to market our sago starch to customers in



Scenes of our newly refitted sago mill in West Papua, including the ceremony celebrating its opening in October.

## REVIEW OF OPERATIONS

Indonesia, Japan and other parts of the world where there is a significant market for native starches.

We have met some potential domestic buyers who have expressed their intention to purchase our sago starch, under the brand name Pati Alam, when we begin commercial production in the second quarter of 2016. Meanwhile, we are in discussions with a potential export customer in Japan that has already agreed to buy a small quantity for factory trials to ensure that it matches with Japanese quality.

### Achievement Against Target in 2015

As discussed above, activities in our sago starch segment in 2015 was focused on the replacement of the front-end and wet station machinery as well as completion of the power plant construction.

The machinery was completed according to schedule in the second half of 2015. As at the end of 2015, the power plant is expected to be complete in the second quarter of 2016, also in line with our planned schedule.

### Our Target in 2016

We expect to start commercial operation in the second quarter of 2016 on completion of the power plant construction. We expect to be able to sell approximately 4,800 tonnes of sago starch at a selling price ranging from US\$410 to US\$560 per tonne.

## RENEWABLE ENERGY

Our renewable energy business currently consists of one biogas electricity-generating plant and minority interests in one operational traditional power plant (a coal-fired and diesel power plant), one operational geothermal power plant and one geothermal power project in the exploration phase.

### Belitung Biogas Power Plant

Our biogas power plant located at our Belitung Island Plantation is our first. It was built and is run by our subsidiary PT Austindo Aufwind New Energy (AANE)

with the primary aim of reducing the plantation's greenhouse gas emissions. It does this by capturing methane released from the decomposition of palm oil mill effluent (POME) and burning it to generate electricity.

AANE was formed in 2008 as a joint venture between ANJA and German company Aufwind Schmack Asia Holding GmbH to develop and operate renewable energy projects in Indonesia, wherever feasible under the Clean Development Mechanism (CDM), a Kyoto Protocol initiative encouraging emissions-reduction projects to generate credits for use in emissions trading schemes.

The 1.2MW Belitung plant was registered as a CDM project in 2009. It was fully operational in 2012, and we decided to take advantage of a new Indonesian framework for sales of renewable energy to the national grid, operated by state electricity utility PT PLN (Persero).

We concluded a 15-year power purchase agreement (PPA) with PLN, under which we would receive a fixed price of Rp975 per kWh of electricity sold, and sales began on December 31, 2013. With this move, AANE became the first independent power producer in Indonesia to operate a biogas plant and sell the electricity commercially.

In 2015, AANE sold a total of 8,284MWh to PT PLN Region Bangka Belitung. This was 4.3% less than 8,660MWh sold in 2014 due to a technical problem at the biogas plant in November 2015 when the outer skin of one gas storage unit developed a tear. This caused reduced output during November and December 2015, but normal operations were resumed in January 2016.

Total sales proceeds slightly decreased in line with the lower sales volume to Rp8.1 billion from Rp8.4 billion.

While the sale price per kWh is fixed at Rp975, this price is currently under negotiation with PLN following the issuance of Ministerial Regulation ESDM 27/2014, which sets the biogas tariff for the Bangka Belitung region at the considerably higher figure of Rp1,575 per kWh.

During 2015, we expanded the capacity of the plant from 1.2MW to 1.8MW, successfully completing and testing the new facility in October. An amendment to our PPA in which PLN has agreed to purchase all electricity generated from this capacity expansion and any excess electricity generated was signed on December 18, and we commenced commercial operation of the additional capacity on January 29, 2016.



THE SAGO STARCH MARKET IS RUDIMENTARY AND FRAGMENTED, BUT WE BELIEVE THAT THERE IS A SIGNIFICANT POTENTIAL DEMAND FOR SAGO STARCH RELATIVE TO WORLD SUPPLY. THIS SITUATION CREATES BOTH OPPORTUNITIES AND CHALLENGES FOR US IN INTRODUCING SAGO STARCH TO A DOMESTIC AND INTERNATIONAL MARKET.

As of the end of 2015, we had invested a total of approximately US\$4.1 million into the biogas plant (including its capacity expansion), with US\$1 million in financing obtained from the proceeds of ANJ's IPO and the remainder from our cash reserves.

We are continuing to explore the development of a second biogas facility, to be located at our North Sumatra I Plantation, and we expect in the medium term to implement biogas projects at each of our producing plantations to further reduce greenhouse gas emissions attributable to the company, maximize use of their byproducts and generate additional value across the group's business units.

### Geothermal Power Generation

The first geothermal power project in which we have an investment is located in the Darajat Geothermal Resource field in West Java. Our subsidiary PT Darajat Geothermal Indonesia (DGI) is part of a consortium along with companies under Chevron Group and holds a minority stake of 5% in two of the area's geothermal power plants, Darajat II and Darajat III, which have a combined electricity-generating capacity of 211MW.

The consortium acts as a contractor to PT Pertamina Geothermal Energy (PGE), a subsidiary of the state-owned oil and gas company PT Pertamina (Persero), to provide power generated by geothermal steam that PGE sells to PLN.

The consortium sold a total of 1,685,957MWh of electricity to PGE during 2015 from Darajat II and III. Of this, DGI's share was 84,298MWh, for a total revenue of US\$5.6 million.

We also have another investment in a geothermal power plant in West Lampung, Sumatra, that is still under the exploration stage. We also hold a minority interest of 5% in a partnership with Chevron Global Energy Inc.

### Product Marketing

The renewable energy power sold by our subsidiaries, both in term of the volume supplied and the unit price, are governed by long-term contracts. In the case of AANE this is in the form of a PPA with PLN, in the case of DGI it is in a joint-operation contract with PGE.

PLN is the only off-taker for electricity from our Belitung Island biogas plant. As we are not pushing into project locations outside the ANJ group of companies, we are currently not actively marketing our services or products.

### Achievement Against Target in 2015

During 2015, AANE generated and sold 8,284MWh of biogas-generated power to PLN Belitung at a fixed price of Rp975 per kWh, 15.6% lower than our pre-year target sale of 9,818MWh. This was due to a delay in finalizing the amended PPA with PLN to include the additional capacity of 600kWh: we had targeted a signing in August and planned to begin commercial sales during 2015, but it was not signed until December 18 and sales did not begin until January 2016. The unexpected technical problems experienced at the biogas plant in November also contributed to lower production.

Meanwhile, our subsidiary DGI's 84,298MWh share of electricity sales from the Darajat II and Darajat III power plants in 2015 was in line with our pre-year target.

### Our target in 2016

We expect AANE to produce and sell 42.0% more electricity from its biogas plant than in 2015 following the 600kW increase in the plant's capacity came into commercial operation in January this year.

The volume of electricity produced from Darajat II and Darajat III geothermal power plants is expected to be similar to that of 2015.

## OTHER BUSINESSES

### Tobacco and Edamame Processing

In addition to our three core operational sectors, we have a legacy subsidiary, PT Gading Mas Indonesia Teguh (GMIT), formerly known as PT Gading Mas Indonesian Tobacco. Established in 1970, GMIT was primarily engaged in tobacco processing and trading until the end of 2014. GMIT purchased tobacco from individual farmers in Indonesia, processed it and sold it

to cigar and cigarette producers in Indonesia, as well as in Europe and China.

In line with the shifting of ANJ's core businesses since 2012 to agribusiness (oil palm), emerging food (sago) and renewable energy, we have reassessed the suitability of our tobacco business in ANJ's current and future businesses. We concluded that this type of business was no longer an ideal fit, and we decided to gradually exit the tobacco business and concentrate on higher-value agricultural products.

Since 2014, we have performed extensive trials in cultivating edamame, a green vegetable similar to a soybean. It is consumed as a snack or a vegetable dish, is used in soups or processed into sweets.

In 2015, we purchased edamame from individual farmers and sold the products to the domestic market. We supervised these individual farmers during the planting and harvesting of the crops to manage the product quality. We are exploring the opportunity to process and freeze the edamame and then export it within Asia to established consuming countries such as Japan and China.

In 2015 tobacco sales revenue was US\$5.2 million, an increase of 7.5% from US\$4.8 million in 2014 and in line with our target as GMIT's strategy to gradually exit from the tobacco business has seen it significantly reduce tobacco purchases and sell off tobacco inventory. We expect to complete the sale of our inventory by the end of 2016.

Revenue from sales of edamame in 2015 was still insignificant as it was our first year of extensive trials. In 2016 we are targeting a sale of 1,445 tonnes as we scale the business up to full commercial operations.

### Traditional Power Generation

We have investments in two traditional power plants through our subsidiary PT Puncakjaya Power (PJP), one consisting of three 65MW coal-fired generators and one 215MW diesel-powered generator in West Papua. We own a 14.288% stake in a partnership with Freeport-McMoRan Gold and Copper Inc.

In 2015, we received a dividend of US\$746,405 from this investment, 6.4% less than the US\$797,842 we received in 2014 as PJP retained a small portion of distributable profit as an appropriated retained earnings.



*In 2015 GMIT expanded its pilot project cultivating and processing edamame in East Java.*

# REVIEW OF FINANCIAL PERFORMANCE

The Company recorded a total of 194,248 tonnes in CPO sales volume for 2015, an increase of 5.6% from 184,006 tonnes in 2014.

However, a slowdown in the macro-economic environment, primarily driven by China and Europe, combined with a significant decline in crude oil prices and increased CPO production in Indonesia and Malaysia, put a lot of pressure on the palm oil market and saw palm oil prices drop considerably.

This condition accordingly pushed our average CPO selling price down from an average of US\$697 per tonne in 2014 to an average of US\$516 per tonne in 2015, a decline of 26.0%. As a consequence, the Company recorded a total income of US\$133.3 million for 2015, a year-on-year drop of 21.8%.

Amid these difficult conditions, the Company took a decision to slow down the oil palm planting program at our new estates in West Papua and temporarily halted land-clearing activity as a prudent response to ensure long-term sustainable growth. These measures necessarily resulted in the cessation of certain contractors, triggering termination charges of US\$8.8 million in 2015.

The drop in total income and this non-recurring termination charge were the main factors in the Company recording income before tax of just US\$0.6 million, a decrease of US\$33.3 million or 98.4% year-on-year.

After deduction of income tax expense, the Company booked a net loss for the year of US\$8.4 million, compared to net income of US\$18.3 million in 2014.

The net loss for 2015 attributable to the owners of the Company was US\$8.2 million, compared to net income of US\$18.4 million in 2014.

The management discussion and analysis on the Company's financial performance in 2015 that follows is based on the Consolidated Financial Statements and Notes to the Financial Statements as of and for the years ended December 31, 2015, and December 31, 2014.

These were audited by public accounting firm Osman Bing Satrio & Eny, which has given an unqualified opinion that they are a fair representation of the Company's financial position, financial performance and cashflow.



A SLOWDOWN IN THE MACRO-ECONOMIC ENVIRONMENT, PRIMARILY DRIVEN BY CHINA AND EUROPE, COMBINED WITH A SIGNIFICANT DECLINE IN CRUDE OIL PRICES AND INCREASED CPO PRODUCTION IN INDONESIA AND MALAYSIA TO PUT A LOT OF PRESSURE ON THE PALM OIL MARKET AND SAW PALM OIL PRICES DROP CONSIDERABLY.

## Consolidated Statements of Comprehensive Income

US\$ thousand except where stated	2015	2014	Difference	Change
Total income	133,338	170,589	(37,251)	-21.8%
Total expenses	123,977	126,015	(2,038)	-1.6%
Income before non-recurring charges	9,361	44,574	(35,213)	-79.0%
Non-recurring charges	8,803	10,752	(1,949)	-18.1%
Income before tax	558	33,822	(33,264)	-98.4%
Net income (loss) for the year	(8,386)	18,268	(26,654)	-145.9%
Net income (loss) attributable to non-controlling interests	(168)	(157)	(11)	7.0%
Net income (loss) attributable to the owners of the Company	(8,218)	18,426	(26,644)	-144.6%
Total comprehensive income (loss)	(16,205)	19,868	(36,073)	-181.6%
EBITDA	23,689	63,364	(39,675)	-62.6%
EBITDA margin (%)	18.8%	40.0%	-21.2%	-53.0%

## FINANCIAL RESULTS

Total income was US\$133.3 million in 2015, a decrease of US\$37.3 million, or 21.8%, from US\$170.6 million in 2014. Revenue from sales accounted for 89.9% of our total income in 2015, with the remaining 10.1% from service concession revenues, shares in the net income of associates, dividend income, interest and other income.

Sales of crude palm oil (CPO) and palm kernel (PK) accounted for 95.6% of our revenue from sales, compared to 96.8% in 2014. The remainder represented revenue from sales of tobacco and other products.

### Income Sources

**Total revenue from sales** in 2015 was US\$119.9 million, a decrease of 21.2% from US\$152.2 million in 2014.

Our CPO sales revenue was US\$100.1 million, down by 21.9% from US\$128.3 million in 2014 following a substantial decrease in average CPO selling price by 26.0% from US\$697 per tonne in 2014 to US\$516 per tonne. This was offset, however, by a 5.6% increase in CPO sales volume from 184,006 tonnes in 2014 to 194,248 tonnes in 2015.

PK sales revenue was US\$14.5 million in 2015, down by 24.0% from US\$19.1 million in 2014 due to a substantial decrease in average selling price by 23.5% from US\$439 per tonne to US\$336 per tonne. PK sales volume slightly decreased by 0.9% from 43,408 tonnes to 43,019 tonnes.

Tobacco sales revenue was US\$5.2 million, 7.5% up from US\$4.8 million in 2014 due to higher tobacco sales volume. We have significantly reduced tobacco purchases and tobacco inventory levels in line with our strategy to gradually exit from the tobacco business and switch to higher value agricultural products, including edamame.

**Service concession revenue** comprises revenue from PT Darajat Geothermal Indonesia (DGI) and PT Austindo Aufwind New Energy (AANE). DGI is a subsidiary that holds a 5% interest in a consortium with Chevron Group that acts as a contractor to PT Pertamina Geothermal Energy (PGE) to generate electricity from two geothermal power plants in West Java, which PGE sells to PLN. AANE is a subsidiary engaged in generating electricity from biogas and selling it to PLN in Belitung Island.

Our total service concession revenue was US\$6.1 million in 2015, a slight decline of 1.6% from US\$6.2 million in 2014 due to rupiah depreciation and a technical fault at AANE's biogas plant in November 2015

## REVIEW OF FINANCIAL PERFORMANCE

that resulted in lower electricity production at the end of the year. The power plant resumed normal operation in January 2016.

**Share in net income of associates** reflects our share of net income from companies where we hold a 20% or greater minority interest or companies over which we have a significant influence. The unfavourable CPO price also affected the performance of ANJ's associate companies in this sector, as demonstrated by a significant decrease of 46.7% in the share of income attributable to the Company to US\$1.8 million in 2015 from US\$3.3 million in 2014.

**Dividend income** primarily reflects dividends received from investments in entities in which we hold less than a 20% interest. Dividend income received in 2015 was US\$3.1 million, 36.0% lower than US\$4.9 million in 2014, primarily due to a decrease in the dividend payment by PT Agro Muko, a palm oil plantation company, from US\$4.0 million in 2014 to US\$2.4 million in 2015 as a result of lower income caused by lower palm oil prices in 2015.

**Interest income** decreased to US\$0.2 million, down 61.1% from US\$0.6 million received in 2014 due to a lower cash balance in 2015.

**Other Income** primarily represents gains from the premium received from sales of RSPO-certified palm oil and from management service income from plasma. Other income decreased in 2015 to US\$2.2 million in 2015 from US\$3.4 million in 2014. This is because in 2014 other income included a gain of US\$0.5 million recognized after we sold an investment in Paramount Life & General Holdings Corporation, Philippines, and because deferred revenue from a sale and leaseback transaction by one of our subsidiaries in 2012 was distributed across 12 months in 2014 but was fully amortized by June 2015.

### Costs

**Cost of Sales** amounted to US\$84.2 million in 2015, a decrease of 7.6% from US\$91.1 million in 2014. The core component was costs relating to sales of CPO and PK, which totaled US\$80.0 million in 2015, down from US\$87.2 million in 2014. Factors in this decrease included:

**Maintenance expenses of mature plantations:** Despite higher FFB production, these expenses decreased by 7.9% from US\$20.8 million in 2014 to US\$19.2 million in 2015 as a result of efficiencies in fertilizers and fuel expenses

coupled with rupiah depreciation against the US dollar because these expenses were primarily in rupiah.

**Third-party FFB purchases:** The cost of FFB purchases from third parties decreased to US\$13.6 million from US\$19.3 million in 2014, as a result of a lower FFB purchase price in line with lower CPO prices combined with a slightly lower volume purchased in 2015 of 136,191 tonnes, 1.8% less than 138,676 tonnes purchased in 2014.

The cost of sales in our tobacco business increased by 4.7% to US\$4.1 million from US\$3.9 million in 2014 due to a higher volume of tobacco sold in 2015 in line with our strategy to reduce tobacco stocks and gradually exit the tobacco business.

**Cost of service concessions** totaled US\$2.9 million, unchanged from 2014.

**Selling expenses** increased to US\$3.4 million in 2015, from US\$2.4 million in 2014. This was in line with a 5.6% increase in CPO sales volume and also due to higher freight cost, as in 2014 all of our sales were on a free on board (FOB) basis at our mills while in 2015 some sales from our North Sumatra estates were made on a cost and freight (C&F) basis.

**Personnel expenses** amounted to US\$14.4 million in 2015, a small increase of US\$0.5 million or 3.2% from US\$13.9 million in 2014. To support our expansion, we hired additional personnel in 2015 and increased our permanent staff workforce by 7.5%, however the increase in costs was less due to rupiah depreciation against US dollar. For details of staff numbers in 2015, please see page 39.

**General and administrative expenses** totaled US\$11.9 million in 2015, down from US\$12.5 million in 2014, due to the rupiah depreciation against US dollar as well as efforts to manage our costs more efficiently.

**Foreign exchange loss** of US\$4.4 million was incurred in 2015, 103.5% higher than US\$2.2 million in 2014, primarily arising from the US dollar-denominated loans used to finance development of our West Kalimantan and West Papua plantations. In September 2015, these were converted into rupiah loans to match the book-keeping records of the subsidiaries involved. This action has significantly reduced our foreign exchange risk.

**Other expenses** totaled US\$9.4 million in 2015, down from US\$11.3 million in 2014. Our decision in 2015 to slow down planting and temporarily halt land-clearing in West Papua meant we incurred termination charges to cease the contracts of certain contractors. These one-off

## Consolidated Statements of Financial Position

US\$ thousand except where stated	2015	2014	Difference	Change
Current assets	51,690	65,511	(13,821)	-21.1%
Non-current assets	418,754	378,518	40,236	10.6%
Total assets	470,444	444,029	26,415	5.9%
Current liabilities	55,893	53,639	2,254	4.2%
Non-current liabilities	74,121	14,929	59,192	396.5%
Total liabilities	130,014	68,568	61,445	89.6%
Equity attributable to the Company	340,275	375,108	(34,833)	-9.3%
Total equity	340,430	375,461	(35,031)	-9.3%

expenses recorded under other expenses amounted to US\$8.8 million.

Other expenses in 2014 were principally due to our decision to write down certain mill machinery in ANJAP, our subsidiary developing our new sago starch business. This resulted the inclusion of a one-off impairment charge on fixed assets of US\$10.8 million, recorded under other expenses.

**Tax expense** decreased to US\$8.9 million, 42.5% less than the US\$15.6 million in 2014 as a result of lower revenues than in 2014 and thus lower income before tax.

### Income (Loss)

As a result of lower sales and concession revenue than last year and termination charges, we recorded a net loss for the year of US\$8.4 million, compared to net income of US\$18.3 million in 2014.

Some of the Company's subsidiaries maintain their book-keeping records in rupiah. Depreciation of the rupiah against the US dollar in 2015 reduced the net assets of those subsidiaries by US\$8.9 million when their financial statements were translated from rupiah to the US dollar. The foreign exchange effect due to translation of subsidiaries' financial statements was reported as other comprehensive loss.

As a result, the Company reported a total comprehensive loss of US\$16.2 million, a decrease of 181.6% from 2014 total comprehensive income of US\$19.9 million.

### Cash

**Net cash provided by operating activities:** A total of US\$0.9 million was provided by operating activities in 2015, 98.1% less than US\$46.4 million provided in 2014. The decrease was chiefly due to less cash received from customers as a result of lower sales revenue from palm oil products.

**Net cash used in investing activities:** A total of US\$62.9 million was used in investing activities in 2015, 14.6% less than the US\$73.7 million used in 2014, primarily because we had no acquisitions of a subsidiary, unlike in 2014 when we acquired PT Pusaka Agro Makmur.

**Net cash provided by financing activities:** US\$51.0 million was provided by financing activities in 2015, an increase of 219.3% from US\$16.0 million provided in 2014, primarily due to utilization of bank loan facilities that the Company obtained in 2015.

### Assets, Liabilities and Total Equity

**Current assets** totaled US\$51.7 million in 2015, a 21.1% decrease from US\$65.5 million in 2014, primarily driven by the decrease in cash and cash equivalents in line with our development activities in West Papua.

**Non-current assets** amounted to US\$418.8 million in 2015, 10.6% higher than US\$378.5 million in 2014, primarily due to the purchase of property, plant and equipment, especially in our West Kalimantan and West Papua palm oil plantations.

## REVIEW OF FINANCIAL PERFORMANCE

**Total assets** amounted to US\$470.4 million in 2015, 5.9% more than US\$444.0 million in 2014, principally due to the rise in non-current assets.

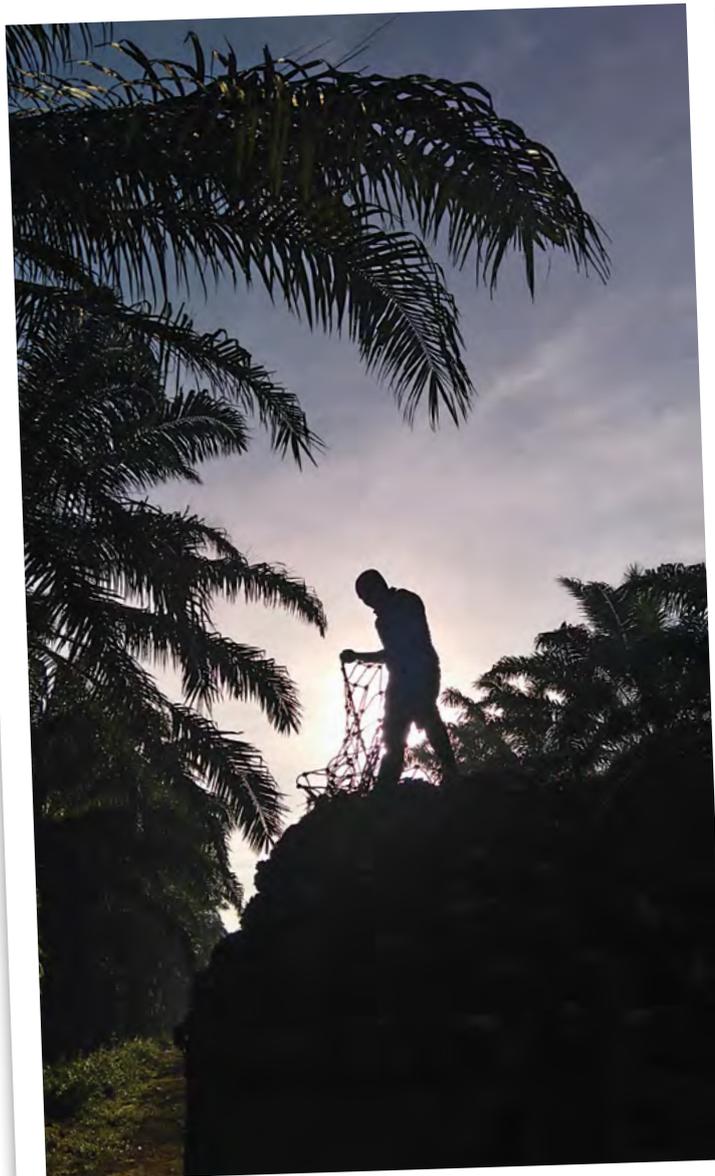
**Current liabilities** amounted to US\$55.9 million in 2015, 4.2% higher than US\$53.6 million in 2014. This was mainly due to significant short-term bank loans withdrawn in 2015. As of December 31, 2015, total short-term loans withdrawn amounted to US\$40.2 million compared to US\$27.8 million as of December 31, 2014. The loan facilities were provided by PT Bank OCBC NISP Tbk., PT Bank CIMB Niaga Tbk. and Citibank N.A, and were primarily utilized by our subsidiaries KAL, PPM and PMP. In addition, GMIT withdrew Rp9.0 billion (equivalent to US\$0.6 million) from its facility with PT Bank Central Asia Tbk.

Meanwhile, trade accounts payable and other accounts payable from subsidiaries engaged in palm oil plantations decreased due to lower FFB purchase and payments of 2014 outstanding balance to contractors in 2015. Taxes payable also decreased in line with lower income tax expense for 2015.

**Non-current liabilities** totaled US\$74.1 million, 396.5% more than US\$14.9 million in 2014. In 2015 the Company and its subsidiaries in West Papua (PPM, PMP and ANJAP) collectively withdrew long-term bank loans from PT Bank OCBC NISP Tbk amounting to US\$58.7 million. From this, US\$8 million of long-term loans will be due in 2019 and the remainder in 12 quarterly installments starting from 2019.

**Total liabilities** amounted to US\$130.0 million in 2015, 89.6% higher than the US\$68.5 million in 2014, largely as a result of the significant increase in non-current liabilities.

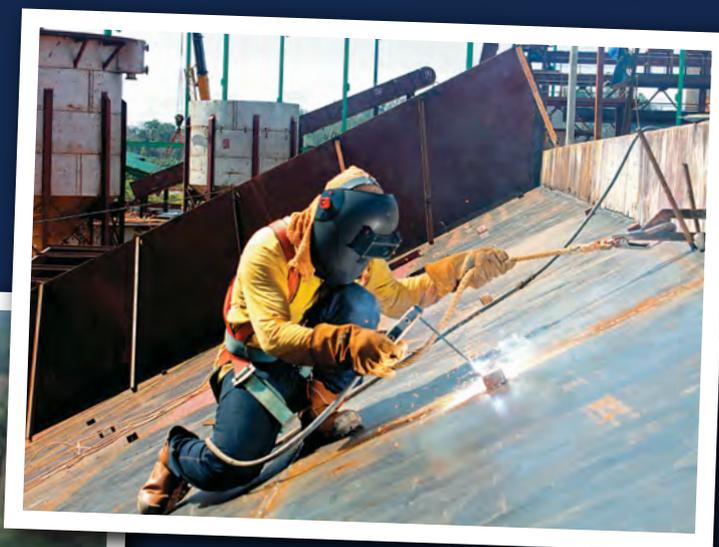
**Total equity** was US\$340.4 million in 2015, a decrease of 9.3% from US\$375.5 million in 2014, as a result of our net loss, other comprehensive loss and cash dividends of Rp112.7 billion (Rp35 per share), equivalent to US\$8.4 million (US\$0.003 per share). In addition, the Company acquired treasury shares amounting to Rp141.8 billion, equivalent to US\$10.6 million, in 2015 from shareholders who disagreed with the resolution of the Extraordinary General Meeting of Shareholders relating to the merger between ANJ and PT Pusaka Agro Makmur. For further details on these treasury shares, please refer to Shareholder Information on page 27.



▲ **Winner**  
Raga Yudha Putra,  
Belitung Island Plantation:  
"Menjaring TBS"

## Annual Report Photo Competition: Category A: Managing a Responsible Operation

For company activities in general – in work areas including plantations, mills or offices – that show activities being carried out responsibly. For example, the meeting of safety standards, teams working together, or applications of the company's values.



◀ **Second Runner-up**  
Sarman Manik,  
Belitung Island  
Plantation:  
"Ecer Bibit Kelapa  
Sawit"

▲ **First Runner-up**  
Evaristo Togatorop,  
West Kalimantan  
Plantation:  
"Safety Work (Project  
Mill 45 TPH)"

## OPERATING RATIOS

**Gross Margin:** Due to the nature of ANJ's businesses, our gross profit is calculated by subtracting the sum of the cost of sales and cost of service concession from the sum of revenue from sales and service concession revenue. Our gross margin is measured by dividing the gross profit by the sum of revenue from sales and service concession revenue. Our gross margin in 2015 was 30.8% compared to 40.6% in 2014. This decrease of 9.8 percentage points was primarily driven by lower revenue from sales and service concession revenue in 2015.

**EBITDA Margin:** Our EBITDA is calculated from profit before tax, adding back depreciation, amortization, interest expenses, impairment loss and foreign exchange loss, then subtracting foreign exchange gain and interest income. Our EBITDA margin is measured by dividing EBITDA by the sum of revenue from sales and service concession revenue. Our EBITDA margin in 2015 was 18.8% compared to 40.0% in 2014. The decrease of 21.2 percentage points was primarily due to lower revenue from sales and service concession revenue and the contractor termination charge of US\$8.8 million in 2015.

**Net Profit (Loss) Margin:** Our net loss was US\$8.4 million in 2015 compared to our net income of US\$18.3

million in 2014, while total income was US\$133.3 million and US\$170.6 million in 2015 and 2014, respectively. Our net loss margin in 2015 was -6.3% in comparison to net profit margin of 10.7% in 2014.

**Return on Assets and Equity:** Return on assets (ROA) is calculated by dividing net income (loss) for the year by the total assets at the end of the year. ROA in 2015 was -1.8% compared to 4.1% in 2014, following our net loss in 2015. Return on equity (ROE) is calculated by dividing net income (loss) for the year by the total equity at the end of the year. ROE in 2015 was -2.5% compared to 4.9% in 2014, following our net loss in 2015.

**Receivables Turnover:** This is a measure of the average days required by a company to turn receivables over into cash collected. This turnover is calculated by dividing the total days in the year (365) with the quotient of total revenue from sales during the year and trade receivable at the end of the year. The lower the number of days, the faster the receivable is turned over into cash.

Our trade receivables originate from our service concession revenue and tobacco sales only, because the sales of our CPO and PK are made on a tender basis, where cash advance payment is required of buyers before delivery, and consequently no trade receivables are incurred. In 2015, our receivables average turnover was 40 days, lower than the 50 days recorded in 2014.

## REVIEW OF FINANCIAL PERFORMANCE

### FINANCIAL RATIOS

**Current Ratio** is measured by dividing total current assets by total current liabilities at the end of the year. Our current ratio in 2015 was 0.92x, lower than 1.22x in 2014. This was due to the significant decrease in current assets as a result of lower cash and cash equivalents. Meanwhile, current liabilities was only slightly higher due to short-term bank loans drawn this year, balanced by decrease in payables.

**Cash Ratio** is calculated by dividing total cash and cash equivalents with total current liabilities. At the end of 2015, 37.0% of our current assets were in the form of cash and cash equivalents, lower than 46.0% in 2014. Our cash ratio decreased to 0.34x in 2015 from 0.56x in 2014, demonstrating use of cash to support our development and expansion programs in 2015.

**Debt-to-Equity Ratio** reflects our ability to meet liabilities. The lower the ratio, the better our ability. Our total liabilities in 2015 were US\$130.0 million, an increase of US\$61.5 million from 2014. Consequently, our debt-to-equity ratio was higher at 0.38x than 0.18x in 2014, but still clearly reflecting our strong capability to meet our liabilities.

**Net Debt-to-Equity Ratio** is calculated by dividing net debt by equity, where net debt represents the interest-bearing liabilities minus cash and cash equivalents. Our net debt-to-equity ratio in 2015 was 0.23x, in line with the substantial increase in bank loans drawn. Meanwhile, we incurred negative net debt-to-equity ratio in 2014 of -0.01x, as our cash and cash equivalents were greater than our interest-bearing liabilities.

### CAPITAL STRUCTURE

In 2015 we continued with an expansion strategy into palm oil, sago and renewable energy that we began across the group in 2012 in an effort to drive shareholder value creation. To finance this expansion, we have taken advantage of our strong liquidity from palm oil operations and cash balance from previous years, supplemented by the proceeds from our initial public offering (IPO) in May 2013 and, since 2014, the

introduction of a modest degree of leverage into the Company's capital structure.

In 2015, we recorded a substantial increase in bank loans, in line with our financing strategy to have a balanced mix between the use of equity and borrowings. In addition, we entered into a long-term bank loan agreement with a bank for the first time since we introduced our expansion strategy in 2012.

As at December 31, 2015, short-term loans outstanding totaled US\$40.2 million. Of this amount, US\$24.3 million or 60.4% was withdrawn from loan facilities from Citibank, N.A. The remaining balance represented withdrawals from PT Bank CIMB Niaga Tbk, PT Bank OCBC NISP Tbk and PT Bank Central Asia Tbk.

As at December 31, 2015, the Company and its subsidiaries in West Papua (PPM, PMP and ANJAP) had collectively drawn down US\$58.7 million in a long-term bank loan from PT Bank OCBC NISP Tbk. From this amount, US\$8.0 million will be due in 2019 and the remainder in 12 quarterly installments starting from 2019.

Our net debt to total equity ratio as at December 31, 2015, was 0.23x, clearly reflecting our strong capital structure as we believe a strong capital structure is essential to ensure our ability to sustain our businesses.

We will prudently continue to increase our leverage in our capital structure up to a level of no more than 0.5 times net debt to shareholders' equity, either from bank loans, bonds or other resources, to meet our requirements for funds for our oil palm planting program and other business expansion.

### MATERIAL COMMITMENTS TO CAPITAL EXPENDITURE

Our capital expenditure amounted to US\$77.1 million in 2015. Of this, US\$49.4 million was spent on developing our palm oil estates, US\$5.5 million on developing our sago starch business and the remainder on developing our energy and other businesses. The spending was financed primarily by existing cash, by cash from operations and by short- and long-term bank loans.

In 2015, we made a number of material capital

expenditure commitments in line with our commitment to grow our core businesses, particularly on the following:

- Construction of a mill with two lines of 45-tonnes-per-hour capacity at our West Kalimantan Plantation;
- Replacement of mill machinery and construction of a power plant for our sago project in West Papua, a project begun in 2014, to allow for first-phase production capacity of 1,250 tonnes of starch per month;
- Planting of 6,000 hectares of oil palms and construction of associated plantation infrastructure in West Papua;
- Land compensation at our South Sumatra landbank;
- A 600kW expansion of the electricity-generating capacity of our biogas power plant in Belitung Island.

We anticipate capital expenditure in 2016 of around US\$75 million to US\$85 million, financed primarily by cash from operations and external financing, including but not limited to bank loans.

Our overall expenditure levels and allocation among projects remain subject to many uncertainties. We may increase, reduce or suspend our planned capital expenditures or we may change the timing and area of our capital expenditure spending from the estimates as described above in response to market conditions or for other reasons.

Our actual capital expenditure may also be significantly higher or lower than the planned amount due to factors including, among others, unplanned cost overruns, our ability to generate sufficient cash flows from operations and our ability to obtain adequate external financing for planned capital expenditures.

## MATERIAL FACTS ABOUT RELATED-PARTY TRANSACTIONS

ANJ has a minimal level of transactions with related parties. During 2015, we had related-party transactions only within ANJ's group of companies. All were disclosed to the OJK and/or IDX in accordance with prevailing laws and regulations. Related party transactions during 2015 were as follows:

- GMIT used land and buildings owned by AKJ and

MDN as its office, employee housing, training centre and warehouse in accordance with a lend-use agreement dated July 8, 2014, and valid until May 17, 2016. Based on this agreement, GMIT has no obligation to pay anything to AKJ or MDN, but GMIT has to bear and pay land and building tax, fire insurance, repair and maintenance, electricity, water, telephone, security and all other maintenance costs related to the land and building during the agreement period.

- SMM charged management fees to AANE of Rp80 million per month, based on a management and technical services agreement dated May 21, 2014.

- ANJA charged management fees to ANJAS of US\$125,000 per month, based on a management and technical services agreement dated June 27, 2014.

- ANJA charged management fees to SMM of US\$225,000 per month, based on a management and technical services agreement dated June 27, 2014.

- The Company charged management fees to subsidiaries, based on a management services agreement dated December 22, 2014, at the following rates per month for each subsidiary:

ANJA, SMM, ANJAS and KAL .....	US\$60,000
PPM, PMP, ANJAP .....	US\$30,000
DGI .....	US\$25,000
GSB .....	US\$10,000
ATI and SM .....	US\$4,000
AANE.....	US\$5,000
GMIT .....	US\$1,000
ANJB.....	US\$300

On December 14, 2015, the Company and the subsidiaries entered into a new management service agreement for 2016 under which the Company will charge management fees in 2016 at the following rates per month for each subsidiary based on certain conditions as stipulated in the agreement:

ANJA, SMM, ANJAS and KAL .....	Rp870 million
PPM, PMP, ANJAP .....	Rp435 million
DGI .....	Rp362.5 million
GSB .....	Rp145 million
ATI and SM .....	Rp58 million
AANE .....	Rp29 million
GMIT .....	Rp14.5 million
ANJB .....	Rp4.35 million

- ANJA charges management fees to KAL of US\$100,000 per month, based on a management

## REVIEW OF FINANCIAL PERFORMANCE

services agreement dated October 15, 2014. This agreement expired on December 31, 2015.

- The Company gave a shareholder loan to AANE amounting to US\$750,000 based on a loan agreement dated December 15, 2014, for a three-year period, at an annual interest rate of 2.75% + LIBOR. This loan facility was to be used for the purpose of construction of a capacity extension to AANE's POME biogas plant. The total outstanding loan as of December 31, 2015, was US\$418,820.

- On April 1, 2015, ANJAS entered into a loan facility agreement for a maximum amount of US\$7 million with ANJA as the borrower. This loan facility is valid for a three-year-period, at an annual interest rate of 3%. This agreement was amended on May 18, 2015, to increase the facility to US\$10 million. The total outstanding loan as of December 31, 2015, was nil.

- On June 24, 2015, ANJA and KAL entered into a loan agreement for US\$6 million, valid until December 31, 2015, at an annual interest rate of 3%. This agreement was amended on November 16, 2015, to Rp145 billion, valid until December 31, 2018, at an annual interest rate of 10%. The total outstanding loan as of December 31, 2015, was Rp91.2 billion.

- On July 15, 2015, ANJ and ANJAP entered into a loan agreement amounting to Rp40 billion or US dollar equivalent for a one-year period, at an annual interest rate of 11.5% for rupiah facility or 3% for US dollar facility. The loan facility was to be used for the purpose of developing a sago factory in Saga, West Papua. The total outstanding loan as of December 31, 2015, was nil.

## MATERIAL FACTS FROM AFTER THE ACCOUNTING REPORTING DATE

- On 29 January 2016, our subsidiary KAL obtained a long-term bank loan facility from PT Bank OCBC NISP Tbk amounting to Rp225 billion (equivalent to US\$16 million) to finance the continuing construction of the mill and bulking station in its West Kalimantan property.

- ANJAS distributed a 2016 interim dividend to its shareholders, ANJA and SMM, amounting to US\$1,000,000 in February 2016 and US\$1,500,000 in March 2016.

- In February and March 2016, ANJA injected advance capital to PPM and PMP totaling Rp32.5 billion to each company (equivalent to US\$2.4 million each).

## CHANGES OF RULES AND REGULATIONS

### Obligation to Use Rupiah in Indonesia

On March 31, 2015, Bank Indonesia (BI) issued Bank Indonesia Regulation No. 17/3/PBI/2015 concerning Obligation to Use Rupiah in the Republic of Indonesia. Under the regulation, rupiah must be used for cash transactions or non-cash transactions (such as transfers or cheques) incurred inside Indonesia.

Certain transactions such as international trade and international financing transactions may be exempted. The regulation also provides a transitional provision to exempt the mandatory use of rupiah for transactions based on an agreement made prior to the effective date of the regulation, July 1, 2015.

Other than the exemptions discussed above, the use of currencies other than rupiah is only permitted by providing the underlying documents as stipulated in prevailing BI regulations. During 2015, BI issued several regulations to support the implementation of Regulation No. 17/3/PBI/2015, including on the threshold and underlying documents needed to make foreign currency transactions.

ANJ has applied this regulation prospectively since July 1, 2015.

### Export Levy on Oil Palm Products

On June 16, 2015, the Minister of Finance issued Decree No. KMK.114/PMK.05/2015, subsequently revised by Decree No. KMK.133/PMK.05/2015, dated July 14, 2015, in regards to an export levy attributable to oil palm products. Under this regulation, an export levy of US\$50

is imposed for every tonne of CPO that is sold for export. The prevailing regulation under Decree No. KMK 75/PMK.011/2012, dated May 16, 2012, subsequently revised by Decree No. KMK 136/PMK.010/2015, dated July 15, 2015, is still valid.

This regulation stipulates that a CPO export tax is imposed when the CPO price at Cost Insurance Freight (CIF) Rotterdam, Malaysia bourse or Indonesian bourse reaches US\$750 per tonne. When the price reaches this level, a CPO export tax shall be applied with progressive tariffs.

During 2015, the CPO price remained below the benchmark of US\$750 per tonne, consequently ANJ was affected only by the imposition of the export levy of US\$50 per tonne.

## CHANGES TO ACCOUNTING POLICY

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The Financial Accounting Standards Board of the Indonesian Institute of Accountants issued the following new and revised standards effective for the accounting period beginning January 1, 2015:

- PSAK 1 (revised 2013): Presentation of Financial Statements;
- PSAK 4 (revised 2013): Separate Financial Statements.
- PSAK 15 (revised 2013): Investment in Associates and Joint Ventures;
- PSAK 24 (revised 2013): Employee Benefits;
- PSAK 46 (revised 2014): Income Taxes;
- PSAK 48 (revised 2014): Impairment of Assets;
- PSAK 50 (revised 2014): Financial Instruments: Presentation;
- PSAK 55 (revised 2014): Financial Instruments: Recognition and Measurement;
- PSAK 60 (revised 2014): Financial Instruments: Disclosures;
- PSAK 65: Consolidated Financial Statements;
- PSAK 66: Joint Arrangements;
- PSAK 67: Disclosures of Interests in Other Entities;
- PSAK 68: Fair Value Measurements;
- ISAK 26: Reassessment of Embedded Derivatives.

ANJ's management has adopted the new and revised standards that are relevant to the group's

operations, effective for the accounting period beginning January 1, 2015.

Management has assessed that the adoption of PSAK 24 (revised 2013) does not have a significant impact to the figures reported in the prior year, therefore the Group has not restated the corresponding information.

Adoption of the other revised standards does not have any impact on the amounts reported in the current year.

## DIVIDEND POLICY

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Under Indonesian law, dividend payments are decided by a resolution at the annual or general meeting of shareholders based on the recommendation of the Board of Directors.

We may declare dividends in any year if we have positive retained earnings. Our policy is to pay dividends at a rate of up to 50% of our consolidated net income after provisioning all statutory reserves. The dividend rate and our ability to pay dividends in the future will be subject to our cash flow, future retained earnings, financial condition, working capital requirements and investment plans, as well as regulatory restrictions and other requirements.

Dividends are paid in Indonesian rupiah. Shareholders of record on the applicable dates will be entitled to the full dividend amount approved, subject to any Indonesian withholding tax imposed. Dividends paid to shareholders not resident in Indonesia will be subject to 20% Indonesian withholding tax or a lower rate based on tax treaties.

Our dividend policy is a statement of present intention and is subject to modification by our Board of Directors with shareholders' approval at a general meeting of shareholders.

During the AGMS held on June 22, 2015, shareholders approved the distribution of a cash dividend of Rp35 per share for the year 2014 to all shareholders registered on the recording date of July 2, 2015. The cash dividend totaled Rp112.7 billion, equivalent to US\$8.4 million, representing a 2.7% dividend yield. It was paid on July 24, 2015.

This compares to a cash dividend of Rp35 per share paid for the year 2013 that totaled Rp116.7 billion, equivalent to US\$9.6 million, representing a 2.4% dividend yield.

# INDUSTRY AND MARKET OUTLOOK

## PALM OIL

Palm oil is the world’s most cost-efficient and most-consumed vegetable oil. More than 61 million tonnes of CPO were produced globally in 2015, with output dominated by Indonesia at almost 31 million tonnes and Malaysia at 20 million tonnes. Together, this amounts to 30% of the estimated 210 million tonnes of all edible oils and fats produced globally in 2015.

Global CPO consumption is projected to continue increasing, albeit at a flatter rate than the rapid rise of recent years that has seen consumption soar from about 17 million tonnes per year over the two decades since 1996.

### Uses and Market

Palm oil competes with other edible oils including soybean, rapeseed, sunflower, peanut and coconut oils. It is used predominantly in frying food and as a baking and confectionery fat. It is also used as a biofuel and as a feedstock for oleochemicals in fatty acid production.

Demand is dispersed internationally, but India, Indonesia, the EU and China each consume more than 10% of global CPO production, with Indonesia now coming close to overtaking India as the largest consumer. Indonesian demand has been boosted in recent years by local manufacturing of biodiesel and oleochemicals.

CPO production costs are low compared to other crops of a similar nature due to its high yield, and as it is free of trans fats, palm oil is well positioned to benefit from the growth in consumption of vegetable oils worldwide.

CPO is the most exported vegetable oil globally, with an estimated 45.7 million tonnes exported in 2015. Indonesia is the largest exporter of CPO. Its share has remained fairly constant since 2010 as domestic processing has expanded.

CPO is traded in the international commodity markets, and pricing is generally determined by supply and demand. As such, ANJ’s competition with other CPO and PK producers generally regards quality, delivery time and logistics (the location of our plantations and mills).

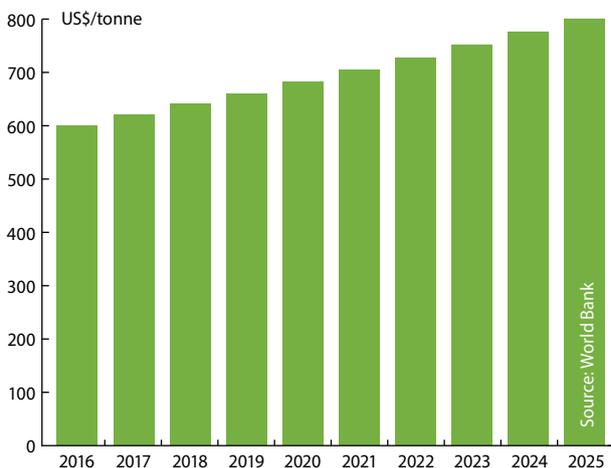
### Outlook

Long-term growth in CPO prices globally should continue to be driven by growth in global demand for palm oil along with other vegetable oils. Global vegetable oil production is expected to rise by more than 24% by 2024.

The palm oil business faces short-term challenges in the form of production weakness as a result of El Niño weather patterns in Malaysia and Indonesia in 2015; CPO price fluctuation and weakness amid volatile market conditions due to ongoing uncertainty over the short-term prospects for global economic growth; and low global crude oil prices, which have shrunk the market share of CPO as alternative energy source.

However, medium- and long-term growth is forecast to continue, reaching an estimated 72 million tonnes by 2020 and 90 million by 2025. Most will be driven by continued population expansion and economic development in Asia, notably China, India and Indonesia, along with global changes in dietary preferences, increases in disposable income especially in emerging Asian economies, increasing use of biofuels and rising use of palm oil in non-edible products and oleochemicals. Biodiesel is set to drive consumption in Indonesia particularly, where the government implemented a subsidy regime in 2015 to incentivize producers. Estimates suggest 7 million tonnes of oil per year should be used to produce biodiesel in 2016, rising to over 8 million tonnes by 2018.

### CPO Price Outlook to 2025



At ANJ we believe we are well positioned to benefit from this increased demand for CPO and other oil palm products. We see the long-term business prospects for palm oil as very encouraging. CPO-producing countries, including Indonesia, are set to dominate the benefits from the continuing rise in vegetable oil consumption and should see significant export growth opportunities.

The demand for sustainable palm oil, specifically, will rise as nations demand more sustainable sources for food. While there are at present only modest incentives for producers to commit to producing certifiably sustainable palm oil products, generally we expect tariffs and taxes to increase on non-sustainable certified commodities and market prices to adjust to favor sustainable products.

This will advantage producers such as ANJ, which is committed to producing sustainable palm oil products.

## SAGO STARCH

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Pure (native) starches are widely used in the food and paper industries primarily for binding and thickening.

Production is dominated by corn starch, mostly from the US and China, cassava starch, mostly from Asia, and potato and wheat starches mostly from Europe and the US. China has long been the largest producer and consumer of native starch, although Indonesia is also a significant consumer.

World native starch consumption is estimated at around 30 million tonnes annually, and forecast to expand at 2.5% per year between 2015 and 2019, with corn remaining the main raw material for future native starch demand, supported by Asian cassava starch. Australia, China, Indonesia, Japan and the US represent the largest markets.

Sago starch forms only a small part of world production of native starches. Sago starch consumption in Indonesia is about 170,000 tonnes per year, with the vast bulk produced and consumed domestically. Government statistics put exports at an estimated 12,000 tonnes annually, with almost no imports.

In Indonesia, the main use for starch is as a sweetening agent in foods. Tapioca starch is the

main material, but there is a large potential market for our sago starch to meet the population's growing carbohydrate needs.

In common with other native starches, sago starch has various uses and can be modified and used in baking cakes, frying and in processed foods. One potential market is selling sago starch to manufacturers of modified starch.

We believe that there is a significant opportunity to build a commercial starch production business in Indonesia. While competition among starch producers is historically strong, we see a clear market opportunity as demand in Indonesia is not matched by domestic supply, making it a significant net importer.

We believe conditions are right for us to build a sustainable starch business from West Papua's natural wild sago palm forests for both domestic consumption and for export.

## BIOGAS

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As global support for renewable energy rises, more and more countries, including Indonesia and other Asian nations, are creating the necessary framework and regulatory conditions for fast growth in biogas and other developing renewable energy technologies.

Increased adoption of renewable energy sources in general is being driven by global trends focused on actions to control or mitigate climate change, along with volatility in the price and supply of fossil fuels and lower tolerance for fossil fuels' environmental hazards. This scenario is set to foster a sharp rise in biogas, the most sustainable source of bioenergy. In the medium term, the International Energy Agency forecasts a 7% annual rise in bioenergy from around 460TWh in 2015 to 560TWh by 2018.

In Indonesia, state utility PT PLN (Persero), the only legal entity permitted to supply electricity for public needs, is responsible for executing an ambitious government plan for new power plants with a total capacity of 35GW by 2019. We accordingly expect to see strong encouragement and an increasingly favorable regulatory regime for biogas power producers that help feed electricity into the national grid.

# BUSINESS STRATEGIES AND FUTURE PLANS



Our strategic plan now stresses leveraging our business strengths to maintain growth and increase efficiencies. We plan to implement the following business strategies and future plans:

## Gradually increase levels of new oil palm plantings in responsible ways

We intend to continue expanding our oil palm plantations by developing existing plantable land. We plan to continue planting at our West Papua plantations and resume land-clearing at our South Sumatra Plantation.

In 2015, we slowed our planting program in West Papua as a result of weakness in palm oil prices. Our investment in planting takes into consideration financing sources balanced against the outlook for CPO selling prices and possible impact on our future CPO production of adverse weather conditions such as the El Niño pattern. Under our current planting strategy, we aim to plant about 2,800 hectares during 2016 through concurrent planting at our South Sumatra and West Papua estates.

We are progressing in pre-planting activities at all locations, including completing environmental assessments in West Papua, engaging with local communities, compensating land, clearing plantable land, securing sufficient seedlings and developing nurseries.

We will continue our growth strategy to maximize yields from planted areas. Our strategy is focused on sustainability, striking a balance between environmental protection and rural development needs. All of our matured plantations are RSPO-certified, and our new plantations are all being planted according to RSPO guidelines, with our West Papua plantations subject to specific and extensive voluntary conservation measures (see pages 104-107).

## Further improve our operational efficiencies to maximize yields

We believe that continuous improvement in operational efficiency is key to our success and long-term sustainability.

Our growth strategy also involves planting in a manner that better allows us to mechanize our harvesting.

Accordingly, we have invested in improving our harvesting technique through mechanically assisted

infield collection (MAIC) to increase harvester productivity, reduce harvesting costs and reduce the turnover of harvesters as well as our dependency on them. MAIC has been implemented at our Belitung Island, North Sumatra I and West Kalimantan plantations, and we expect that implementing it at our West Papua and South Sumatra plantations will lead to increased yields and help lower maintenance and harvesting costs.

We intend also to continue upgrading our operating processes to optimize efficiency, including progressively mechanizing the process of loading, unloading and transporting FFB at all of our plantations.

We intend to continue to improve our disciplined implementation of best management practices, including scheduling of fertilizer application, harvesting of ripe FFB, harvesting of palms in predefined blocks, and use of empty fruit bunches in immature areas and in poor soil conditions to improve soil fertility and soil structure.

In 2015 we established a research and development team to optimize yield, reassess the mix of fertilizers we use and to increase the use of empty fruit bunches as compost to reduce our fertilizer requirements, and we plan to continue and refine this program.

We will continue to directly employ a high percentage of our harvesters, rather than using contract workers. This helps us increase supervision over and training of our harvesters, helping us to uphold our quality control procedures and maintain labor cost efficiency.

## Continue expansion into complementary business lines

We are currently developing our renewable energy business as a complement to our palm oil business. Our first biogas facility, at our Belitung Island Plantation, began commercial operations in December 2013 and allows us to monetize an otherwise unused byproduct of our palm oil mills by generating electricity and selling it to PLN while reducing the environmental impact of our operations by capturing methane produced from the decomposition of mill effluent. The plant had its full year of commercial operation in 2014, and in 2015 expanded capacity from 1,200kW to 1,800kW



OUR STRATEGY IS FOCUSED ON SUSTAINABILITY, STRIKING A BALANCE BETWEEN ENVIRONMENTAL PROTECTION AND RURAL DEVELOPMENT NEEDS. ALL OF OUR MATURED PLANTATIONS ARE RSPO-CERTIFIED, AND OUR NEW PLANTATIONS ARE ALL BEING PLANTED ACCORDING TO RSPO GUIDELINES.

We are focused on harnessing the biomass available from our other plantations and are exploring the development of a second plant at our North Sumatra I Plantation. We plan over time to develop similar biogas power plants at all of our producing plantations.

Our subsidiary GMIT has spent several years gradually exiting its core business of tobacco processing in favor of exploring higher-value food products, and in 2015 it saw successes in a pilot project growing and processing edamame for sale. We plan to scale this trial up to commercial operations in 2016 and establish an edamame business focused on domestic and export markets.

We expect further expansion into food and renewable energy businesses to strengthen our overall performance and business sustainability by opening access to new, less cyclical earnings in potentially high-growth businesses.

### Further develop our corporate social responsibility initiatives

We continuously strive to develop community support platforms, conservation plans and sustainability initiatives and plan to continue this as a core principle of our businesses. We also intend to continue our productive dialogues with NGOs and other parties to help us keep our operations aligned with international best practices in palm oil production and agribusiness.

In line with our obligations under the Indonesian government's Plasma Program, we have implemented a program at our West Kalimantan Plantation, under which we assist local communities in forming co-operatives, train farmers in operating the Plasma plantation area, then purchase the resulting FFB from the co-operatives for processing in our mills.

We plan to implement a similar program at our South Sumatra and West Papua plantations and have already begun preparations for this. In addition, we have implemented a partnership (*kemitraan*) program at our Belitung Island Plantation, where we have no obligation to do so, to help smallholders raise their standard of living, while also aligning their interests with ours. We plan to continue and develop this program, as well as implement a similar program at our North Sumatra plantations.

# CORPORATE GOVERNANCE



<b>Governance Structures and Policies</b>	<b>74</b>
<b>Risk Management</b>	<b>92</b>

**W**e exercise sound corporate governance through detailed management reporting systems and high ethical standards, in line with the core values that we strive to instill across ANJ: integrity, respect for people and the environment, and continuous improvement.

We emphasize transparency in governance, both within our Group and in our relations with all stakeholders.

Our management team consists of experienced executives with proven track records. Senior management members have on average more than 25 years' industry experience and bring extensive knowledge of agribusiness and valuable relationships with customers, suppliers and other market participants.

Our management team has demonstrated a successful track record in managing our existing operations and growth plans, including executing acquisition opportunities. Their expertise is vital to us achieving our goal: world-class practices in plantation management.

This section describes the bodies, structures and policies that form our mechanisms of corporate governance and risk management.

# GOVERNANCE STRUCTURES AND POLICIES

## GENERAL MEETINGS OF SHAREHOLDERS

A general meeting of shareholders is an organ of the Company in which its shareholders make decisions relating to the Company, subject to the provisions of the Articles of Association and applicable laws and regulations. It has authority not given to the Board of Directors or the Board of Commissioners.

In a general meeting of shareholders, the Board of Commissioners and the Board of Directors report to the shareholders on their performance and accountability.

To protect shareholders' interests, the Company is committed to ensuring that general meetings of shareholders are convened on time as determined in the Company's Articles of Association and regulations of the Financial Services Authority (OJK).

A general meeting of shareholders is either an annual general meeting (AGM) or an extraordinary general meeting (EGM). An AGM should be convened once a year, at the latest six months after the end of the Company's financial year. An EGM may be convened at any time as deemed necessary for the interests of the Company.

In 2015, the Company convened one AGM, on June 22, and two EGMs, on June 22 and October 21.

### AGM in 2015

The AGM was convened on June 22 at Gedung Bursa Efek Indonesia Tower II, 1st Floor, Jalan Jenderal Sudirman Kav. 52-53, South Jakarta. Of the Company's total shareholders, 98.576% were present or represented at the AGM.

A summary of resolutions made is as follows:

I) To approve and ratify the annual report of the Company for the year ending December 31, 2014 (including the operational report, the supervisory report of the Board of Commissioners and the consolidated financial statements), as well as to give full release and discharge of responsibilities (*acquies et décharge*) to the members of the Board of Directors and the Board of Commissioners for their management duties and supervisory duties carried out during the year ending on December 31, 2014, to the extent that their actions were reflected in the annual report.

II) To approve the use of the net income of the Company for the year ending December 31, 2014 as follows:

1) Rp 31,000,000 or equivalent to US\$2,372 (by using the middle exchange rate of Bank Indonesia on June 19, 2015, of Rp 13,324 per US\$1) will be allocated and recorded as reserve funds.

2) Rp 116,721,500,000 will be distributed as cash dividend to the shareholders of the Company so that each share will receive cash dividend of Rp 35. The exchange rate for book-keeping purposes will use the middle exchange rate of Bank Indonesia on the recording date to determine the shareholders who are entitled to the cash dividend, namely, on July 2, 2015.

3) The remaining balance will be recorded as retained earnings which will be used for the working capital of the Company.

III) To give authorities and powers to the Nomination and Remuneration Committee, one of the committees under the Board of Commissioners of the Company, to determine the salary and/or other allowances payable to the members of the Board of Commissioners and the Board of Directors of the Company for the 2015 financial year.

IV 1) To approve the recommendation from the Board of Directors to appoint the firm of public accountants Osman Bing Satrio & Eny to carry out an audit on the Company for the financial year of 2015, and

2) To give authorities to the Board of Directors to approve and determine its honorarium and the terms of appointment.

V 1) To approve the appointment of:

a) Handi Belamande Syarif as a new Director of the Company.

b) Sonny Sunjaya Sukada as a new Director of the Company.

2) To approve the reappointment of:

a) Adrianto Machribie as the President Commissioner (Independent).

b) Arifin Mohamad Siregar as an Independent Commissioner.

c) George Santosa Tahija as a Commissioner.

d) Sjakon George Tahija as a Commissioner.

e) Istama Tatang Siddharta as a Commissioner.

f) Anastasius Wahyuhadi as a Commissioner.

g) Josep Kristiadi as an Independent Commissioner.

- h) Suwito Anggoro as the President Director.
- i) Istini Tatiek Siddharta as the Deputy President Director.
- j) Sucipto Maridjan as a Director.

VI) To approve the report on the use all of the proceeds of the initial public offering of the Company.

VII 1) To give powers to the Board of Commissioners to carry out actions in relation to the increase of the issued and paid-up capital of the Company in relation to the implementation of the Management Stock Option Plan (MSOP) in accordance with the resolutions of the Extraordinary General Meeting of Shareholders as stated in Deed No. 161 of Dr. Irawan Soerodjo, S.H., M.Si., Notary in Jakarta, dated January 17, 2013, in relation to the Company's IPO.

2) To reconfirm and approve the issuance of new shares of maximum 1.5% of the total issued and paid-up capital of the Company as well as to approve the amendment to the Articles of Association of the Company in relation to the increase of the issued and paid-up capital of the Company in conjunction with the implementation of the Management Stock Option Plan (MSOP).

3) To give powers to the Board of Commissioners and/or the Board of Directors and/or the Corporate Secretary to carry out all and any actions required with respect to the implementation of the issuance of new shares in relation to the Management Stock Option Plan (MSOP).

## EGMs in 2015

The Company convened two EGMs on June 22 and October 21, both at Gedung Bursa Efek Indonesia Tower II, 1st Floor, Jl. Jend. Sudirman Kav. 52-53, South Jakarta.

## EGM of June 22, 2015

At the EGM on June 22, 98.58% of the Company's total shareholders were present or represented. The following resolutions were made:

I) To approve the merger plan between the Company and PT Pusaka Agro Makmur (PAM), a fully owned subsidiary of the Company, with the Company as the surviving company, which shall be done under the conditions stipulated in the merger plan approved

by the Company and PAM, including to approve the merger plan, the draft deed of merger and the draft articles of association of the Company with respect to the merger as well as the implementation of the buyback of shares from the shareholders who do not approve the merger.

II) To approve and change the main business activity of the Company, in light of the above-mentioned merger, by adding to the main business activities of the Company to include the direct operation of plantations of palm oil, processing of palm oil and trading of palm oil products, as well as to amend Article 3 of the Articles of Associations of the Company, which amendment is stated in the third agenda item of the EGM.

III 1) To approve the amendment to the Articles of Association of the Company, including the change of the main business activities of the Company and therefore to amend Article 3 of the Articles of Association, to amend the Articles of Association of the Company in order to comply with the OJK Regulations, as well as to approve the restatement of all articles in the Articles of Association of the Company.

2) To approve giving authorities and powers to the Board of Directors and/or the Corporate Secretary of the Company, with the right of substitution, to carry out any and all actions required in relation to above resolutions, including but not limited to, stating the resolutions in a notarial deed, amending and/or restating the Articles of Association of the Company in accordance with the above-mentioned resolution (including restating the composition of the shareholders in the deed, if required) as required and in accordance with the prevailing laws and regulations, drawing up or requesting to draw up and signing any deed, letter and document as required, submitting for approval and/or reporting the resolutions of the EGMS and/or the amendment to the Articles of Association of the Company to the authorized institutions as well as carrying out all and any actions required in accordance with the prevailing laws and regulations.

IV) To grant powers and authorities to the Board of Directors and/or the Corporate Secretary of the Company, with the right of substitution, to implement any and all actions required in relation to the resolutions of the EGM.

## GOVERNANCE STRUCTURES AND POLICIES

### EGM of October 21, 2015

At the EGM on October 21, 98.703% of the Company's total shareholders were present or represented. The following resolutions were made:

- To approve the appointment of Geetha Govindan K Gopalakrishnan as a new Director of the Company, effective as of the closing of the EGM until the closing of the fifth AGM after such appointment, namely, the AGM in 2020, which appointment shall be with due observance to the required working permit and the compliance with the prevailing laws and regulations in Indonesia;
- To approve the resignation of Suwito Anggoro as the President Director of the Company, effective as of January 1, 2016, and to release and discharge Mr Anggoro from his responsibility during his term of office, provided that his management of the Company complies with the Articles of Association of the Company, prevailing laws and regulations, including but not limited to Law No. 40 of 2007 regarding Limited Liability Companies;
- To approve the resignation of Istini Tatiek Siddharta as the Deputy President Director of the Company, effective as of January 1, 2016, and to release and discharge Mrs Siddharta from her responsibility during her term of office, provided that her management of the Company complies with the Articles of Association of the Company, prevailing laws and regulations, including but not limited to Law No. 40 of 2007 regarding Limited Liability Companies;
- To approve the appointment of Istini Tatiek Siddharta as the President Director of the Company, effective as of January 1, 2016 until the closing of the AGM in 2020;
- To state the composition of the Board of Commissioners and the Board of Directors of the Company;
- To give authorities and powers to the Board of Directors of the Company and/or the Corporate Secretary of the Company, with the right of substitution, to state the composition of the Board of Commissioners and the Board of Directors of the Company in a notarial deed.

### Execution of Shareholder Resolutions

The Board of Directors and the Board of Commissioners have completed all resolutions stipulated by the shareholders at the AGM and EGM.



THE INDEPENDENCE OF THE BOARD OF COMMISSIONERS IS ESSENTIAL TO ITS EFFICACY AS A MECHANISM OF CHECKS AND BALANCES. THERE ARE CURRENTLY FOUR INDEPENDENT COMMISSIONERS, REPRESENTING 50% OF THE BOARD.

## THE BOARD OF COMMISSIONERS

The Board of Commissioners is responsible for supervising the management of the Company. Its principal function is to advise and give recommendations to the Board of Directors. It is also responsible for monitoring the policies adopted by and performance of the Board of Directors in executing its management duties in accordance with the provisions of the Articles of Association of the Company and applicable laws and regulations. It is tasked with ensuring that the Board of Directors has implemented good corporate governance at all levels.

Commissioners are appointed by the shareholders at a general meeting of shareholders. Under the Articles of Association of the Company, the Board of Commissioners is required to comprise at least two members, and one member is to be appointed as the President Commissioner.

Commissioners' term of office is up to the fifth AGM following their appointment, but is also subject to the ability of shareholders at a general meeting to dismiss a commissioner during his or her term of office or to re-appoint a commissioner whose term of office has expired.

As at December 31, 2015, the composition of the Board of Commissioners was as follows:

<b>Adrianto Machribie</b>	President Commissioner (Independent)
<b>Arifin Mohamad Siregar</b>	Independent Commissioner
<b>George Santosa Tahija</b>	Commissioner
<b>Sjakon George Tahija</b>	Commissioner
<b>Istama Tatang Siddharta</b>	Commissioner
<b>Anastasius Wahyuhadi</b>	Commissioner
<b>Josep Kristiadi</b>	Independent Commissioner
<b>Ridha Wirakusumah</b>	Independent Commissioner

For profiles of each of the commissioners, see pages 28-31.

### Independence

The members of the Board of Commissioners have all met the qualification requirements as stipulated by applicable laws and regulations, especially the capital market regulations, and they have a comprehensive understanding of the Company's business activities so

that they can make decisions independently as part of their duty to supervise the Company's management.

The independence of the Board of Commissioners is essential to its efficacy as a mechanism of checks and balances. In compliance with capital market regulations, consistently more than 30% of the members are independent. There are currently four independent commissioners, representing 50% of the board. The independent commissioners fulfill the qualification requirements set out in all prevailing laws and regulations.

The appointment of commissioners is made based on recommendations from the Company's Nomination and Remuneration Committee.

### Meetings

Meetings of the Board of Commissioners may be held at any time if deemed necessary by one or more members of the board, or upon a written request from the Board of Directors, or upon written request of one or more of the shareholders jointly representing 10% of the total number of shares with valid voting rights.

Invitations to meetings of the Board of Commissioners are served by the President Commissioner, or if absent by a member of the board appointed by the President Commissioner.

The invitation must be sent at the latest three days prior to the date of the meeting, excluding the date of the invitation and the date of the meeting.

Meetings are held at the Company's place of domicile or place of business. Meetings are chaired by the President Commissioner, or if unable to be present by one of the board members present. A meeting of the board is valid and binding if more than one half of its members are present or represented in the meeting.

Resolutions of board meetings must be adopted based on deliberations aimed at reaching a consensus. If one cannot be reached, the resolutions may be adopted based on the affirmative votes of more than one half of the total number of votes validly exercised in the meeting. Each member of the board has equal voting rights in expressing his or her opinions in the meeting. Each member is entitled to cast one vote and up to one additional vote for another member whom he or she may be representing.

Meetings of the Board of Commissioners must be held at least four times a year. During the year ended December

## GOVERNANCE STRUCTURES AND POLICIES

31, 2015, eight meetings were convened, of which four were held jointly with the Board of Directors. The table below lists attendance of commissioners at these eight meetings:

Commissioner	Attendance	%
Adrianto Machribie	6	75%
Arifin Mohamad Siregar	8	100%
George Santosa Tahija	8	100%
Sjakon George Tahija	8	100%
Istama Tatang Siddharta	8	100%
Anastasius Wahyuhadi	8	100%
Josep Kristiadi	8	100%
Ridha DM Wirakusumah	8	100%

### Remuneration

The Board of Commissioners receives a monthly honorarium, the amount based on a recommendation from the Nomination and Remuneration Committee and subject to approval by shareholders at a general meeting of shareholders. Remuneration is based on the market rates for such positions and is also determined based on the participation of individual commissioners in various committees under the Board of Commissioners.

During 2015, the members of the Board of Commissioners and the Board of Directors were paid cumulative remuneration of US\$2.94 million.

Members of the Board of Commissioners are also covered by liability insurance.

### Committees Under the Board of Commissioners

In carrying out its duties, the Board of Commissioners may form committees. Currently, it has established four:

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

Under ANJ policy, all committees are also independent in their operations. A discussion of the roles, structure and activity of each of these committees follows below.

## AUDIT COMMITTEE

The Audit Committee's responsibilities are to assist the Board of Commissioners in improving the quality of financial statements, ensuring the effectiveness of the Company's internal control system to minimize operational risks and fraud risk (see pages 92-97), overseeing the qualifications and independence of internal and external auditors and identifying matters for the attention of the Board of Commissioners, including the Company's compliance with prevailing laws and regulations and adherence to ANJ's group values.

The committee's roles and responsibilities are detailed in the Audit Committee Charter.

### Structure and Membership

The Audit Committee was formed by Resolution of the Board of Commissioners in 2013. It is accountable to and reports directly to the Board of Commissioners. It is independent of the Company's management.

The committee has a chairman chosen from among the independent commissioners of the Company and three other members appointed by the Board of Commissioners. The current members were appointed based on Resolution of the Board of Commissioners No. 22B/BOC/ANJ/GEN/2015 dated June 23, 2015.

All members satisfy the membership criteria stated in OJK Regulation No. 55/POJK.04/2015 on the Establishment and Working Guidelines for Audit Committees. Members' term of office is until the fifth AGM following their appointment. The members as at December 31, 2015, were as follows:

**Arifin Mohamad Siregar (Chairman):** A profile of Mr Siregar can be found in the commissioner profiles on page 29.

**Muljawati Chitro:** Ms Chitro is an Indonesian citizen aged 49. She was born in Jakarta in 1967.

*Experience:* Ms Chitro has served as a member of the Audit Committee of ANJ since 2013. She has also been a partner in public accounting firm Muljawati, Rini & Partner since 2000, a member of the audit committee at PT Asuransi Wana Artha since 2011 and at PT Samudera



**Audit Committee members**  
(from left): **Muljawati Chitro**,  
**Arifin Mohamad Siregar**  
(Chairman), **Ridha Wirakusumah**  
and **Danrivanto Budhijanto**.

Indonesia Tbk. since 2009. She has been a member of the Education Committee at the Institute of Public Accountants Indonesia since 2005.

Previously, she was a member of the audit committee at PT Asuransi Bintang Tbk. from 2005 to 2010, at PT Century Textile Industry Tbk. from 2002 to 2008, and at PT Metrodata Tbk. from 2002 to 2003. She was Associate Partner at public accountants Siddharta, Siddharta & Wijaya from 1988 to 2000.

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

**Danrivanto Budhijanto:** Mr Budhijanto is an Indonesian citizen aged 44. He was born in Cimahi in 1971.

*Experience:* Mr Budhijanto has served as a member of the Audit Committee of ANJ since 2013. He has also been an arbitrator (FCBARb.) at the Indonesian National Board of Arbitration (BANI Arbitration Center) since 2010, a lecturer in the graduate program at Padjajaran University in Bandung since 2003 and a lecturer in the university's law faculty since 1998.

Previously, he was a member of the telecommunications regulatory committee in the Indonesian Telecommunication Regulatory Authority (BRTI) at the Ministry of Communication and

Informatics from 2009 to 2012, a member of the audit committee at PT Kimia Farma Tbk. from 2005 to 2012, a lecturer in the master's program in the Management, Business and Management School, Bandung Institute of Technology, from 2007 to 2008, and an associate lawyer at Makes & Partners law firm from 1995 to 1997.

*Education:* Mr Budhijanto received a degree in international law from Padjajaran University, Bandung, in 1995; a master's degree in information technology law from John Marshall Law School, Chicago, in 2003; and a doctorate in science of law from Padjajaran University in 2009.

**Ridha Wirakusumah:** A profile of Mr Wirakusumah can be found in the commissioner profiles on page 31.

## 2015 Activity Report

In 2015 the Audit Committee fulfilled its duties of oversight by reviewing:

- Risk management implementation by the Company's Board of Directors;

## GOVERNANCE STRUCTURES AND POLICIES

- Quarterly financial reports issued to the public and the authorities;
- The performance and independence of external auditors;
- The Company's compliance with applicable laws and regulations;
- The implementation of internal audit functions and management follow-ups.

The committee has confirmed that the external auditor of the Company, Osman Bing Satrio & Eny, only performed auditing services and did not provide any other consulting services for the Company during 2015.

The committee held four meetings in 2015 in collaboration with the Company's group internal audit department. Of these, two were held with the management and one with the external auditors.

The attendance of the committee's members at meetings in 2015 is listed in the table on the page opposite.

## RISK MANAGEMENT COMMITTEE

The Risk Management Committee's role is to monitor, guide and advise the Board of Directors on the overall risk management of the Company and its subsidiaries. It assists the Board of Commissioners in reviewing the risk management system, including the internal control system established by the Board of Directors, and evaluating the Company's risk tolerance. Its responsibilities include advising the Board of Directors in identifying current and potential risk management and compliance issues.

The committee was established in 2013. The current composition of the committee is based on Resolution of the Board of Commissioners No. 22B/BOC/ANJ/GEN/2015, dated June 23, 2015. Members' term of office is until the fifth AGM following their appointment.

The committee meets at least once a month wherever possible. During 2015, the committee conducted 11 meetings. The committee's membership and meeting attendance in 2015 is listed in the table on the page opposite.

All members are commissioners; one member, Mr Kristiadi, is an Independent Commissioner. He has no affiliation to any other commissioners, directors or major shareholders of the Company or its subsidiaries. For profiles of the members, please see pages 28-31.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee was established in 2013 under its former title Compensation and Benefit Committee.

The committee's role is to approve senior management appointments, to review and approve senior management promotions and determine remuneration structure and amounts for senior management at ANJ and its subsidiary companies. Its duties and responsibilities include:

### Regarding nominations:

1) Provide recommendations to the Board of Commissioners relating to a) the composition of the Board of Directors and the Board of Commissioners; b) policy and criteria for nominations to both boards; and c) policy on the performance review for both boards.

2) Assist the Board of Commissioners in conducting performance evaluations of the Board of Directors and the Board of Commissioners based on approved benchmarking.

3) Provide recommendations to the Board of Commissioners relating to the capability development program of the Board of Directors and the Board of Commissioners.

4) Propose candidates who qualify as members of the Board of Directors and the Board of Commissioners.

5) Review and promote the succession plan of the Board of Directors and the Board of Commissioners.

### Regarding remuneration:

1) Provide recommendations to the Board of Commissioners relating to the structure, policy and amount of remuneration for the Board of Directors and the Board of Commissioners.

2) Assist the Board of Commissioners in evaluating performance against remuneration for each member of the Board of Directors and Board of Commissioners.

The committee convenes a meeting at least four times a year. The committee conducted four meetings in 2015.

The committee comprises commissioners. On February 16, 2015, independent commissioner Adrianto Machribie was appointed chairman of the committee.

The current composition of the committee is based on Resolution of the Board of Commissioners No. 22B/BOC/ANJ/GEN/2015, dated June 23, 2015. Members' term of office is until the fifth AGM following their appointment.

The committee's membership and meeting attendance in 2015 is listed in the table at right. For profiles of the members, please see pages 28-31.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY COMMITTEE

The Corporate Social Responsibility and Sustainability Committee was established in 2013 under the former title Corporate Social Responsibility Committee.

Its role is to monitor and to provide guidance and advice to the Board of Directors on the development and execution of the corporate social responsibility and sustainability plans of ANJ Group companies.

Two members, Mr Machribie and Mr Kristiadi, are Independent Commissioners. Neither has any affiliations to any other commissioners, directors or major shareholders of the Company or its subsidiaries.

The composition of the committee is based on Resolution of the Board of Commissioners No. 22B/BOC/ANJ/GEN/2015, dated June 23, 2015. Members' term of office is until the fifth AGM following their appointment.

The committee convenes at least four meetings a year. During 2015, the committee conducted four meetings. The committee's membership and meeting attendance in 2015 is listed in the table at right. For profiles of the members, please see pages 28-31.

## THE BOARD OF DIRECTORS

The Board of Directors is responsible for managing the Company towards achieving its vision and mission in accordance with the Articles of Association and prevailing laws and regulations. It manages day-to-day operations and steers the Company towards its stated goals, objectives and business activities. It is responsible for managing the business of the Company and appointing principal senior management.

Each member has responsibilities in accordance with his or her competency and experience. The Directors

## Committees Under the Board of Commissioners in 2015

Member	Attendance	%
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### Audit Committee

Arifin Mohamad Siregar (Chairman)	4 / 4	100
Ridha Wirakusumah	4 / 4	100
Danrivanto Budhijanto	1 / 4	25
Muljawati Chitro	4 / 4	100

### Risk Management Committee

George Santosa Tahija (Chairman)	9 / 11	82
Adrianto Machribie (until June 22)	5 / 5	100
Anastasius Wahyuhadi	11 / 11	100
Josep Kristiadi (since June 22)	6 / 6	100

### Nomination and Remuneration Committee

Adrianto Machribie (Chairman)	4 / 4	100
George Santosa Tahija	4 / 4	100
Istama Tatang Siddharta	4 / 4	100
Sjakon George Tahija	4 / 4	100

### Corporate Social Responsibility & Sustainability Committee

Sjakon George Tahija (Chairman)	4 / 4	100
Adrianto Machribie	1 / 4	25
Anastasius Wahyuhadi	4 / 4	100
Josep Kristiadi	4 / 4	100

## GOVERNANCE STRUCTURES AND POLICIES

may be assigned with specific roles or duties, for example, finance, external affairs and risk management. The board performs its duties in good faith, following prevailing rules and regulations and always placing the best interests of the Company first. It accounts to the shareholders for its activities through a general meeting of shareholders.

The members of the Board of Directors are appointed by the shareholders at a general meeting of shareholders based on a recommendation from the Nomination and Remuneration Committee. Under the Articles of Association of the Company, the board is required to comprise a president director and at least one director. In the event that there is more than one director, one may be appointed as a deputy president director.

The term of office for Directors is up to the fifth AGM after their appointment, subject to the ability of shareholders at a general meeting to dismiss a director during his or her term of office or to re-appoint a director whose term of office has expired.

As at December 31, 2015, the composition of the Board of Directors was as follows:

<b>Suwito Anggoro</b>	President Director
<b>Istini Tatiek Siddharta</b>	Deputy President Director
<b>Sucipto Maridjan</b>	External Affairs Director
<b>Lucas Kurniawan</b>	Independent/Finance Director
<b>Handi Belamande Syarif</b>	Supply Chain Management Director
<b>Sonny Sunjaya Sukada</b>	Sustainability Director
<b>Geetha Govindan</b>	Palm Oil Operations Director

For a full profile of each director, please see pages 32-35.

### Duties and Responsibilities

The duties and responsibilities of the Board of Directors are as stipulated in the Articles of Association, the relevant prevailing laws and regulations as well as the job description of the relevant members of the Board of Directors, as outlined below.

The members of the Board of Directors are jointly and severally liable for its actions, except where it is proven that a member does not agree with a decision of the Board of Directors and has communicated this disagreement with supporting arguments as to the reason in writing

to the members (copied to the Board of Commissioners) before the decision was made.

The Board of Directors may seek and receive advice and recommendation from the Board of Commissioners. In the event that it does not share the view of the Board of Commissioners on such advice or recommendation, the two boards will discuss the matter together.

The duties and responsibilities of each member of the Board of Directors during 2015 were as follows:

*President Director:* Coordination, supervision and leadership of the Company's management, and for ensuring that all the Company's business activities are executed in accordance with the vision, mission and values of the Company. The President Director is also responsible for monitoring and reviewing the Company's risk management (see pages 92-97) and internal control system (see page 87), corporate governance for the interests of the minority shareholders and other stakeholders and compliance to regulations.

*Deputy President Director:* Assisting the President Director in performing his duties and responsibilities; leading the Legal, Human Resources and Information Technology departments.

*External Affairs Director:* Planning, coordinating, directing, controlling, implementing and evaluating operational tasks with respect to General Affairs and Government Liaison departments.

*Independent/Finance Director:* Leading the Finance department to ensure that the Company complies with all reporting, accounting and audit requirements imposed by capital market regulations and to prepare an annual budget, other budgets and financial plans of the Company.

*Supply Chain Management Director:* Planning, coordinating, directing, controlling, implementing and evaluating operational tasks with respect to Supply Chain Management departments.

*Sustainability Director:* Planning, coordinating, directing, controlling, implementing and evaluating operational tasks with respect to Corporate Social Responsibility and Sustainability departments.

*Palm Oil Operations Director:* Planning, coordinating, directing, controlling, implementing and evaluating agronomic aspects and overall operational processes of our palm oil businesses in both west and east regions.

While the Board of Directors is authorized to carry out corporate actions for and on behalf of the Company, a



ONE PARTICULAR AND DELIBERATE STRENGTH OF ANJ'S GOVERNANCE IS THAT ONE OR MORE DIRECTOR OF THE COMPANY SITS ON THE BOARD OF COMMISSIONERS OF EACH OF THE COMPANY'S KEY SUBSIDIARIES.

number of corporate actions must have the prior approval of the Board of Commissioners, including:

- Acquisition of a new business;
- Approval of any subsidiary's acquisition of a new business;
- Acquisition or sale of assets or properties representing more than 5% of the Company's total assets;
- Approval of the acquisition of new assets or properties by a subsidiary;
- Approval of the transfer or encumbrance of more than 50% of the total net assets or properties of a subsidiary;
- Changes in the Company's business plan or budget;
- Approval of any change in the annual business plan and/or budget of a subsidiary;
- Approval of the appointment and dismissal of any member of a subsidiary's Board of Directors or Commissioners or its auditor;
- Incurrence of operating expenditures or indebtedness from a bank;
- Entry into any material contract other than in the ordinary course of business;

- Entry into an agreement with a director, commissioner or shareholder of the Company (or their affiliates) other than on bona fide arms-length terms;
- Approval of any amendment to a subsidiary's articles of association or other constitutional documents, or a merger, acquisition, consolidation and spin-off of a subsidiary, or a bankruptcy, liquidation, winding up or dissolution of a subsidiary.

### Oversight of ANJ subsidiaries

One particular and deliberate strength of ANJ's governance is that one or more director of the Company sits on the Board of Commissioners of each of the Company's key subsidiaries (to the extent permitted by prevailing laws and regulations). In addition, each subsidiary has at least one director of the Company serving on its board of directors (for full details of commissioners and directors of subsidiaries, please see pages 21 and 23).

This means that the Company's Board of Directors is at all times fully informed about significant actions of each of the Company's subsidiaries, as one or more members of the board will usually have been required to have approved any such actions in their capacity as a commissioner or director of the subsidiary.

### Meetings

Meetings of the Board of Directors may be held at any time if deemed necessary by one or more members of the board, or upon a written request from the Board of Commissioners or one or more of the shareholders jointly representing 10% of the total number of shares with valid voting rights.

Invitations to board meetings are served by any member authorized to represent the board, and must be sent at the latest three days prior to the date of the meeting, not counting the date of the invitation and the date of the meeting. Meetings are held at the Company's place of domicile or place of business.

Meetings are chaired by the President Director, or if absent by one of the board members present. A meeting of the board is valid and binding if more than one half of its members are present or represented in the meeting.

Resolutions of board meetings must be adopted based

## GOVERNANCE STRUCTURES AND POLICIES

### Board of Directors Meetings in 2015

Director	Meeting A		Meeting B	
	Attendance	%	Attendance	%
<b>Suwito Anggoro</b>	3 / 4	75	29 / 38	76
<b>Istini Tatiek Siddharta</b>	4 / 4	100	33 / 38	86
<b>Sucipto Maridjan</b>	2 / 4	50	30 / 38	79
<b>Lucas Kurniawan</b>	4 / 4	100	35 / 38	92
<b>Handi Belamande Syarif</b> (since June 22)	1 / 2	50	15 / 20	75
<b>Sonny Sunjaya Sukada</b> (since June 22)	1 / 2	50	16 / 20	80
<b>Geetha Govindan</b> (since October 21)	1 / 1	100	2 / 4	50

on deliberations to reach a consensus. If a consensus cannot be reached, the resolutions may be adopted based on the affirmative votes of more than one half of the total number of votes validly exercised in the meeting. Each member of the board has equal voting rights in expressing his or her opinions in the meeting. Each member is entitled to cast one vote and up to one additional vote for another member he or she is representing.

The Board of Directors holds the following meetings:

A) Combined meetings with the Board of Commissioners, at least once every three months. In 2015 there were four meetings.

B) Meetings of the Board of Directors, which may include directors of the Company's subsidiaries and other invitees, at least bimonthly. In 2015 there were a total of 38 meetings.

The table above sets out the attendance of board members at the various meetings during 2015.

### Remuneration

The remuneration of the Board of Directors comprises a basic salary, performance bonus, allowances and benefits, the amount of which is determined based on a recommendation from the Nomination and Remuneration Committee and is subject to approval by the shareholders at a general meeting of shareholders.

Directors also receive management stock options. All directors are also covered by liability insurance.

During 2015, the members of the Board of Commissioners and the Board of Directors were paid cumulative remuneration of US\$2.94 million.

### Performance Evaluation

The remuneration received by the Board of Directors is based on the achievement of performance targets of the Company. Reviews of remuneration for the Board of Directors include consideration of the following aspects:

1) Financial performance, in particular the level of Economic Value Added (EVA), and achievement against corporate key performance indicators (KPIs). For ANJ, these include area planted as well as other non-financial indicators, including leadership in developing and maintaining the internal structures and organization of the Company and its subsidiaries as well as achievement in guiding the Company towards its strategic objectives.

2) Individual performance, as assessed by the Nomination and Remuneration Committee.

3) Fair comparison with other peer companies.

4) Consideration of the Company's long-term goals and objectives, including strategic development.

Assessment of the performance of the Board of Commissioners and Board of Directors is done internally or through self-assessment. No independent party was appointed to conduct a performance assessment of the Board of Commissioners or the Board of Directors in 2015.

## CORPORATE SECRETARY

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The Corporate Secretary functions as a liaison, connecting the Company to external parties, especially in managing the public perceptions of the Company's image and compliance with the Company's responsibilities.

### Duties and Responsibilities

The Corporate Secretary is responsible for:

- Helping the Company implement good corporate and legal governance;
- Ensuring that the Company complies with prevailing laws and regulations, especially capital market regulations such as regards information disclosures, publications and communications between the Company and the capital market authorities and the public;
- Facilitating internal coordination within the organs of the Company.

Particular duties and responsibilities of the Corporate Secretary during 2015 were as follows:

- 1) Ensuring full compliance with applicable laws and regulations, especially to prevailing Indonesia Stock Exchange (IDX) and capital market regulations.
- 2) Providing input and recommendations to the Company's Board of Directors in respect of the Company's compliance with applicable laws and regulations, particularly in the capital markets.
- 3) Liaising with and assuming responsibility for correspondence with the OJK, IDX and other relevant parties.
- 4) Keeping abreast of developments and changes in capital market regulations.
- 5) Giving input and recommendations to the Company's Board of Directors regarding legal matters of the Company and corporate action plans.
- 6) Being responsible for organizing meetings of the Board of Directors, Board of Commissioners and shareholders, as well as the Company's annual public exposé.

The appointment period of the Corporate Secretary is from the appointment date until such time as a new Corporate Secretary is appointed by the Board of Directors.

The Company's Corporate Secretary during 2015 and as at December 31, 2015, was Naga Waskita. He was

appointed as Corporate Secretary pursuant to a Letter of Appointment No. 001/FAD/ANJ/2013 dated January 3, 2013. Below is his profile.

**Naga Waskita:** Mr Waskita is an Indonesian citizen, aged 42, born in Tanjung Pinang in 1974.

*Experience:* Mr Waskita has served as the Corporate Secretary of ANJ since January 3, 2013. Before joining the Company in September 2012, Mr Waskita worked for 15 years for Indonesian law firm Mochtar Karuwin Komar.

*Education:* Mr Waskita graduated from the Faculty of Law, Gadjah Mada University, Yogyakarta, in 1997. He earned a master's degree from the University of Groningen in the Netherlands in 2008.

*Training:* Training or development programs attended by the Corporate Secretary in 2015 included:

- 1) Leadership Development Program – Translating Strategy into Results and Setting Goals and Reviewing Results by Daya Dimensi Indonesia on August 20-21.
- 2) Various workshops run by the Indonesian Corporate Secretary Association, including Socialization of Financial Services Authority Regulation on January 29 and Code of Ethics for Board of Directors and Board of Commissioners on March 3.
- 3) Corporate Governance by the OJK with the Indonesian Institute for Corporate Directorship on August 5-6.

## INTERNAL AUDIT UNIT

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The Internal Audit Unit (IAU) is a strategic partner for shareholders and management and supports the Company in managing resources productively and effectively to improve results for stakeholders and uphold ANJ's values. Its purpose is to review and improve the effectiveness of the Company's financial and operational policies and its internal control system, risk management and good corporate governance, primarily through:

- Testing the effectiveness of policies, systems and procedures adopted by management and assessing compliance with them;
- Safeguarding the Company's assets and preventing fraud by evaluating and assessing the internal control system's adequacy and effectiveness, including transaction assessments, special reviews and assessment of regulations;

## GOVERNANCE STRUCTURES AND POLICIES

- Giving recommendations and consultation to provide added value and improve the performance of the Company's activities.

The results of the IAU's evaluations are formally and regularly reported to the management and the Audit Committee.

### Responsibilities

The IAU's principal responsibilities include to:

- Review the Company's internal control system to achieve organizational goals, including testing and evaluating internal control and risk management systems;
- Formulate and implement an annual internal audit plan;
- Report on implementation and achievement of the annual internal audit plan;
- Evaluate the relevance, reliability and integrity of financial and management information;
- Perform audits and assess the efficiency and effectiveness of finance, accounting, operations, human resources, marketing, information technology and other functions;
- Verify the existence of assets and assess the effectiveness of asset safeguarding;
- Assess compliance with internal instruction and relevant law;
- Develop an internal audit report and submit it to the President Director, Audit Committee and Board of Commissioners;
- Give suggestions and recommendations for improving systems and procedures to prevent inefficiency and fraud at all management levels;
- Give advice and consultation on effective and strong operational and financial systems;
- Monitor, analyze and report on the implementation of suggested improvements;
- Coordinate with appropriate management levels to execute investigative and corrective action in the event of any indications of fraud or systems failure;
- Perform specific tasks as requested by the President Director and/or Audit Committee with regard to valuation, inspection, investigation, observation or review;
- Establish and maintain effective communication and cooperation with the Audit Committee;
- Prepare programs to evaluate the quality of internal audit tasks.



WE SEE THE BEHAVIOUR OF EVERY INDIVIDUAL ACROSS EVERY LEVEL OF THE COMPANY AS A SIGNIFICANT COMPONENT OF OUR INTERNAL CONTROL SYSTEM. THE COMPANY'S CORE VALUES AND CODE OF CONDUCT ARE WELL ESTABLISHED, AND WE CONTINUOUSLY RUN RELATED INTERNAL PROMOTION PROGRAMS, FACILITATED BY OUR VALUE CHAMPION TEAM MEMBERS ACROSS OUR ESTATES.

### Structures

The IAU is part of the independent management structure, reporting directly to the President Director and the Audit Committee, in accordance with OJK Regulation No. 56/POJK.04/2015 regarding the formation and charter compilation of corporate internal audit units. It thus may not undertake any concurrent tasks and positions in operations at the Company or its subsidiaries.

Auditors in the IAU have direct responsibilities to the unit's head. To perform its duties, the IAU cooperates with the Audit Committee, as described in the Audit Committee Charter.

Internal audit functions are divided into west and east regions and our IAU team consists of eight members with academic backgrounds in either accounting or agriculture. None is yet a certified internal auditor.

The head of the IAU is appointed and dismissed by the President Director with the approval of the Board of Commissioners. Any such appointment or dismissal is promptly notified to the OJK. The present head of the IAU is Edwin Darmawan. He was appointed based on Board of Commissioners Resolution No. 15/BOC/ANJ/GEN/2014 dated April 15, 2014. Below is the profile of Mr Darmawan.

**Edwin Darmawan:** Mr Darmawan is an Indonesian citizen aged 44, born in Jakarta in 1971.

*Experience:* Mr Darmawan has served as the Head of Internal Audit Unit of the Company since April 15, 2014. He joined ANJ in May 2013 as Head of Risk Management & Compliance.

Before joining ANJ he had more than 18 years of experience managing audit and control functions at a range of companies within Sinarmas group across various industries including agribusiness, real estate, pulp and paper and financial services. His last position in 2013 was as Head of Internal Audit in Sinarmas Agribusiness Downstream Division.

*Education:* Mr Darmawan earned a degree in economics from Tarumanagara University, Jakarta, in 1994.

## Activities in 2015

During 2015, the IAU conducted 26 operational audit assessments across eight subsidiaries within the group. The outcomes were all reported to the Company's President Director and Audit Committee. The IAU also conducted a project focusing on the assessment of upkeep, manuring, harvesting, mill and head office functions at one of the Company's estates.

IAU members also participated in a range of training activities, including the fundamentals of RSPO and risk management. Workshops and training attended by members during 2015 included:

- 1) Risk Management Summit 2015 by Inti Pesan.
- 2) Supervisory Skills at ANJ Learning Centre (ALC).
- 3) Annual Workshop together with ANJ's Sustainability Division.

## INTERNAL CONTROL SYSTEM

Our internal control system is a set of processes designed to provide reasonable assurance that the Company's objectives are being achieved and its financial reporting is accurate and comprehensive through identifying relevant business risks and obstacles, analysing their impact and managing or mitigating them where appropriate.

Our internal control system is focused on four areas:

- 1) Operational effectiveness and efficiency;
- 2) Asset management and monitoring;
- 3) Timely reporting;
- 4) Compliance with laws and regulations.

In 2015, the Company improved and strengthened all components of our internal control system based on the internal control framework approach advocated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

COSO is a US joint initiative of five private-sector organizations dedicated to global excellence in corporate governance, business ethics, internal control, enterprise risk management, fraud and financial reporting. There are four focus areas to its approach:

**Internal Control Environment:** We see the behaviour of every individual across every level of the Company as a significant component of our internal control system. The Company's core values and code of conduct are well established, and we continuously run related internal promotion programs, facilitated by our Value Champion team members across our estates (see page 90).

**Risk Assessment:** We have identified and assessed potential risks that could hinder the achievement of the Company's objectives. This has been conducted at both operational and strategic management levels and is under continuous review.

**Internal Control Activities:** We have planned a number of internal control and operational activities to mitigate the impact of potentially significant risks. The Company continuously improves both existing procedures and policies in accordance with the following principles: segregation of duties; limited access, authority and responsibility; adequate documentation; gradual review system.

All internal control system activities are aimed to

## GOVERNANCE STRUCTURES AND POLICIES

ensure the achievement of the above internal control objectives.

**Information and Communication:** We regularly disseminate communication and information in relation to the structures and status of our internal control system, including any challenges and improvements to it, principally through quarterly Audit Committee meetings; monthly Value Champion team reports; reports of the outcome of internal audit assignment; and other management meetings.

### Monitoring and Evaluation

The internal control system is formally monitored by a number of business units.

Internally, the system and the Company's daily operations are assessed by the Internal Audit Unit, Corporate Secretary and Risk Management Committee. Externally, the system is assessed quarterly by the Audit Committee quarterly and annually by an independent auditor appointed by the shareholders.

In 2015, we continued to strengthen and broaden the scope of our internal control system. This has given us an improved and more responsive internal control environment and clarified the project management process.

While there was a drop in staff numbers in the Internal Audit Unit in 2015, we are looking to hire replacements. We are committed to raising the skills, experience and capabilities of our internal auditors to meet the rising standards required as the Company grows.

With specific regard to financial control, our financial statements are generated from appropriate, tailored computer software, which minimizes the risk of error; financial transactions are reviewed by the Internal Audit Unit on a sample basis; and complete financial reports are reviewed by the Audit Committee on a quarterly basis.

Finally, our overall financial internal control system and financial statements are audited by a reputable external auditor. Financial results are reported regularly to the Board of Commissioners, Board of Directors and Audit Committee for control purposes.

We believe that our internal control system as detailed above provides reasonable assurance that the

Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

No internal control system can provide absolute assurance in this regard, however, or against the occurrence of material errors, poor decision-making, human error, losses, fraud or other irregularities.

## CODE OF CONDUCT AND CORPORATE CULTURE

In 2013, the Company developed a Corporate Code of Ethics to reflect its corporate values. This code of conduct emphasizes the importance of maintaining a good reputation with our stakeholders through transparency, accountability, objectivity and equality.

The articles of corporate culture that are the foundation of the code of conduct relate to the Company's three core values: Integrity, Respect for People and the Environment and Continuous Improvement.

The code of conduct is the primary source of guidance for employees in performing their duties effectively, safely and legally. All employees and all levels of management are committed to adhering to the code, and this commitment also applies where relevant to investors, stakeholders and business partners.

The code was finalized and formally adopted in January 2014, and by the end of 2015 it had been socialized to all employees, as well as being embedded in the learning and development curriculum at our ANJ Learning Center.

The articles of the code of conduct cover:

- Compliance with relevant laws and regulations;
- Workplace safety, health and the environment;
- Work relations;
- Relationships with suppliers and customers;
- Relations with the government;
- Conflicts of interest;
- Use and maintenance of company property;
- Company information and financial disclosure;
- Relationships with investors and the media;
- Insider trading.

The code is reviewed periodically to ensure it is always compatible with and relevant to the Company's business growth.



*Fruit bunch harvesting at our Belitung Island Plantation.*

## GOVERNANCE STRUCTURES AND POLICIES

### Value Champions

We are proud of our active Value Champions program, which helps ensure that the Company's core values are upheld and are strengthened in practice as well as in theory.

Currently 23 employees are appointed as Value Champions across our estates and offices. They report to an organizing committee, comprising a chairman and two secretaries, tasked with consolidating and analyzing monthly feedback from the Value Champions. The committee submits monthly reports to the Company's "Value Guardians," currently commissioners George Santosa Tahija and Anastasius Wahyuhadi.

The reports aim to provide highlights of actions and behaviors in the ANJ group that display or promote our core values. This is far-reaching, as it may involve third parties, for example the people living around our operational areas and our contractors or vendors.

The report also details actions and behaviors that run counter to our core values and need to be rectified. The report states any rectification action already taken and any proposals for rectification by our Value Champions.

In some instances, when a matter requires urgent attention, Value Champions are encouraged to channel a report to appropriate personnel, possibly including management and the Head of Internal Audit.

Besides reporting, Value Champions act as guides in how to live by the Company's core values. They must also be able to serve as an intermediary between the management or the Company and its employees, for example, in terms of facilitating employees in making complaints or voicing grievances.

The Value Champions are not expected to know all of the company's policies but they should be able to tell employees how to find appropriate assistance.

### Whistleblowing system

The Company is currently in the process of developing a codified whistle-blowing system, which will be socialized and implemented in 2016. We are committed to the highest ethical standards, however, and the ANJ Corporate Code of Ethics, as described above, serves as a set of guidelines.

It underlines the importance that the Company attaches to preventing abuses such as fraud, corrupt

practices or violations of business ethics or company rules. It explicitly empowers all employees to report any such activities in the best interest of the Company.

In addition our "Value Champion" program, described above, helps us reduce potential violations by explicitly providing a channel for employees who wish to bring a problem to light or resolve a complaint or grievance.

## LAWSUITS AND ADMINISTRATIVE SANCTIONS

The Company and its subsidiaries and the commissioners and directors of the Company and its subsidiaries were not involved in any material case in civil, criminal, bankruptcy, taxation or arbitration proceedings with any court or arbitration board during the financial year 2015.

As of December 31, 2015, certain officers in the Company's West Kalimantan subsidiary KAL were subject to an inquiry by a law enforcement agency into a fire that originated outside the Company's plantation area but which subsequently spread to a section of the estate. As of the issuance date of this report, the investigation is still ongoing.

No administrative sanctions from the capital market authorities or any other authorities were imposed on the Company, the Board of Commissioners or the Board of Directors during the financial year 2015.

## STOCK OWNERSHIP PROGRAMS

### Employee Stock Allocation Program

In relation to the initial public offering in 2013, the shareholders of the Company approved a share ownership program for certain employees, including managers and assistant managers, who satisfied administrative requirements specified by the Company in the form of an Employee Stock Allocation Program (ESAP).

Pursuant to this program, a fixed allotment of up to 1% of the shares offered in our IPO was offered and allotted to ESAP participants in accordance with Bapepam-LK Regulation No. IX.A.7.

Under ESAP, the Company sold shares to program participants during the IPO at a 20% discount to the offer price. The Company provided loans to participants to finance the purchase of shares allocated to them. These loans are to be repaid in four annual instalments with funds deducted from participants' bonuses.

The ESAP shares are subject to a lock-up period of at least 12 months commencing from the listing date or until such time as a participant's loan has been repaid in full, after which they may sell or otherwise transfer their ESAP shares.

Any participant resigning before their loan is repaid in full may sell or transfer their shares and are then required to repay their ESAP loan in full.

## Management Stock Option Plan

In relation to the IPO in 2013, the shareholders of the Company approved a Management Stock Option Plan (MSOP) for senior management and directors, including the management and directors of its subsidiaries.

The MSOP incentive program gives participants an option to buy shares in the Company in the future at a predetermined price. The maximum number of new shares that the Company can issue in relation to the MSOP is 1.5% of the Company's subscribed and paid-up capital following the Company's initial public offering.

The MSOP has been implemented in accordance with IDX rules, which state that the exercise price of the

options must be at least 90% of the average closing price of the shares over the 25 trading days before the stock option implementation plan is reported to the IDX.

The Company's Board of Directors determine the terms and conditions for the exercise of the options issued under the MSOP with due observance to applicable laws and regulations.

The stock options are granted as follows: 40% on the first anniversary of the Company's IPO (Cycle I); 30% at the second anniversary (Cycle II); and 30% at the third anniversary (Cycle III). Options are valid for three years after they are issued, which includes a one-year vesting period from the date that they are issued during which option holders will not have the right to exercise them.

Upon expiry of the vesting period, the options may be exercised at determined periods of up to 25 trading days, up to two times per year for each cycle (see table).

On November 3, 2014, the Company opened the first window in Cycle I for MSOP options to be exercised, with 40% of the stock options (equivalent to 20,000,000 shares) available to be exercised. Participants exercised a total of 1,550,000 shares at an exercise price of Rp1,095 per share. The Company notified the IDX of the exercise of the options on December 8, 2014.

In 2015, the Company opened two windows for options to be exercised: one from May 8 to June 15 and one from November 2 to December 4.

During the first period, no Cycle I or Cycle II options were exercised. During the second period, 325,000 Cycle I options and 300,000 Cycle II options were exercised, all at an exercise price of Rp1,095 per share. The Company notified the IDX of the exercise of the options on December 8, 2015.

## MSOP Exercise Windows

	Nov. 3-Dec. 5, 2014	May 8-June 15, 2015	Nov. 2-Dec. 4, 2015	From May 9, 2016	From Nov. 1, 2016	From May 1, 2017	From Nov. 1, 2017
<b>Cycle I</b> (40% of shares)	2014 Window	2015 Window 1	2015 Window 2	-	-	-	-
<b>Cycle II</b> (30% of shares)	-	2015 Window 1	2015 Window 2	2016 Window 1	2016 Window 2	-	-
<b>Cycle III</b> (30% of shares)	-	-	-	2016 Window 1	2016 Window 2	2017 Window 1	2017 Window 2

# RISK MANAGEMENT

The management of risk in our business activities is the cornerstone of our continuing success, and we place great importance on understanding and proactively managing perceived risks.

Our main aim is to safeguard long-term business continuity by ensuring reliable product supply to our customers at a margin adequate to safeguard future growth and ensure shareholder returns. Due to the long-term and capital-intensive nature of plantation growing and harvesting, we take a proactive, conservative approach to anticipating and neutralizing risks.

In line with the OJK's good corporate governance framework, the primary responsibility for risk management is taken by the Board of Directors. The Board of Commissioners established a Risk Management Committee in 2013 to guide and advise the directors.

Risk management needs and activities are defined annually, based on the following steps:

1) Determine corporate-wide risk appetite. In 2015 we focused on refining our risk map, particularly regarding our plan to focus ANJ's future development in West Papua.

2) Each significant business unit internally assesses risks and control initiatives. For example, our subsidiaries in West Papua focused in 2015 on controlling quality-related risks in their planting programs, and our sago subsidiary in West Papua on completing the first phase of a refit to its manufacturing plant and preparing for commercial operations.

3) An internal audit plan is drawn up to include high-risk areas and enable timely identification of areas for follow-up by management, especially in improving productivity and controlling development costs.

## RISKS TO OUR BUSINESS

The following paragraphs summarize our core business risks in 2015 at operational and strategic level and specific efforts taken, where possible, to control or mitigate such risks. Any of the following risks, as well as additional risks and uncertainties not currently known to us, could adversely affect our business, cash flows, results of operations, financial condition and prospects. This summary should not be seen as an exhaustive list of all risks to our business.

### International Fluctuations in the Price of CPO

*CPO prices have in the past been characterized by a high volatility and cyclical nature, and a number of factors affect international prices for our products. These include changes in: world production, supply and demand levels for palm oil and other vegetable oils; world consumption and stock levels of CPO and other vegetable oils; import and export tariffs, including Indonesian export taxes and import tariffs applicable to the countries which import CPO; prices of other vegetable oils; environmental and conservation regulations; economic developments, as well as population growth, per capita consumption and food demand; weather conditions and other natural influences; and the world economy generally.*

**ANJ Response:** Management anticipated and has been prepared for the low selling price since 2013, and as a result we have been focusing on efficiency and reducing production cost to mitigate the effect.

During 2015, we successfully reduced our cash cost to produce FFB from US\$298 in 2014 to US\$233 per tonne by improving efficiencies and production planning.

Additionally, our Board of Commissioners has authorized management to sell our product by entering into forward contracts if we believe the CPO price trend is declining. This has limitations: 1) total volume of outstanding forward contracts may not exceed 30% of monthly CPO production; 2) the forward contract period may not exceed six months. To override these limitations requires the approval of the Board of Commissioners.

We also enjoy some upside for our own CPO price, as much of our product has ISCC and RSPO certification. This premium amounted to US\$689,486 in 2015.

### Land Compensation Delays in Developing Plantations

*To develop our plantations, we must release the land we plan to use from third-party claims. This usually involves complicated negotiations with local stakeholders (such as communities, tribes and influential community figures). Plantation owners are required to resolve any existing compensation issues in relation to*

*the land in order for land cultivation rights (hak guna usaha, or HGU) to be granted. Achieving resolution can be hard and time-consuming, impacting the plantation's development and operation.*

**ANJ Response:** We aim to offer attractive compensation for land and integrate development plans that will benefit the community. In areas where we aim to develop a plantation, we establish a land compensation committee that includes community leaders, local authorities and neighboring industries to accelerate the compensation process amicably and improve communication.

We work to publicize and explain the benefits of our company's business to the community, including through employment opportunities, improved infrastructure, corporate social responsibility and its multiplier effects.

We have completed the land compensation process at our West Papua landbanks. We remain to complete land compensation at our South Sumatra landbank, and are following the principles stated above to develop mutually agreeable land compensation conditions there.

### Delays or Difficulties in Developing Land or Obtaining Land Rights

*Government policies could limit or delay our ability to obtain adequate land rights to additional land that we may acquire for the development of new plantations or the expansion of our current plantations. To develop a plantation, we need to obtain HGU rights for the plantation, which is a lengthy, complex process that can meet with significant delays.*

**ANJ Response:** All but one of our subsidiaries already holds HGU rights, including our emerging estates in West Papua, reducing this risk considerably.

We also ensure that we enter into the extension process for all permits and titles well in advance of their expiry date. We have developed good relationships based on mutual benefit and respect with all stakeholders, including government agencies and representatives, and we work hard to maintain these relationships.

We ensure that we follow applicable laws and regulations and adhere to the principles of sustainable plantation business in order to reduce the potential for legal obstacles.



WE AIM TO OFFER ATTRACTIVE COMPENSATION FOR LAND AND INTEGRATE DEVELOPMENT PLANS THAT WILL BENEFIT THE COMMUNITY. IN AREAS WHERE WE AIM TO DEVELOP A PLANTATION, WE ESTABLISH A LAND COMPENSATION COMMITTEE THAT INCLUDES COMMUNITY LEADERS, LOCAL AUTHORITIES AND NEIGHBORING INDUSTRIES TO ACCELERATE THE COMPENSATION PROCESS AMICABLY AND IMPROVE COMMUNICATION.

## RISK MANAGEMENT

### Community Social Conflict and Land Disputes

*Even after land has been acquired for a plantation or other uses, plantation owners commonly face contested land claims from people living or working on such land and are required to negotiate the payment of compensation with such claimants. Resolving such contested land rights issues can be a difficult and time-consuming process.*

**ANJ Response:** We strive to develop and maintain community relationships based on mutual benefit and respect while maintaining our standards, and we ensure that we use fair processes and proper administration procedures. We have developed sustainable corporate social responsibility initiatives to support social and economic development of communities around our business operations. We also foster co-operation with NGOs and accept input from various organizations to improve our program.

We engage in regular communication and dialogue with community members to socialize the benefits of the Company's presence. In 2015 we reviewed our communications strategy and revised it to improve dialogue with stakeholders at and around our estates.

### Difficulties in Attracting or Retaining Qualified Staff

*Our business success and growth depends on our ability to attract and retain highly qualified, skilled and experienced personnel in the palm oil industry. Our inability in the event of vacancies to attract, recruit, train and retain either experienced senior management or sufficiently qualified key personnel such as plantation or mill managers, field assistants and engineers could have a material adverse effect on our business, financial condition and operations.*

*In addition, oil palm plantations require extensive manpower. Harvesters and other plantation workers are increasingly mobile, and if we are unable to hire and retain sufficient workers to maintain our labor force, or if the minimum wage rate is increased significantly, our business and prospects could be adversely affected.*

**ANJ Response:** We continually monitor our remuneration and benefit programs, referencing them to the market, and improving our performance-related pay program to help retain our employees and attract new ones.

We aim to ensure that our employees enjoy a good quality of life while working on our plantations, with a healthy and safety environment, comfortable living standards, transportation, water, electricity, health care, clubhouse facilities, childcare facilities, training facilities and schooling.

We also regularly make improvements to our learning and development capabilities, with emphasis on leadership development. We run a dedicated management training program for recent graduates and ensure continuous improvement of internal capabilities through intensive training and career path programs.

We also provide various retention programs for qualified personnel and senior management, and we pay retention bonuses where appropriate.

### Transportation or Logistics Disruptions or Mishaps

*We typically sell our products on an ex-mill, ex-jetty or FOB basis, and our customers transport the products they purchase from us. Any disruption of transportation services due to weather, strikes, lock-outs or other events could impair their ability to take delivery of our products or increase their freight costs, thereby making our products more expensive for them. Such disruptions may also result in storage problems at our plantations.*

*It is our practice only to sell CPO once it is available for supply in our storage facilities, thus we rely on efficient transportation for timely off-take by our customers.*

*Our West Papua projects also present logistics and construction challenges, as those project areas are located mainly in the interior (palm oil) and in swampland (sago). Both are relatively far from any town or city and, consequently, remote from reliable infrastructure and electricity supplies.*

**ANJ Response:** We have invested in building flexible and reliable transportation systems and enter into transport contract agreements only with experienced and proven transportation companies.



*Nursing plants at our West Kalimantan Estate to be used to attract natural predators and help protect the palms.*

## RISK MANAGEMENT

In our West Papua projects, we well understood that our large and remote development plan area would create logistical challenges, and with regard to the considerable economic investment that we are making we have formed a specific department to reduce disruption risks by improving our logistics planning, developing integrated logistics systems and creating logistical synergies between our estates.

### Adverse Weather, Climate, Crop Disease, Pests and Natural Disasters

*Our business is vulnerable to adverse weather conditions, natural disasters, disease, crop pests and other factors that can affect FFB production and harvesting, potentially having a material and adverse effect on our business, financial condition, results of operations and prospects.*

*In particular, insufficient rainfall causes oil palms to produce fewer flowers that develop into FFB, and too much rain inhibits the effective fertilizing of oil palms, which results in reduced harvests of FFB and may delay fertilizing schedules.*

**ANJ Response:** We manage weather and climatic disruption risk by using a range of agronomical best practices, including using high-resilience seeds with the best quality in all new plantation development; managing water volumes through the use of water gates and water catchment systems to preserve water during the long dry season; applying FFB waste to the plantation land as mulch; conducting soil conservation and anti-erosion measures; planting cover crops to reduce weeds and pests; conducting chemical soil analyses to determine the best fertilizer regimes.

### Disruption by Environmental Groups, NGOs or Interested Individuals

*Environmental groups, charities, non-governmental organizations (NGOs) or interested individuals may seek to challenge or impair the ability of the Company to engage in lawful plantation activities.*

*Such groups support a variety of causes, such as forest and wildlife preservation and the protection of*



WE RECOGNIZE THE IMPORTANCE OF CONSERVATION AND ENVIRONMENTAL STEWARDSHIP IN OUR OPERATIONS, AND WE ARE COMMITTED TO STRIKING A BALANCE BETWEEN THIS AND COMMERCIAL DEVELOPMENT, WHICH INCLUDES NATIONAL SOCIAL DEVELOPMENT AS A GOAL.

*indigenous wildlife from land clearance. There is a risk that they could influence the relevant authorities to change current regulations and impose more onerous conditions upon our operations, or directly influence public opinion regarding plantation activities, or organize disruptive protest activities at or near our operations.*

*Such activities may generate negative publicity about us and plantation companies in general and potentially delay production activities, adversely affecting our reputation and disrupting our operations.*

**ANJ Response:** We recognize the importance of conservation and environmental stewardship in our operations, and we are committed to striking a balance between this and commercial development, which includes national social development as a goal.

We are rigorous in applying the highest standards of sustainability to our operations, including adhering to RSPO guidelines; complying in all material respects with applicable Indonesian environmental laws, regulations and standards such as ISPO; commissioning independent, RSPO-certified environmental feasibility assessments of our landbanks; and voluntarily setting aside land for conservation initiatives, particularly for orangutan habitats. We minimize the risk of disruption by ensuring responsible environmental management and biodiversity.

We also proactively attempt to maintain good relationships and dialogue with all groups with an interest in plantation activities, and welcome them to work with us as partners in ensuring the needs of agribusiness are always balanced with conservation concerns.

### Low Community Understanding of Our Plasma Program Activities

*Under the Indonesian Government's Plasma Program policy, oil palm plantation companies obtaining a plantation business licence (IUP) since 2007 must develop part of the plantation to be operated by local small landholders. Accordingly, our West Kalimantan Plantation currently has a Plasma Program. In developing our West Papua and South Sumatra landbanks we are setting aside the required 20% of the plantable area.*

*Plasma programs may deliver inferior quality of FFB, and to mitigate this risk we develop our programs through co-operative structures. However, these programs may not be accepted by the smallholders and, as such, we may be forced to purchase FFB harvested from oil palms grown and maintained by the communities instead of by us.*

**ANJ Response:** Our Plasma Program is based on co-operative ownership, which we believe is in the best interests of both smallholders and the Company. The co-operatives have management service agreements with us to ensure that our standard of maintenance and harvesting is preserved in our plasma area.

We are continuing to develop a capacity-building program for co-operative members and continue

our coaching program as part of our corporate social responsibility initiatives, to enable smallholders to grow together with us.

We will also engage in regular socialization and training programs to develop co-operative members' plantation, agronomic and business operating knowledge.

### Fluctuations in Foreign Exchange Rate

*Our financial reporting currency is the US dollar, and substantially all of our sales are denominated in US dollars, whereas our expenditures, including labor costs, are primarily denominated in Indonesian rupiah. Due to this mismatch, any appreciation of the rupiah against the dollar will reduce our net income and increase our expenditures in US dollar and rupiah terms.*

*In contrast, many of our subsidiaries that are still at the planting stage are required to use rupiah as their operating currency, while their borrowing, if any, is denominated in either US dollars or rupiah. Any appreciation of the dollar against the rupiah will result in foreign exchange losses for these entities.*

**ANJ Response:** Company policy allows us to enter into forward exchange rate contracts to hedge against fluctuations as long as any contract does not exceed six months and the value of the contracts does not exceed the amount of rupiah needed for three months operational expenses.

In terms of cash holdings, our general policy is to hold enough rupiah for two weeks' operational requirements, but we may increase our rupiah cash holdings up to a maximum amount adequate to cover up to three months' operational expenses, if and only if we consider that the future direction or trend of the rupiah is not favorable.

In September 2015, we introduced a policy that any bank borrowing by a subsidiary should be in the functional currency of that subsidiary, which is the same as its book-keeping currency. This has significantly reduced our foreign exchange fluctuation risk. Some of our subsidiaries maintain their book-keeping records in rupiah and thus we have converted their borrowings into rupiah. Although the interest rate for rupiah borrowing is higher than US dollar borrowing, we believe the policy helps us to better to measure currency risks and take action in a timely fashion.

# CORPORATE SOCIAL RESPONSIBILITY



Sustainability Standards	100
Environment and Conservation	104
Social Development	108

Corporate Social Responsibility (CSR) plays a strategic role in ANJ's commitment to responsible development. The challenge is to find a responsible balance between environmental protection and community development where we operate and secure good returns for our investors.

Our organic growth in building a diverse business across Indonesia has given us great insight and experience at fulfilling our community and environmental responsibilities, beyond both our duties mandated by law or regulation and typical industry standards.

We continuously refine our policies in relation to balancing our duties to the environment, social development and economic growth. In 2015 we focused on improving ANJ's sustainability policies and business processes such as standard operating procedures to enhance group-wide corporate governance.

We set great store by operating to international standards and comply to relevant certification regimes wherever practical.

This chapter describes in detail our compliance with sustainability standards, social initiatives and environmental and conservation endeavors.

# SUSTAINABILITY STANDARDS

**A**NJ is committed to operating at the highest national and international sustainability standards to ensure the right balance in managing our environmental, social and economic responsibilities.

In 2013 we set up a Sustainability Committee that has oversight of the group's sustainability practices. We have a director-level Sustainability Steering Committee to ensure the timely implementation of sustainability procedures and practices. In 2015 the company deepened its commitment further by appointing a Director of Sustainability who, reporting directly to the CEO, is responsible for strict adherence to RSPO regulations and propelling the company's sustainability efforts above and beyond minimum legal requirements.

Our operations are in compliance with all applicable international, national and regional Indonesian environmental laws, regulations and guidelines. As required under Government Regulation No. 27 of 1999 and Ministry of Environmental Affairs Decree No. 16 of 2012, ANJ has also completed specific mandated processes such as earning Environmental Impact Assessment (AMDAL) certification and preparing both an Environmental Monitoring Plan and an Environmental Management Plan.

**ISPO Certification:** ANJ's plantation companies all operate under the framework of specific Ministry of Agriculture regulations on sustainability standards in



THE CENTRAL SUSTAINABLE INITIATIVE THAT ANJ HAS IMPLEMENTED IS MEMBERSHIP OF THE ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO), A NON-PROFIT ASSOCIATION FORMED IN 2004 THAT COMPRISES MORE THAN 2,000 MEMBER COMPANIES FROM OVER 50 COUNTRIES AROUND THE WORLD.

## Certification Status for Operational Palm Oil Plantations

Certification	Plantation			
	North Sumatra I	North Sumatra II	Belitung Island	West Kalimantan
<b>RSPO</b>	November 2012	September 2014	January 2011	Scheduled for 2016
<b>ISPO</b>	Awaiting ISPO review	April 2015	December 2014	Audit process begun
<b>SMK3</b>	April 2013	May 2014	April 2012	Planned for 2016
<b>ISCC</b>	September 2014	Not applicable	January 2014	-
<b>PROPER</b>	Blue certificate 2014-15	-	Blue certificate 2014-15	-
<b>ISO 14001</b>	July 2014	November 2014	April 2015	-
<b>OHSAS 18001</b>	2013	Not yet scheduled	Not yet scheduled	Assessed in 2015



*FFB composting for future use as fertilizer at our Belitung Island Plantation.*

*Photo by Jajang Supriatna*

palm oil production, known as Indonesian Sustainable Palm Oil (ISPO). Under these mandatory regulations, imposed in 2011, plantation companies operating under plantation operation licenses (*izin usaha perkebunan*, or IUP) must adhere to and demonstrate high standards in criteria including legality, management, plantation, process, social, economic, environmental and reporting.

Our Belitung and North Sumatra II plantations have obtained ISPO certification. North Sumatra I has completed the audit process leading to certification and is awaiting review by the ISPO committee. Our West Kalimantan Plantation has only recently begun to produce fresh fruit bunch and during 2015 began the audit process for ISPO certification.

**SMK3 Certification:** Indonesian law obliges companies to uphold occupational health and safety standards through SMK3 certification as a prerequisite for ISPO certification; so far our Belitung Island and both of our North Sumatra plantations have this certification. We target for our West Kalimantan Plantation to receive it during 2016.

Compliance with regulations is just the start, however. To benchmark our performance, we ensure that we meet and exceed international standards through certification, including the following:

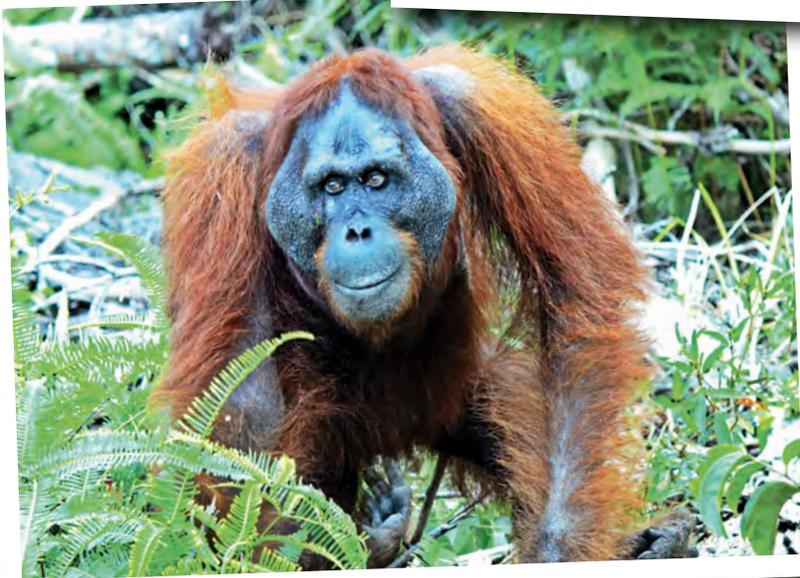
**RSPO Certification:** The central sustainable initiative that ANJ has implemented is membership of the Roundtable on Sustainable Palm Oil (RSPO), a non-profit association formed in 2004 that comprises more than 2,000 member companies from over 50 countries around the world. It engages with oil palm growers, oil processors, food companies, retailers, NGOs, banks and investors to work together to develop and implement global standards for sustainable palm oil produced in a socially and environmentally responsible way. Specifically, it promotes palm oil production practices that help reduce deforestation, preserve biodiversity, and respect the livelihoods of rural communities in oil-producing countries. It ensures that no high conservation value (HCV) areas are opened for palm oil plantations, that plantations apply accepted best practices and that basic rights and living conditions of

Annual Report Photo Competition: Category B: Protecting Our Planet

For activities or events that show ANJ's commitment to caring for the environment and conservation.

**Winner**

Daru Kusumo  
Ismartono,  
North Sumatra I  
Plantation:  
"You Never Know  
What You'll Find by  
the River Side"



**First Runner-up**

Hendriyana Rachman,  
West Kalimantan Plantation:  
"Senyum Bahagia Lima di  
Areal Konservasi"

**Second Runner-up**

Boy Tarigan, North  
Sumatra II Plantation:  
"Si Liar"



plantation workers, smallholders and indigenous people are wholly respected.

Our Belitung and both North Sumatra plantations have all obtained RSPO certification, which allows the Company to sell RSPO-certified crude palm oil from them. Our newly mature West Kalimantan Plantation was developed and is operated wholly according to RSPO principles and is in the process of earning certification. It is scheduled to complete the certification process in 2016.

Our South Sumatra and West Papua landbanks are also being developed to RSPO guidelines. Additionally, they (along with our West Kalimantan plantation) have fully adopted RSPO's New Planting Procedure (NPP) framework, instituted in 2010. This mandates an impact assessment and HCV assessment by a licensed HCV assessor, preparation of an implementation plan, verification by RSPO, and public notification of planting plans on the RSPO website for at least 30 days.

**ISCC Certification:** Our Belitung and North Sumatra I plantations have International Sustainability and Carbon Certification (ISCC), the European sustainability standard that assesses greenhouse gas emissions, preservation of biodiversity, agricultural practices and respect for labor and land rights, approved by certification body TÜV Nord German.

**PROPER Program:** The Indonesian Ministry of Environment and Forestry's PROPER program assesses environmental quality in operations, production processes, business ethics and responsibility to the community, and ranks companies as gold, green and blue if meeting criteria and red or black if failing. For the past three years our Belitung and North Sumatra I plantations have earned blue certificates as meeting all the statutory requirements of the prevailing laws and regulations. Our North Sumatra II and West Kalimantan plantations have not yet been included in PROPER program assessment.

**ISO 14001 Certification:** Our Belitung and both North Sumatra plantations have international certification for their environment management systems in the form of ISO 14001: 2004.

**OHSAS 18001 Certification:** Our North Sumatra I Plantation has certification for OHSAS 18001, a globally recognized British standard for occupational health and safety management systems, and our West Kalimantan Plantation was undergoing assessment in 2015. We will certify our other plantations as soon as practical.

## Product Safety

The Company's main end products are crude palm oil and palm kernel oil, mostly for use in foodstuffs, and we have clearly defined responsibilities to ensure our products meet all necessary quality and hygiene standards. We ensure that all staff understand the priority for product safety.

**In the Field:** Our attention to quality and food safety starts with our approach to growing. We use only quality assured, imported inorganic fertilizer from reputable manufacturers or organic by-products from our mills as fertilizer substitutes. We conduct monitoring to ensure that fertilizer does not contaminate any food sources in the environment, for example rivers and lakes. Further, we minimize the use of any chemical pesticides that could potentially enter the food chain, as described above.

**In the mill:** Arriving deliveries of fresh fruit bunches at our mills undergo inspection by dedicated quality control inspection teams, who also monitor the production process. Fruit bunches are processed as quickly as possible to preserve freshness. No materials are recycled in the milling process, and all waste material is segregated for later decomposition in ponds or for application as fertilizer.

Food safety standards are applied continually in the mill processing cycle, and our estate and mill workers are comprehensively trained in food hygiene and safety procedures and obliged to report any suspected cases of contamination, spoilage or physical degradation. CPO under storage is monitored for contamination or spoilage, and transport tankers are routinely tested for cleanliness and contaminants.

**Sago starch:** We have completed and entered final testing for our subsidiary ANJAP's new sago factory, which will produce sago starch principally to be sold as raw material for other food companies, and the same high-quality safety standards will apply. The mill is fully equipped with sterilizing and cleaning mechanisms.

ANJ received no reports of contamination claims or complaints regarding the quality or safety of our products either internally or from customers during 2015.

# ENVIRONMENT AND CONSERVATION

## ENVIRONMENTALLY RESPONSIBLE OPERATIONS

We adhere to strict environmental standards in all of our operations. As described in the previous section, we strive to adopt the best practices and abide by the highest standards in relation to sustainable palm oil production as measured by international certification.

The key measures we take include the following:

- We have a zero-burning policy in our land-clearing activities and we do not use incinerators. This avoids air pollution and enhances soil fertility as trees are left to decompose naturally.
- We use only high-grade fertilizers imported from reputable producers, where we can be sure of quality and the integrity of ingredients. We use fertilizers such as urea, rock phosphate, NPK and muriate of potash, applied according to strict schedules and nutrient needs.
- We control pests using environmentally-friendly means where possible. This includes using natural biological pesticides, encouraging beneficial plants to attract natural predators, encouraging parasitoids to control leaf-eating pests, and rearing barn owls (*Tyto alba*) to control larger pests such as rats and mice.
- The milling of FFB produces solid waste such as fiber from empty fruit bunches and palm kernel shells. Adopting the “4Rs” principle — reduce, reuse, recycle and recover — we recycle all fruit bunches in our plantations as soil-enriching and soil-binding mulch, and we use kernel shells to power generators in remote areas of our plantations.
- Milling FFB to produce oils involves no chemicals, but the steaming, pressing and centrifuging produces mill effluent. Each of our mills channels effluent to large anaerobic treatment ponds where bacteria break it down for use as a high-nutrient fertilizer substitute. All effluents meet or are well below maximum levels of biochemical oxygen demand, a measure of organic pollution in water, as mandated under Indonesian law.
- Effluent treatment results in methane emissions, and we have developed a biogas power business to capture this and use it to generate electricity for supply to local communities to support economic development. Our first biogas plant, at our Belitung Island Plantation, started operating in 2013 as the first Indonesian



WE TAKE A RESPONSIBLE SUSTAINABILITY APPROACH IN ALL OF OUR OPERATIONS, BUT A KEY TEST OF THIS IS IN WEST PAPUA, WHERE WE ARE DEVELOPING NEW PLANTATIONS, AS IT IS AT THE FOREFRONT OF THE COMPETING CLAIMS OF RURAL DEVELOPMENT AND CONSERVATION.

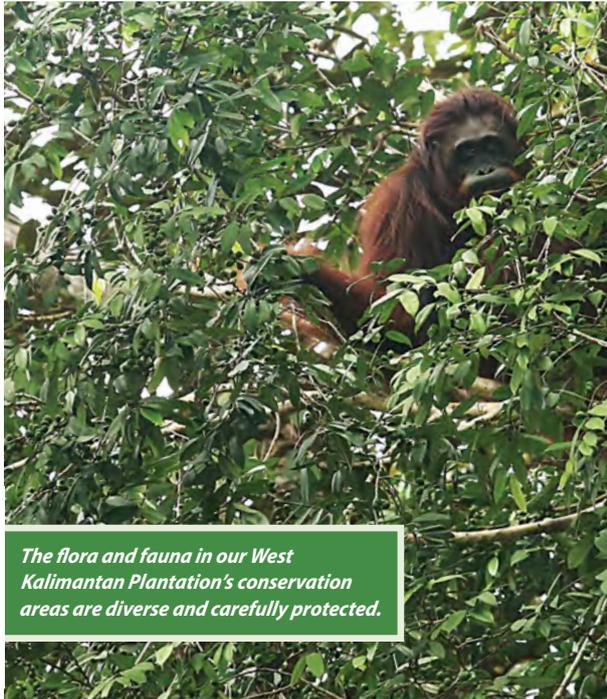
independent biogas power producer and has attracted significant public attention as a positive example for the palm oil industry. This plant not only limits methane emissions, it has directly helped reduce the state's need to burn diesel for power generation by approximately 2.5 million liters per year, thereby avoiding the need for greenhouse gas emissions equivalent to an estimated 35,000 tons of carbon dioxide equivalent per year.

## CONSERVATION

ANJ places a strong emphasis on conservation practices. We monitor and assess conservation initiatives and engage in collaborative projects with environmental experts to design and manage our plantation areas so as to conserve biodiversity and safeguard ecosystems.

We regularly assess land for classification as of high conservation value (HCV) and manage and monitor such areas with reference to HCV management indexes. We monitor our implementation of the RSPO's New Planting Procedures (NPP) in all of our palm oil plantations.

As a result of this commitment ANJ has been able to establish two conservation areas that are models of



*The flora and fauna in our West Kalimantan Plantation's conservation areas are diverse and carefully protected.*



## Preserving Natural Sanctuaries

When we first assessed land suitable for planting at our young West Kalimantan Plantation, we identified several areas that were high in conservation value (HCV) and were home to several protected and endangered species, including a population of orangutans.

ANJ's core values include respect for the environment, and we decided quickly to establish conservation zones where feasible. This has resulted in us allocating one area of 657 hectares near the western edge of the plantation and one of 2,330 hectares to the south.

The smaller area we manage on our own as a preserve, the larger area is managed in collaboration with NGOs and other partners. It features a wide range of flora and fauna including orangutans, proboscis monkeys, Malayan sun bears, pig-tailed macaques, maroon leaf monkeys, monitor lizards, grey woodpeckers, rhinoceros hornbills and black hornbills. Our monitoring shows eight species of protected mammals as listed by the International Union for Conservation of Nature and by the government. There are also 23 different species of birds.

By the end of 2015 there were at least 24 orangutans confirmed as living in the conservation areas within our plantation, and ANJ has established a nursery for food crops to be planted in the conservation areas for them, including duku, langsat, durian and a range of other plants, predominantly fruits.

At least 11 orangutans crossed into the southern reserve to escape fires in the national park bordering our plantation in the middle of 2015.

To help the animals stay protected in the reserves and in areas with food, we built surrounding trenches and operate a team of more than a dozen staff to patrol regularly. We have also posted signs informing local residents when they are entering a conservation area.

We have also protected the areas proactively by identifying threats, most prominently illegal logging and land clearance for cultivation. We made efforts to speak to those responsible, explaining the importance of the forest for the present and future, but crucially holding out an alternative source of income for them by in many cases offering them employment at the plantation. As of August 2015, illegal activities had dropped to practically zero.

Managing the areas costs will cost approximately Rp1.5 billion per year, not including the cost of staff.

## A True Friend of the Forest

Yohanes Terang's philosophy is as elegant as it is simple: *menjaga yang tersisa* – "cherish what remains".

His name is a familiar one to planters and miners in West Kalimantan for his tireless work over decades to safeguard the forests around Laman Satong village in the Matan Hilir Utara area of Ketapang District.

"When I first came it was tough. Most villagers were illegal loggers. People cut trees down right up to the national park." Later, oil palm plantations were carved out and mines dug, developments he



saw as inevitable. "I only ask one thing," he says of the newcomers. "Whatever you do, do it with integrity and respect local knowledge."

As head of Laman Satong in the early 2000s, he worked with environmental NGOs and roused support from locals to create a broad, sustainable

community forest of 1,070 hectares around the village. It is managed by villagers and they may forage in it to their heart's content. The only rule is respect: "We may take as we need, as long as it is not destructive," Yohanes says.

An active poetry writer, Yohanes has been using poetry to spread his message. We at ANJ are proud to have helped him record and collect the poems for his first book, *Menjaga yang Tersisa: Sajak dan Renungan dari Laman Satong* ("Cherish what Remains: Poetry and Musings of Laman Satong"), a volume published by Gramedia in May 2015.

Now in his 60s, Yohanes has become a respected environmental advocate and an educator in ANJ's eco-initiative to introduce students to the conservation areas inside our West Kalimantan Plantation.

biodiversity within our plantations, 1,500 hectares at our North Sumatra II Plantation and 657 hectares at our West Kalimantan Plantation.

At West Kalimantan, we have set aside an additional area of 2,300 hectares inside our estate, and we are currently in discussion with local and national governments to redesignate this as a conservation area.

Our commitment is for all of these three areas to be actively managed to standards above and beyond the recognized sustainability requirements of the RSPO.

The two areas at our West Kalimantan Plantation are home to dozens of orangutans and a range of flora and fauna including endangered species. (For details see the box story on the following page.)

We are supported by a number of key stakeholders, and partners committed to assisting us in advising on or managing conservation areas include the Nature Conservation Agency, Conservation International and International Animal Rescue.

To gain more support at West Kalimantan, particularly from communities living inside the plantation area, we initiated an environmental education outreach program for young school children, which includes them visiting, learning about the flora and fauna and being involved in reforestation activities. To embed this initiative for the long term, we hope to align it with our program, described in the following section, to develop green schools to provide practical environmental education for future generations of children around our estates.

## Our Approach in West Papua

We take a responsible sustainability approach in all of our operations, but a key test of this is in West Papua, where we are developing new plantations, as it is at the forefront of the competing claims of rural development and conservation.

ANJ believes development in West Papua requires a different approach to other parts of Indonesia. The Indonesian Government has adopted a policy addressing unequal economic development by prioritizing development there. Its policy that the people of Papua have a right to progress and development should be respected, not least because it has allocated large swathes of land for conservation.

In this context, although clearance of some land cannot be avoided, both conservation and development goals can



*Thousands of hectares at our West Kalimantan Plantation are protected as being of high conservation value.*

be met in a balanced manner where the development is undertaken by companies committed to sustainability rather than just to maximizing palm oil production.

ANJ's responsible approach has guided us to begin the project by ensuring that we comply in all respects with RSPO requirements, including NPP. Our activities are thus preceded by official reports of comprehensive HCV assessments, an Environmental Impact Assessment (AMDAL) as required by law, a social impact assessment and a high carbon stock (HCS) assessment.

In addition, we implement the Free Prior and Informed Consent process when dealing with the local communities, which rests on the principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use. We are committed to resolving any grievances systematically and abiding by international human rights standards.

Having satisfied the RSPO requirements we have begun to incorporate stricter standards and practices.

ANJ has developed a sustainable socio-economic framework that balances rural development with conservation of natural resources, including HCV and

HCS areas. Specifically, we are committed to conserving a minimum of 30% of the legally allocated land for development in West Papua.

We are engaging in responsible development, not just sustainable palm oil production. We are doing this in a holistic manner and implementing the following:

- A comprehensive conservation plan;
- Establishment of a conservation department to manage all identified areas, led by local specialists;
- Funding for local conservation research;
- Detailed social anthropological studies to better understand the needs of local Papuan communities;
- A sensible corporate social responsibility strategy, tailored to specific needs; and
- An appropriate array of livelihood programs taking into consideration gender issues.

ANJ is committed to take the lead in West Papua, and we will ensure that all dimensions of sustainability are balanced and development rationality prevails in this remote and economically challenged province.

Shunning all development in Papua is not an option, the responsible path lies in proving that a good balance can be achieved for all stakeholders.

# SOCIAL DEVELOPMENT

Community development lies at the heart of our efforts to be a socially responsible business, and ANJ implements a range of social and economic initiatives.

We maintain strong relationships with our local employees and local communities through community development programs, including in areas such as infrastructure, health, education and culture.

In our relationships with local governments and the national government, the company strives always to be aligned with policies and programs above and beyond proper compliance with tax, licensing and permit regimes.

We aim to live up to our core value of respect for people and the environment with continuous improvement in our community development strategies, stakeholder communications, staff training in CSR techniques and community support platforms.

We work to ISO 26000 and RSPO guidelines to how businesses and organizations should operate in a socially responsible way.

We plan to continue to implement additional employee and community support initiatives at our existing plantations and enter into similar initiatives at our future plantations. Our new developing plantations and sago venture in West Papua cover an extensive area and we fully recognize our duty to support our employees, their families and the wider community there.

In 2015, we launched a supporting initiative in West Papua to build cultural understanding between local employees and non-Papua workers. We held regular outreach and familiarization sessions to lead to better understanding and improve harmony and productivity.

In 2015 we invested Rp 6.65 billion in our community development program, comprising Rp 3.4 billion allocated to our west region (our North and South Sumatra, Belitung and West Kalimantan plantations) and Rp 3.25 billion for the east (our West Papua plantations), directed particularly at villagers surrounding our operations.

Spending was 10% less than the Rp 7.4 billion we invested in 2014. This drop came following the appointment of the Company's first dedicated Sustainability Director in June 2015, as the Company implemented a review into the focus and effectiveness of our community programs in the second half of the year that resulted in some investment being frozen.

The review is directed towards bringing a greater emphasis on using an evidence-based approach in our development programs, fitting them to the social and economic conditions in each of our operational areas.

Our aim with the review is to ensure that our spending is focused on facilitating communities to improve their standard of living and equipping them with tools to continue improvement on their own into the future. In this approach, we will stress funding for training, skills-building and creating a culture of enterprise over less structured financial assistance.

The study phase of the review is expected to be complete by the end of the first half of 2016, followed by an implementation program.

In 2015, our development program comprised five inter-related elements: education, health, economic empowerment, social and cultural support and infrastructure support. Health and education remained our key focus for their value in contributing to Indonesia's human development.

## Health

Our priority was access to clean water and sanitation, particularly for new mothers and children as they are disproportionately likely to suffer illness. We also focused on maternal health through improving awareness of and access to facilities such as community health centers (*puskesmas*), particularly at our West Papua operations.

The extra-dry conditions caused forest-fire crises in many areas in 2015, and the Company donated masks to children and communities in a number of smoke-blown areas as well as free medical checks. We are developing a community education and health preparedness plan to mitigate future smoke emergency situations.

Our health program in 2015 involved communities at our North Sumatra, Belitung and West Kalimantan plantations as well as our West Papua operations, and included blood donation events, children's nutrition drives, free check-ups and medicine dispensary, support for the government's family planning program, and mass circumcision programs.

In West Papua, we worked closely with government health officials to offer free treatment for mothers and children, and contributing to the development of water



A Papuan dance troupe formed part of an ANJ-supported retrospective of artist Sardono W. Kusumo's work.

sanitation projects in four villages together with the Anak Sehat Papua Foundation (YASP).

With our core activities we reached more than 4,000 beneficiaries in 36 villages, mostly mothers and children.

## Education

Our focus in our west region has been on early childhood and then elementary education, as most children from villages around our operations must leave their villages for higher education after this level. In West Papua we have had a different focus as the availability of teachers for village schools is the most pressing problem.

At our North Sumatra plantations, we collaborated with the University of Negeri Medan to help school teachers and principals upgrade their management and technical teaching skills as well as strengthen their motivation. This program, introduced in 2015, has government support through local education offices (*dinas pendidikan*).

At our Belitung and West Kalimantan plantations we introduced a focus in 2015 on developing village

“green” schools, where students are taught environmental awareness and respect. In partnership with consultancies, we have begun by concentrating on instilling the requisite mindset and skills in teachers at three schools to act as a models. One school is at Belitung, where we partner with ProVisi Education, and two at West Kalimantan, where our partner is Innovera.

The project has local government backing and involves reimagining the schools’ vision and mission, developing an environment-oriented curriculum and inculcating active learning skills in teachers. It is aimed at raising these schools to join hundreds of others in the Adiwiyata Schools Program, a government scheme aiming to create a caring school environment by supporting the development of policies in learning, capacity-building, environmental protection, creation of a healthy and clean school environment. It also supports the use of funds for activities related to solving environmental problems.

Our goal is for the three schools to attain Adiwiyata status by 2018. As part of the recognition, the schools will

## Annual Report Photo Competition: Category C: Engaging with the Community

For activities and events that show collaboration with community members and stakeholders.



▲ **Winner**  
Aldini Fujiarti, North Sumatra I Plantation:  
"Perjuangan Maksimal"

The judging panel did not make any runner-up awards in Category C

be obliged to work with other local schools to transfer their experiences and guidance.

In West Papua, together with Yayasan Indonesia Lebih Baik (YILB), we have been working to assess the state of school education surrounding our locations. Early findings revealed a high desire of parents for their children to go beyond elementary school (the highest level most parents themselves achieved), a need for basic reading, writing and arithmetic skills, and also a high rate of teacher absenteeism. ANJ and YILB are now preparing a program to address these issues.

Other activities included:

- An incentive scheme to enhance teaching quality for more than 100 teachers from playgroups to junior high;
- Scholarships for 247 school students, including rewards for students achieving high results;
- Sponsorships for inter-school sports, art and cultural competitions to help develop students' character and other capability; and

- Educational field visits for students to our operations and our high conservation value areas.

There were 675 direct beneficiaries of our main program activities.

### Economic Empowerment

Our economic empowerment program aimed to increase the financial health of communities around our plantations by developing income-generating activities.

In 2015 the main focus in our west region was continuing to build our partnership (*kemitraan*) program for oil palm smallholders with training and support to improve their productivity and quality. We provided advice principally on agronomy and fertilizer management.

In particular, our sago subsidiary ANJ Papua inaugurated a project to promote partnership relationships with local smallholders with the potential



OUR AIM WITH THE REVIEW INTO OUR DEVELOPMENT PROGRAMS IS TO ENSURE THAT OUR SPENDING IS FOCUSED ON FACILITATING COMMUNITIES TO IMPROVE THEIR STANDARD OF LIVING AND EQUIPPING THEM WITH TOOLS TO CONTINUE IMPROVEMENT ON THEIR OWN INTO THE FUTURE.

to manage co-operatives. This initiative involves collaboration with the regional government, particularly the Office of Trade, Industry, Co-operatives and SMEs.

These schemes helped about 50 individual farmers in the west region and involved two villages in West Papua.

### Society, Culture and Religion

ANJ aims to maintain good relationships with key stakeholders surrounding our operations. To further this and create an active spirit of community, we provide support for a range of activities related to sports, arts and culture, national celebrations and other events.

Among the main activities funded were:

- Religious celebrations such as Ramadhan; donation of ceremonial sacrificial animals; and Christmas celebrations at churches around our West Papua plantation;
- Cultural events including supporting a community harvest festival (Maras Taun) at our Belitung operation;
- Sponsoring a retrospective of the work of celebrated Indonesian dance and visual artist Sardono W. Kusumo in which he features Papuan dancers;
- Sponsoring Independence Day events.

### Infrastructure

Maintaining reliable infrastructure is one of the biggest challenges faced by the communities in many of our operational areas, especially in remote areas. The benefits of improving roads, repairing bridges or adding street lighting are considerable. Local and national governments have many competing priorities for infrastructure provision and cannot meet all needs, so ANJ has had an established practice of contributing where necessary.

In 2015, the Company continued its focus on road and bridge repairs and maintenance. We also build or renovate various community buildings, churches and mosques.

In West Papua, we also strive to provide clean water and solar panels as a community and household resource.

One challenge to be addressed is ensuring local village institutions can maintain and develop the use of built infrastructure. This challenge is especially present in our West Papua operations. We will continue to prioritize efforts to develop local institutions and their capacity to establish local priorities, perform maintenance and ensure the sustainable use of infrastructure.

# STATEMENT OF RESPONSIBILITY

By the Members of the Board of Directors and the Board of Commissioners for the 2015 Annual Report of PT Austindo Nusantara Jaya Tbk.

**Jakarta, April 18, 2016:** We, the undersigned, declare that the information contained in the 2015 Annual Report of PT Austindo Nusantara Jaya Tbk. is complete and we are responsible for the accuracy of the report's content. Thus, this statement is duly made by the Board of Directors and Board of Commissioners.

## BOARD OF DIRECTORS

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**Istini Tatiek Siddharta**  
President Director



**Sucipto Maridjan**  
Director



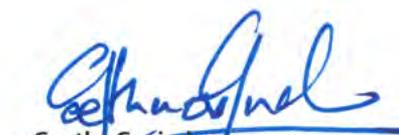
**Lucas Kurniawan**  
Independent Director



**Handi Belamande Syarif**  
Director



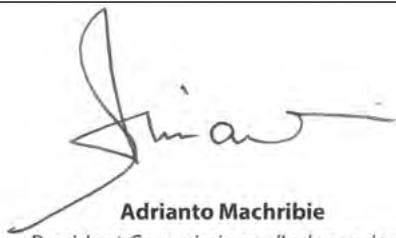
**Sonny Sunjaya Sukada**  
Director



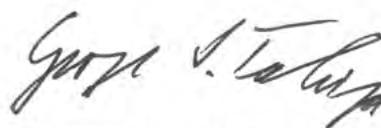
**Geetha Govindan**  
Director

## BOARD OF COMMISSIONERS

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**Adrianto Machribie**  
President Commissioner (Independent)



**George Santosa Tahija**  
Commissioner



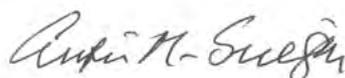
**Sjakon George Tahija**  
Commissioner



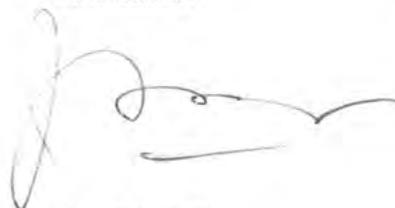
**Istama Tatang Siddharta**  
Commissioner



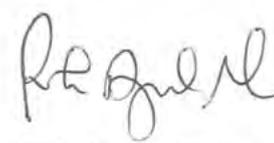
**Anastasius Wahyuhadi**  
Commissioner



**Arifin Mohamad Siregar**  
Independent Commissioner



**Josep Kristiadi**  
Independent Commissioner



**Ridha Wirakusumah**  
Independent Commissioner

# PT AUSTINDO NUSANTARA JAYA Tbk. AND SUBSIDIARIES

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## CONSOLIDATED FINANCIAL STATEMENTS

and supplementary information  
for the years ended Dec. 31, 2015 & 2014  
and Independent Auditors' Report

### CONTENTS

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Directors' Statement Letter .....	FS 2
Independent Auditors' Report .....	FS 3

#### CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position .....	FS 5
Consolidated Statements of Profit or Loss and Other Comprehensive Income .....	FS 7
Consolidated Statements of Changes in Equity .....	FS 8
Consolidated Statements of Cash Flows .....	FS 9
Notes to the Consolidated Financial Statements .....	FS 10

#### SUPPLEMENTARY INFORMATION

Statements of Financial Position – Parent Entity Only .....	FS 106
Statements of Profit or Loss and Other Comprehensive Income – Parent Entity Only .....	FS 108
Statements of Changes in Equity – Parent Entity Only .....	FS 109
Statements of Cash Flows – Parent Entity Only .....	FS 110
Notes to Financial Statements – Parent Entity Only .....	FS 111
Notes to Investment in Subsidiaries and Associates – Years ended December 31, 2015 and 2014 112 .....	FS 116



**PT AUSTINDO NUSANTARA JAYA Tbk.**

ATRIUM MULIA, 3A FLOOR, SUITE 3A-02  
 JL. H.R. RASUNA SAID KAV. B10-11 JAKARTA 12910, INDONESIA  
 P.O. BOX 6146-MT, JAKARTA 10310, INDONESIA  
 TEL : (62-21) 2965 1777 FAX : (62-21) 2965 1788

**DIRECTOR'S STATEMENT LETTER  
 RELATING TO THE RESPONSIBILITY  
 ON THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF DECEMBER 31, 2015 AND 2014  
 AND FOR THE YEARS ENDED  
 DECEMBER 31, 2015 AND 2014**

**PT AUSTINDO NUSANTARA JAYA Tbk AND ITS SUBSIDIARIES**

We the undersigned:

- |                        |   |   |
|------------------------|---|---|
| 1. Name                | : | Istini Tatiek Siddharta   |
| Office Address         | : | Atrium Mulia 3A Floor, Suite 3A-02<br>Jl. H.R. Rasuna Said Kav. B10-11<br>Jakarta |
| Domicile as in ID card | : | Jl. Gunung Sahari VII B/11  |
| Phone number           | : | (021) 29651777  |
| Position               | : | President Director  |
| 2. Name                | : | Lucas Kurniawan   |
| Office Address         | : | Atrium Mulia 3A Floor, Suite 3A-02<br>Jl. H.R. Rasuna Said Kav. B10-11, Jakarta   |
| Domicile as in ID card | : | Jl. Pulau Pelangi II No. 7, Kembangan Utara                                       |
| Phone number           | : | (021) 29651777  |
| Position               | : | Director  |

State that:

1. We are responsible for the preparation and presentation of the consolidated financial statements and supplementary information;
2. The consolidated financial statements and supplementary information have been prepared and presented in accordance with Indonesian Financial Accounting Standards;
3. a. All information in the consolidated financial statements and supplementary information has been completely and correctly disclosed;  
 b. The consolidated financial statements and supplementary information do not contain materially misleading information or facts, and do not conceal any material information and facts;
4. We are responsible for the internal control system of PT Austindo Nusantara Jaya Tbk and its subsidiaries.

This statement letter has been made truthfully.

Jakarta, March 8, 2016



\_\_\_\_\_  
 Istini Tatiek Siddharta  
 President Director

\_\_\_\_\_  
 Lucas Kurniawan  
 Director

## Independent Auditors' Report

No. GA116 0111 ANJ SK

The Stockholders, Boards of Commissioners and Directors  
PT Austindo Nusantara Jaya Tbk

We have audited the accompanying consolidated financial statements of PT Austindo Nusantara Jaya Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of such consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on such consolidated financial statements based on our audits. We conducted our audits in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Austindo Nusantara Jaya Tbk and its subsidiaries as of December 31, 2015, and their financial performance and their cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

## Osman Bing Satrio & Eny

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

## Osman Bing Satrio & Eny

### Emphasis of Matter

As disclosed in Note 1c to the consolidated financial statements, PT Austindo Nusantara Jaya Tbk ("Parent Entity") and PT Pusaka Agro Makmur ("PAM", a wholly owned subsidiary of Parent Entity) merged wherein at the effective date of the merger, all assets and liabilities of PAM were transferred to Parent Entity, and PAM was liquidated in accordance with the laws and regulation in Indonesia. Our opinion is not modified in respect of this matter.

### Other Matter

Our audit of the consolidated financial statements of PT Austindo Nusantara Jaya Tbk and its subsidiaries as of December 31, 2015 and for the year then ended was performed for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The accompanying financial information of Parent Entity, which comprises the statement of financial position as of December 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and other explanatory notes (collectively referred to as the "Parent Entity Financial Information"), which is presented as a supplementary information to the accompanying consolidated financial statements, is presented for the purposes of additional analysis and is not a required part of the accompanying consolidated financial statements under Indonesian Financial Accounting Standards. The Parent Entity Financial Information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the accompanying consolidated financial statements. The Parent Entity Financial Information has been subjected to the auditing procedures applied in the audit of the accompanying consolidated financial statements in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. In our opinion, the Parent Entity Financial Information is fairly stated, in all material respects, in relation to the accompanying consolidated financial statements taken as a whole.

OSMAN BING SATRIO & ENY



Satrio Kartikahadi  
Public Accountant License No. AP.0573

March 8, 2016

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014

	Notes	31/12/2015 US\$	31/12/2014 US\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	19,104,326	30,134,307
Restricted time deposits	6	736,504	236,466
Investment in trading securities at fair value	7	290,200	290,227
Receivable from service concession arrangement - current	50	149,503	143,002
Trade accounts receivable	8	1,252,446	1,499,481
Other receivable - net of allowance for impairment losses of US\$ 40,654 as of December 31, 2015 and US\$ 45,082 as of December 31, 2014	9	890,056	1,702,707
Inventories - net of allowance for decline in value of inventories of US\$ 100,369 as of December 31, 2015 and US\$ 103,439 as of December 31, 2014	10	8,971,071	12,718,960
Prepayments and advances	11	20,295,976	18,785,978
<b>Total Current Assets</b>		<b>51,690,082</b>	<b>65,511,128</b>
<b>NON-CURRENT ASSETS</b>			
Long-term receivable from service concession arrangement	50	7,624,236	7,946,736
Investment in associates	12	24,010,736	22,235,090
Other investments	13	24,252,332	24,231,198
Deferred tax assets	43	10,972,366	8,742,933
Palm plantation - net of accumulated depreciation of US\$ 98,319,192 as of December 31, 2015 and US\$ 90,771,545 as of December 31, 2014	14	160,026,636	148,530,019
Property, plant and equipment - net of accumulated depreciation and impairment of US\$ 69,769,206 as of December 31, 2015 and US\$ 62,692,036 as of December 31, 2014	15	162,381,590	125,130,064
Intangible asset - landrights - net of accumulated amortization of US\$ 23,649 as of December 31, 2015 and US\$ 22,491 as of December 31, 2014	16	798,385	817,421
Advances	17	9,799,861	24,936,667
Goodwill	18	4,967,579	4,967,579
Claims for tax refund	19	112,284	-
Other assets	20	13,807,933	10,980,626
<b>Total Non-current Assets</b>		<b>418,753,938</b>	<b>378,518,333</b>
<b>TOTAL ASSETS</b>		<b>470,444,020</b>	<b>444,029,461</b>

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements

PT AUSTINDO NUSANTARA JAYA Tbk. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2015 AND 2014 (Continued)

	Notes	31/12/2015 US\$	31/12/2014 US\$
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term bank loans	21	40,244,250	27,808,589
Trade accounts payable	22	3,286,379	6,260,242
Taxes payable	23	2,402,992	4,511,398
Other payable	24,49m	2,720,936	6,047,534
Accrued expenses	25	7,103,031	8,101,433
Lease liabilities - current maturities	26	-	149,204
Deferred revenue - current maturities	27	-	670,058
Provision for service concession arrangement - current maturities	50	135,886	90,627
<b>Total Current Liabilities</b>		<b>55,893,474</b>	<b>53,639,085</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term bank loans	21	57,842,919	-
Long-term other payable	49m	-	253,993
Provision for service concession arrangement - net of current maturities	50	1,834,895	1,442,358
Deferred tax liabilities	43	3,471,198	3,223,998
Post-employment benefits obligation	28	10,971,639	10,009,231
<b>Total Non-current Liabilities</b>		<b>74,120,651</b>	<b>14,929,580</b>
<b>EQUITY</b>			
Capital stock - Rp 100 par value per share			
Authorized -12,000,000,000 shares			
Issued and paid-up - 3,335,525,000 shares as of December 31, 2015 and 3,334,900,000 shares as of December 31, 2014	29	46,598,236	46,593,718
Additional paid in capital	30	45,395,647	45,329,389
Treasury stock	1c,29	(10,642,803)	-
Management stock options	31	923,185	728,435
Difference in value due to changes in equity of subsidiaries	32	30,607,591	30,607,591
Other comprehensive income	13,32	(29,770,035)	(20,934,702)
Retained earnings			
Appropriated	45	6,796,399	6,794,072
Unappropriated		250,366,482	265,989,206
Equity attributable to the owners of the Company		340,274,702	375,107,709
Non-controlling interests	33	155,193	353,087
<b>Total Equity</b>		<b>340,429,895</b>	<b>375,460,796</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>470,444,020</b>	<b>444,029,461</b>

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Notes	2015 US\$	2014 US\$
<b>INCOME</b>			
Revenue from sales	34	119,935,906	152,174,742
Service concession revenue	50	6,058,139	6,158,130
Share in net income of associates	35	1,768,996	3,319,594
Dividend income	36	3,126,436	4,882,044
Interest income	37	247,526	637,025
Other income	38	2,200,834	3,417,889
<b>Total Income</b>		<b>133,337,837</b>	<b>170,589,424</b>
<b>EXPENSES</b>			
Cost of sales	39	84,215,990	91,115,342
Cost of service concession	50	2,922,045	2,866,314
Selling expenses		3,369,818	2,424,824
Personnel expenses	40	14,371,315	13,923,849
General and administrative expenses	41	11,911,324	12,490,177
Foreign exchange loss	53	4,387,591	2,156,137
Financial charges	20	2,176,248	533,134
Other expenses	42	9,425,993	11,257,283
<b>Total Expenses</b>		<b>132,780,324</b>	<b>136,767,060</b>
<b>INCOME BEFORE TAX</b>		<b>557,513</b>	<b>33,822,364</b>
<b>TAX EXPENSE</b>	43	<b>(8,943,927)</b>	<b>(15,554,160)</b>
<b>NET (LOSS) INCOME FOR THE YEAR</b>		<b>(8,386,414)</b>	<b>18,268,204</b>
<b>OTHER COMPREHENSIVE (LOSS) INCOME FROM:</b>			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain	28	1,402,201	12,639
Deferred tax (expense) benefit	43	(356,017)	6,551
<b>Total</b>		<b>1,046,184</b>	<b>19,190</b>
Items that will be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments	13	21,134	2,792,902
Foreign exchange differentials from translation of subsidiaries' financial statements		(8,886,323)	(1,212,558)
<b>Total</b>		<b>(8,865,189)</b>	<b>1,580,344</b>
<b>Total other comprehensive (loss) income - net of tax</b>		<b>(7,819,005)</b>	<b>1,599,534</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>		<b>(16,205,419)</b>	<b>19,867,738</b>
<b>NET (LOSS) INCOME ATTRIBUTABLE TO:</b>			
Owners of the Company		(8,218,376)	18,425,605
Non-controlling interests		(168,038)	(157,401)
<b>Net (loss) income for the year</b>		<b>(8,386,414)</b>	<b>18,268,204</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:</b>			
Owners of the Company		(16,007,525)	20,027,587
Non-controlling interests		(197,894)	(159,849)
<b>Total Comprehensive (Loss) Income</b>		<b>(16,205,419)</b>	<b>19,867,738</b>
<b>BASIC (LOSS) EARNINGS PER SHARE</b>			
Basic (loss) earnings per share	44	(0.00251)	0.00553
Diluted (loss) earnings per share		(0.00251)	0.00549

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 YEARS ENDED DECEMBER 31, 2015 AND 2014

Notes	Capital stock US\$	Additional paid in capital US\$	Treasury stock US\$	Management stock options US\$	Difference in value due to changes in equity of subsidiaries US\$	Other Comprehensive Income			Retained Earnings US\$	Unappropriated US\$	Equity attributable to the owners of the Company US\$	Non-controlling Interests US\$	Total equity US\$
						Available for sale investment revaluation US\$	Translation adjustments US\$	Translation adjustments US\$					
Balance as of January 1, 2014	46,581,073	45,151,418	-	344,299	30,607,591	2,058,569	(24,576,063)	6,226,184	257,751,831	364,144,902	512,936	364,657,838	
Additional paid in capital from stock options exercised	12,645	177,971	-	(62,013)	-	-	-	-	-	138,603	-	138,603	
Management stock options	-	-	-	436,149	-	-	-	-	-	436,149	-	436,149	
Net income for the year ended December 31, 2014	-	-	-	-	-	-	-	-	18,425,605	18,425,605	(157,401)	18,268,204	
Other comprehensive income: Items that will not be reclassified subsequently to profit or loss:													
Actuarial gain	-	-	-	-	-	-	-	-	12,639	12,639	-	12,639	
Deferred tax benefit from actuarial gain	-	-	-	-	-	-	-	-	6,551	6,551	-	6,551	
Items that will be reclassified subsequently to profit or loss:													
Change in fair value of available-for-sale investments	-	-	-	-	-	2,792,902	-	-	-	2,792,902	-	2,792,902	
Foreign exchange differentials from translations of subsidiaries' financial statements	-	-	-	-	-	-	(1,210,110)	-	-	(1,210,110)	(2,448)	(1,212,558)	
Total comprehensive income (loss)	-	-	-	-	-	2,792,902	(1,210,110)	-	18,444,795	20,027,567	(159,849)	19,867,738	
Appropriation of retained earnings	-	-	-	-	-	-	-	567,888	(567,888)	-	-	-	
Cash dividends	-	-	-	-	-	-	-	-	(9,639,532)	(9,639,532)	-	(9,639,532)	
Balance as of December 31, 2014	46,593,718	45,329,389	-	728,435	30,607,591	4,851,471	(25,786,173)	6,794,072	263,989,206	375,107,709	353,087	375,460,796	
Additional paid in capital from stock options exercised	4,518	66,258	-	(21,302)	-	-	-	-	-	49,474	-	49,474	
Treasury stock	-	-	(10,642,803)	-	-	-	-	-	-	(10,642,803)	-	(10,642,803)	
Management stock options	-	-	-	216,052	-	-	-	-	-	216,052	-	216,052	
Net loss for the year ended December 31, 2015	-	-	-	-	-	-	-	-	(8,218,376)	(8,218,376)	(168,038)	(8,386,414)	
Other comprehensive loss: Items that will not be reclassified subsequently to profit or loss:													
Actuarial gain	-	-	-	-	-	-	-	-	1,402,201	1,402,201	-	1,402,201	
Deferred tax expense from actuarial gain	-	-	-	-	-	-	-	-	(356,017)	(356,017)	-	(356,017)	
Items that will be reclassified subsequently to profit or loss:													
Change in fair value of available-for-sale investments	-	-	-	-	-	21,134	-	-	-	21,134	-	21,134	
Foreign exchange differentials from translations of subsidiaries' financial statements	-	-	-	-	-	-	(8,856,467)	-	-	(8,856,467)	(29,856)	(8,886,323)	
Total comprehensive (loss) income	-	-	-	-	-	21,134	(8,856,467)	-	(7,172,192)	(16,007,525)	(197,894)	(16,205,419)	
Appropriation of retained earnings	-	-	-	-	-	-	-	2,327	(2,327)	-	-	-	
Cash dividends	-	-	-	-	-	-	-	-	(8,448,205)	(8,448,205)	-	(8,448,205)	
Balance as of December 31, 2015	46,598,236	45,395,647	(10,642,803)	923,185	30,607,591	4,872,605	(34,642,640)	6,796,399	250,366,482	340,274,702	155,193	340,429,895	

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements

PT AUSTINDO NUSANTARA JAYA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015 US\$	2014 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipt from customers	125,228,781	157,574,873
Cash receipt from interest income	239,265	690,103
Cash receipt from income tax refund	6,447,932	-
Payment of post-employment benefits	(494,223)	(769,603)
Income taxes paid	(19,352,323)	(16,336,551)
Payments for other operating activities	(28,484,559)	(8,270,729)
Payments to suppliers	(50,439,395)	(58,293,137)
Payments to employees	(32,258,209)	(28,188,401)
Net Cash Provided by Operating Activities	<u>887,269</u>	<u>46,406,555</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of trading securities	-	1,991,617
Cash dividends received	2,657,471	4,149,738
Proceeds from sale of property, plant and equipment	1,019,527	203,735
Proceeds from sale of other investments	-	747,603
Placement of restricted time deposits	(736,524)	(236,466)
Withdrawal of restricted time deposits	236,466	331,837
Acquisition and additional investment in subsidiaries, associates and other investments	-	(14,746,635)
Acquisition of property, plant and equipment	(34,075,446)	(29,653,578)
Addition to palm plantations	(24,936,808)	(22,215,078)
Addition in advances	(1,801,236)	(4,962,506)
Addition to other assets	(5,262,670)	(9,289,136)
Net Cash Used in Investing Activities	<u>(62,899,220)</u>	<u>(73,678,869)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of shares through management stock options	49,474	138,603
Payment of lease liabilities	(149,204)	(278,040)
Payment for interest expense	(478,992)	(620,441)
Payment of dividends	(8,448,205)	(9,639,532)
Purchase of treasury stock	(10,642,803)	-
Proceeds from short-term bank loans	122,901,418	87,817,333
Payment of short-term bank loans	(110,251,609)	(61,449,444)
Net proceeds from long-term bank loans	58,695,326	-
Payment for borrowing cost	(693,435)	-
Net Cash Provided by Financing Activities	<u>50,981,970</u>	<u>15,968,479</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,029,981)	(11,303,835)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>30,134,307</u>	<u>41,438,142</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>19,104,326</u></u>	<u><u>30,134,307</u></u>

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014

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**1. GENERAL****a. Establishment and General Information**

PT Austindo Nusantara Jaya Tbk (the Company), formerly PT Austindo Teguh Jaya, was established by Deed No. 72 of Notary Mr. Sutjipto, S.H., dated April 16, 1993 which was approved by the Minister of Justice of the Republic of Indonesia in his Decision Letter No. C2-3479.HT.01.01.TH.93 dated May 21, 1993, and was published in Supplement No. 4010 to the State Gazette No. 70, dated August 31, 1993. The Articles of Association have been amended several times, among others, by Deed No. 161 of Notary Dr. Irawan Soerodjo, S.H., M.Si., dated January 17, 2013, pertaining to the Initial Public Offering (IPO) of the Company, which included the change in the Company's status, the IPO plan through the issuance of new shares from Company's portfolio, the approval of share allocation program to employees and the management stock option program, changes in composition of the Board of Commissioners and the Board of Directors and the change in the Articles of Association in order to comply with the regulation of Financial Service Authority ("OJK", formerly Bapepam-LK). The deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decision Letter No. AHU-03796.AH.01.02.Tahun 2013 dated January 31, 2013.

The Articles of Association have been further amended by Deed No. 304 of notary Dr. Irawan Soerodjo, S.H., M.Si., dated December 23, 2014, pertaining to the approval for issuance of new shares from the Company's portfolio in relation with the share allocation program to employees and the management stock option program. The deed has been accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his Notification Letter of the Changes to the Article of Association No. AHU-10247.40.21.2014 dated December 24, 2014. The latest amendment to the entire Articles of Association was by Deed No. 270 of notary Dr. Irawan Soerodjo, S.H., M.Si., dated June 22, 2015, pertaining to the merger between the Company and PT Pusaka Agro Makmur ("PAM"), changes to the Company's principal business activities and the change to the Articles of Association in order to comply with the regulation of OJK. The deed has been approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Approval Letter of the Changes to the Articles of Association No. AHU-0937905.AH.01.02.Tahun 2015 dated June 23, 2015. The Notification of Merger and Notification of Amendment to the Articles of Association of the Company has been recorded in the database of the Legal Entity Administrative System of the Ministry of Law and Human Rights of the Republic of Indonesia under No. AHU-AH.01.10-0105667 and No. AHU-AH.01.03-0944887, respectively, both dated June 23, 2015.

In accordance with the latest amendment in Article 3 of the Company's Articles of Association, the scope of its activities is to engage in the general trading, services and integrated palm oil plantation with its processing into crude palm oil and palm kernel. The Company is eligible to, among others, pursue business opportunities and investments. The Company started its commercial operations in 1993. Currently, the Company provides management services, operates in palm oil plantation and also operates as a holding company of its subsidiaries and associates operating in the agribusiness industry, which are palm oil plantation, sago processing, tobacco processing and horticultural argiculture as well as renewable energy.

As of December 31, 2015 and 2014, the Company and its subsidiaries (the Group) had 6,962 and 6,472 permanent employees, respectively.

The Company is domiciled in Jakarta and its head office is located at Atrium Mulia 3A floor, Suite 3A-02, Jl. H.R. Rasuna Said Kav. B10-11, Jakarta 12910.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

Based on Deed No. 134 of notary Dr. Irawan Soerodjo, S.H., M.Si., dated October 21, 2015, the shareholders of the Company approved the appointment of Mr. Geetha Govindan Kunnath Gopalakrishnan as Director of the Company. The deed was reported to the Minister of Law and Human Rights of the Republic Indonesia and accepted in his Decision Letter No. AHU-AH.01.03-0976076 dated October 29, 2015.

Based on Deed No. 84 of notary Dr. Irawan Soerodjo, S.H., M.Si., dated January 19, 2016 the shareholders of the Company approved the resignation of Mr. Suwito Anggoro as the President Director of the Company effectively on December 31, 2015 and the appointment of Mrs. Istini Tatiek Siddharta as the President Director of the Company effectively on January 1, 2016. The deed was reported to the Minister of Law and Human Rights of the Republic Indonesia and accepted in his decision letter No. AHU-AH.01.03-0006040 dated January 25, 2016.

As of December 31, 2015 and 2014, the composition of the Company's Board of Commissioners and Board of Directors were as follows:

	31/12/2015	31/12/2014
President Commissioner	Mr. Adrianto Machribie Reksohadiprodjo	Mr. Adrianto Machribie Reksohadiprodjo
Commissioners	Mr. George Santosa Tahija Mr. Sjakon George Tahija Mr. Arifin Mohamed Siregar Mr. Istama Tatang Siddharta Mr. Anastasius Wahyuhadi Mr. Josep Kristiadi Mr. Ridha D.M. Wirakusumah	Mr. George Santosa Tahija Mr. Sjakon George Tahija Mr. Arifin Mohamed Siregar Mr. Istama Tatang Siddharta Mr. Anastasius Wahyuhadi Mr. Josep Kristiadi Mr. Ridha D.M. Wirakusumah
President Director	Mr. Suwito Anggoro	Mr. Suwito Anggoro
Deputy President Director	Mrs. Istini Tatiek Siddharta	Mrs. Istini Tatiek Siddharta
Directors	Mr. Sucipto Maridjan Mr. Lucas Kurniawan Mr. Sonny Sunjaya Sukada Mr. Handi Belamande Syarif Mr. Geetha Govindan Kunnath Gopalakrishnan	Mr. Sucipto Maridjan Mr. Lucas Kurniawan - - -

The Company paid benefits to its Commissioners and Directors as follows:

	31/12/2015	31/12/2014
	US\$	US\$
Short-term benefits	2,935,457	2,882,876
Stock options	-	24,960
Total	<u>2,935,457</u>	<u>2,907,836</u>

The members of the Audit Committee as of December 31, 2015 and 2014 were as follows:

	31/12/2015	31/12/2014
Chairman	Mr. Arifin Mohamed Siregar	Mr. Arifin Mohamed Siregar
Members	Mr. Danrivanto Budhijanto Mrs. Muljawati Chitro Mr. Ridha D.M. Wirakusumah	Mr. Danrivanto Budhijanto Mrs. Muljawati Chitro -

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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b. Initial Public Offering

On May 1, 2013, the Company obtained an effective statement from *Otoritas Jasa Keuangan* (OJK) by virtue of its letter No. S-101/D.04/2013 for its initial offering of 333,350,000 shares to the public at par value of Rp 100 per share on the Indonesia Stock Exchange at an initial offering price of Rp 1,200 per share. On May 8, 2013, all of these shares were listed on the Indonesia Stock Exchange.

Based on Deed No. 100 of notary Dr. Irawan Soerodjo, S.H., M.Si., dated June 14, 2013, in accordance with the shareholders register dated May 31, 2013, the shares issued by the Company to the public in the Initial Public Offering were 333,350,000 shares, representing 10% of the outstanding shares. The deed was reported to the Minister of Law and Human Rights of the Republic Indonesia and accepted in his decision letter No. AHU-AH.01.10-25577 dated June 24, 2013.

c. Merger with PT Pusaka Agro Makmur and treasury stock

The Extraordinary General Meeting of Shareholders (EGMS) of the Company on June 22, 2015 approved the merger of the Company and PAM (subsidiary), as stated in Deed No. 270 dated June 22, 2015 of notary Dr. Irawan Soerodjo, S.H., M.Si. The effective date of the merger is June 23, 2015, which is the approval date of the merger by the Minister of Law and Human Rights of the Republic of Indonesia as stated in its decision letter No. AHU-AH.01.10-0105667 dated June 23, 2015. Prior to merger, PAM was a wholly-owned subsidiary of the Company and its financial statements were consolidated to the Group's consolidated financial statements. Accordingly, the merger does not have any impact to the consolidated financial statements of the Group. At the effective date of the merger, all assets and liabilities were transferred to the Company, and PAM was liquidated in accordance with laws and regulations in Indonesia. The approval by the Capital Investment Coordinating Board is obtained on January 29, 2016.

In accordance with Law No. 40 of 2007 regarding Limited Liability Company ("Company Law") and Government Regulation No. 27 of 1998 regarding Merger, Consolidation and Acquisition of a Limited Liability Company ("PP 27/1998"), the shareholders of the Company who disagreed with the EGMS resolution as discussed above can exercise their rights to have their shares purchased by the Company at a fair price determined by the Company which is Rp 1,224 per share. On June 30, 2015, the Company completed the purchase of 115,651,300 shares from the shareholders which disagree with the EGMS resolution with total acquisition cost of Rp 141,840 million (including other direct acquisition costs of Rp 283 million) or equivalent to US\$ 10.6 million.

In December 2015, the Company submitted its application to use the book value in relation with this merger to the Directorate General of Taxation (DGT). On February 19, 2016, DGT issued the approval letter No. KEP-563/WPJ.07/2016 for using the net book value in the merger between the Company and PAM.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

d. Subsidiaries

- i. The Company has ownership interests of more than 50%, directly or indirectly, in the following subsidiaries:

Subsidiaries and principal activities	Location	Year of commercial operation	Equity interest		Total Assets Before Elimination	
			31/12/2015 %	31/12/2014 %	31/12/2015 US\$	31/12/2014 US\$
<b>Direct subsidiaries</b>						
<b>Renewable Energy</b>						
PT Darajat Geothermal Indonesia (DGI)	Darajat, West Java	1998	99.99	99.99	12,025,509	11,856,789
PT Austindo Aufwind New Energy (AANE)	Belitung, Bangka Belitung	2013	99.18	99.18	2,558,871	2,432,027
<b>Agribusiness</b>						
PT Pusaka Agro Makmur (PAM) (5)	Maybrat, Papua	Pre-operating	-	100.00	-	2,041,586
PT Aceh Timur Indonesia (ATI)	Jakarta	1998	99.99	99.99	4,943,893	4,624,015
PT Surya Makmur (SM)	Medan	1998	99.99	99.99	6,452,363	6,070,114
PT Austindo Nusantara Jaya Agri (ANJA)	Binanga, North Sumatera	1995	99.99	99.99	290,381,167	267,112,285
PT ANJ Agri Papua (ANJAP)	South Sorong, Papua	Pre-operating	99.99	99.99	19,990,755	18,610,836
PT Austindo Nusantara Jaya Boga (ANJB)	Jakarta	2014	99.99	99.99	220,192	301,184
PT Gading Mas Indonesia Teguh (GMIT) (4)	Jember	2000	99.96	99.96	4,639,535	8,631,909
<b>Financial services</b>						
PT Prima Mitra Nusatama (PMN) (has been liquidated)	Jakarta	1994	-	-	-	-
<b>Indirect subsidiaries</b>						
<b>Agribusiness</b>						
PT Sahabat Mewah dan Makmur (SMM) (1)	Belitung, Bangka Belitung	1994	99.99	99.99	29,106,802	29,966,303
PT Austindo Nusantara Jaya Agri Siais (ANJAS) (1)	South Angkola, North Sumatera	2009	99.99	99.99	58,859,477	75,022,739
PT Kayung Agro Lestari (KAL) (1)	Ketapang, West Kalimantan	2014	99.99	99.99	69,970,977	61,779,461
PT Galempa Sejahtera Bersama (GSB) (3)	South Sumatera	Pre-operating	99.99	99.99	3,950,617	3,081,328
PT Putera Manunggal Perkasa (PMP) (3)	South Sorong and Maybrat, Papua	Pre-operating	99.99	99.99	38,029,689	22,134,482
PT Permata Putera Mandiri (PPM) (3)	South Sorong, Papua	Pre-operating	99.99	99.99	30,458,373	19,664,629
PT Lestari Sagu Papua (LSP) (2)	South Sorong, Papua	Pre-operating	51.00	51.00	274,326	692,414

- (1) Owned by ANJA  
 (2) Owned by ANJAP  
 (3) 95.00% is owned by ANJA and 5.00% is owned by the Company  
 (4) Formerly PT Gading Mas Indonesian Tobacco  
 (5) Has been merged to the Company on June 23, 2015

*PT Austindo Aufwind New Energy (AANE)*

Based on Deed No. 124 of notary Mala Mukti, S.H. dated July 23, 2013, the shareholders of AANE approved the increase in issued and paid up capital from US\$ 4,350,000 to US\$ 5,350,000 by issuing 1,000 new shares. This deed has been subsequently restated by Deed No. 95 of notary Mala Mukti, S.H. dated June 19, 2014 and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-03444.40.21.2014 dated June 25, 2014. The Company's direct ownership in AANE increased from 98.99% to 99.18%.

*PT Pusaka Agro Makmur (PAM)*

Based on Deed No. 56 of notary Mala Mukti, S.H. dated October 15, 2014, the Company and Wodi Kaifa Ltd. entered into a sale and purchase agreement, whereas Wodi Kaifa Ltd. sold and transferred 8,550,000 shares or 95% ownership interest in PAM to the Company at a price of US\$ 11,692,000 plus a maximum contingent purchase price component of US\$ 6,292,309. The contingent purchase price component paid by the Company to Wodi Kaifa Ltd. until December 31, 2015 was US\$ 6,275,941. In accordance with the sale and purchase agreement, the Company has also paid US\$ 302,092 to Wodi Kaifa Ltd., which represented 95% of the Net Asset Value of PAM as of September 30, 2014.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

Based on Deed No. 55 of notary Mala Mukti, S.H. dated October 15, 2014, the Company and PT Pusaka Agro Sejahtera (PAS) entered into a sale and purchase agreement, whereas PAS sold and transferred 450,000 shares or 5% ownership interest in PAM to the Company at a price of US\$ 615,600. In accordance with the sale and purchase agreement, the Company has also paid US\$ 15,900 to PAS, which represented 5% of the Net Asset Value of PAM as of September 30, 2014.

The acquisition cost (including the contingent purchase price component) represents the fair value of net asset acquired, which is a location permit for 40,000 hectares of land located in Maybrat, Papua. There is no goodwill arising from this transaction.

Cash flows arising from the acquisition of PAM is as follows:

	<u>US\$</u>
Acquisition cost, before payment of contingent purchase price	12,625,591
Cash balance received from the acquisition	<u>(6,393)</u>
Payment for acquisition of subsidiary - net before payment of contingent purchase price	12,619,198
Payment of contingent purchase price	<u>6,275,941</u>
Payment for acquisition of subsidiary - net	<u><u>18,895,139</u></u>

Based on Deed No. 110 of notary Desman, S.H., M.Hum. dated December 23, 2014, the Company approved the increase in authorized capital from Rp 20,000,000,000 to Rp 100,000,000,000 and the increase in issued and paid up capital from Rp 9,000,000,000 to Rp 25,391,100,000 (or equivalent to US\$ 1,348,428). The Deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-13622.40.20.2014 dated December 29, 2014.

On June 23, 2015, the Company and PAM were merged whereas the Company became the surviving entity (Note 1c).

*PT ANJ Agri Papua (ANJAP)*

Based on Deed No. 107 of notary Desman, S.H., M.Hum. dated December 23, 2014, the shareholders of ANJAP approved the increase of authorized capital from Rp 400 billion to Rp 1 trillion and the increase of issued and paid up capital from Rp 385,578,000,000 to Rp 485,695,000,000 by issuing 100,117 new shares, all of which was subscribed and paid by the Company. As of December 31, 2014, the approval from the Minister of Law and Human Rights of the Republic of Indonesia related to the capital increase is still in process. The Company has paid US\$ 8,234,165 capital advance to ANJAP.

This deed has been subsequently restated by Deed No. 79 of notary Sofiany, S.E., S.H. dated January 30, 2015 and approved by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-0001590.AH.01.02.Tahun 2015 dated January 30, 2015. The Company's direct ownership in ANJAP increased from 99.575% to 99.662%.

Based on Deed No. 79 of notary Desman, S.H., M.Hum. dated October 23, 2015 which has been subsequently restated by Deed No. 43 of notary Desman, S.H., M.Hum. dated December 14, 2015, the shareholders of ANJAP approved the increase of issued and paid up capital from Rp 485,695,000,000 to Rp 527,592,000,000 by issuing 41,897 new shares, all of which was subscribed and paid by the Company. The increase in paid up capital was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-AH.01.03-0988040 dated December 15, 2015. The Company's direct ownership in ANJAP increased from 99.662% to 99.689%.

*PT Prima Mitra Nusatama (PMN)*

Based on Deed No. 5 of notary Mala Mukti, S.H. dated April 1, 2013, the shareholders of PMN approved the payment of the remaining net assets post liquidation of PMN to the shareholders. On April 23, 2013, PMN has transferred its remaining net assets post liquidation of equivalent to US\$ 9,645,660 as dividend and capital repayment to the shareholders. Following the liquidation, the Company recognized realization of PMN's cumulative translation adjustments of US\$ 959,556 as loss from liquidation in 2013. On September 29, 2014, PMN distributed the remaining post liquidation net assets of US\$ 75,009 to the shareholders, that was previously provided for expenses which might be incurred during the liquidation process. On March 12, 2015, PMN received the decision letter for revocation of tax identification number from tax office.

*PT Kayung Agro Lestari (KAL)*

Based on Deed No. 86 of notary Mala Mukti, S.H. dated October 23, 2013, the shareholders of KAL approved the increase in issued and paid up capital from Rp 601,190,000,000 to Rp 658,365,000,000 by issuing 114,350 new shares, of which 114,293 shares were subscribed and paid by ANJA and 57 shares were subscribed and paid by SMM. This deed has been subsequently restated by Deed No. 10 of notary Mala Mukti, S.H. dated November 4, 2014 and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-08188.40.21.2014 dated November 6, 2014.

Based on Deed No. 101 of notary Sofiany, S.E., S.H. dated April 30, 2015, the shareholders of KAL approved the increase in issued and paid up capital from Rp 658,365,000,000 to Rp 730,217,000,000 by issuing 143,704 new shares, of which 143,632 shares were subscribed and paid by ANJA and 72 shares were subscribed and paid by SMM. The increase in paid up capital was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-AH.01.03-0935354 dated May 28, 2015.

*PT Galempa Sejahtera Bersama (GSB)*

Based on Deed No. 3 of notary Mala Mukti, S.H. dated April 1, 2014, the shareholders of GSB approved the increase in issued and paid up capital from Rp 26,598,000,000 to Rp 50,000,000,000 by issuing 234,020 new shares, of which 95% was subscribed and paid by ANJA and 5% was subscribed and paid by the Company.

Deed No. 3 have been subsequently restated by Deed No. 46 of notary Mala Mukti, S.H. dated December 15, 2014 and approved by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-12960.40.20.2014 dated December 17, 2014.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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Based on Deed No. 81 of notary Sofiany, S.E., S.H. dated April 24, 2015, the shareholders of GSB approved the increase in issued and paid up capital from Rp 50,000,000,000 (500,000 shares) to Rp 62,983,000,000 (629,830 shares). Of the 129,830 new shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively. The increase in paid up capital was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-AH.01.03.0929818 dated May 6, 2015.

Based on Deed No. 78 of notary Desman, S.H., M.Hum. dated October 23, 2015 which has been subsequently restated by Deed No. 4 of notary Desman, S.H., M.Hum. dated December 2, 2015, the shareholders of GSB approved the increase of issued and paid up capital from Rp 62,983,000,000 (629,830 shares) to Rp 77,683,000,000 (776,830 shares). Of the 147,000 new shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively. The increase in paid up capital was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-AH.01.03.0989359 dated December 18, 2015.

*PT Putera Manunggal Perkasa (PMP)*

Based on Deed No. 12 of notary Mala Mukti, S.H. dated July 3, 2013, the shareholders of PMP approved the increase in authorized capital from Rp 20,000,000,000 to Rp 150,000,000,000 and the increase in issued and paid up capital from Rp 9,000,000,000 (9,000,000 shares) to Rp 38,195,980,000 (38,195,980 shares). Of the 29,195,980 new shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively.

Based on Deed No. 52 of notary Mala Mukti, S.H. dated November 13, 2013, the shareholders of PMP approved the increase in issued and paid up capital from Rp 38,195,980,000 (38,195,980 shares) to Rp 65,740,980,000 (65,740,980 shares). Of the 27,545,000 new shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively.

Deeds No.12 and 52 have been subsequently restated by Deed No. 4 of notary Mala Mukti, S.H. dated October 1, 2014, accepted and approved by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-075258.40.21.2014 and No. AHU-09373.40.20.2014 dated October 10, 2014.

Based on Deed No. 109 of notary Desman, S.H., M.Hum. dated December 23, 2014, the shareholders of PMP approved the increase in issued and paid up capital from Rp 65,740,980,000 (65,740,980 shares) to Rp 105,520,980,000 (105,520,980 shares). Of the 39,780,000 new shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively. As of December 31, 2014, the approval from the Minister of Law and Human Rights of the Republic of Indonesia related to the capital increase is still in process. The Company has paid US\$ 162,686 capital advance to PMP.

This deed has been subsequently restated by Deed No. 27 of notary Sofiany, S.E., S.H. dated February 12, 2015 and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-AH.01.03-0009674 dated February 13, 2015.

Based on Deed No. 102 of notary Sofiany, S.E., S.H. dated April 30, 2015, the shareholders of PMP approved the increase in issued and paid up capital from Rp 105,520,980,000 (105,520,980 shares) to Rp 170,950,980,000 (170,950,980 shares). Of the 65,430,000 new shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively. The increase in paid up capital was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-AH.01.03.0935416 dated May 28, 2015.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

*PT Permata Putera Mandiri (PPM)*

Based on Deed No. 11 of notary Mala Mukti, S.H. dated July 3, 2013, the shareholders of PPM approved the increase in authorized capital from Rp 40,000,000,000 to Rp 175,000,000,000 and the increase in issued and paid up capital from Rp 15,000,000,000 (15,000,000 shares) to Rp 44,195,980,000 (44,195,980 shares). Of the 29,195,980 new shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively.

Based on Deed No. 53 of notary Mala Mukti, S.H. dated November 13, 2013, the shareholders of PPM approved the increase in issued and paid up capital from Rp 44,195,980,000 (44,195,980 shares) to Rp 61,485,679,000 (61,485,679 shares). Of the 17,289,699 new shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively.

Deeds No. 11 and 53 have been subsequently restated by Deed No. 5 of notary Mala Mukti, S.H. dated October 1, 2014, accepted and approved by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-07257.40.21.2014 and No. AHU-09372.40.20.2014 dated October 10, 2014.

Based on Deed No. 108 of notary Desman, S.H., M.Hum. dated December 23, 2014, the shareholders of PPM approved the increase in the issued and paid up capital from Rp 61,485,679,000 (61,485,679 shares) to Rp 111,455,679,000 (111,455,679 shares). Of the 49,970,000 new issued shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively. As of December 31, 2014, the approval from the Minister of Law and Human Rights of the Republic of Indonesia related to the capital increase is still in process. The Company has paid US\$ 204,359 capital advance to PPM.

This deed has been subsequently restated by Deed No. 7 of notary Sofiany, S.E., S.H. dated February 4, 2015 and accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-AH.01.03-0008383 dated February 9, 2015.

Based on Deed No. 103 of notary Sofiany, S.E., S.H. dated April 30, 2015, the shareholders of PPM approved the increase in issued and paid up capital from Rp 111,455,679,000 (111,455,679 shares) to Rp 163,799,679,000 (163,799,679 shares). Of the 52,344,000 new shares, ANJA and the Company subscribed and paid for 95% and 5% ownership, respectively. The increase in paid up capital was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. AHU-AH.01.03.0935478 dated May 28, 2015.

- ii. Details of non-wholly owned subsidiaries that have material non-controlling interest to the Group are as follows:

Subsidiary	Domicile	Percentage of ownership interest held by non-controlling interests		Profit (loss) attributable to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	12/31/2015	12/31/2014
				US\$	US\$	US\$	US\$
PT Lestari Sagu Papua (LSP)	South Sorong, Papua	49%	49%	(191,618)	(160,912)	132,769	324,387
Subsidiaries with immaterial non-controlling interests				23,580	3,511	22,424	28,700
Total				(168,038)	(157,401)	155,193	353,087

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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## **2. ADOPTION OF NEW AND REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (“PSAK”) AND INTERPRETATIONS OF PSAK (“ISAK”)**

### **a. Standards effective in the current year**

In the current year, the Group adopted the following new and revised standards and interpretations issued by the Financial Accounting Standard Board of the Indonesian Institute of Accountants that are relevant to its operations and effective for accounting period beginning on January 1, 2015.

- PSAK 1 (revised 2013), Presentation of Financial Statements

The amendments to PSAK 1 introduce new terminology for the statement of comprehensive income. Under the amendments to PSAK 1, the statement of comprehensive income is renamed as a “statement of profit or loss and other comprehensive income”. The amendments to PSAK 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to PSAK 1, require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that may be reclassified subsequently to profit or loss when specific conditions are met.

The Group has adopted the revised standard since January 1, 2015. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. The adoption of the revised standard does not have any impact to the figures reported in the consolidated financial statements issued in the prior years.

- PSAK 4 (revised 2013), Separate Financial Statements

PSAK 4 (revised 2009), “Consolidated and Separate Financial Statements” has been renamed PSAK 4 (revised 2013), “Separate Financial Statements” which continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements remains unchanged.

The adoption of this revised standard does not have any impact to the Group’s consolidated financial statements.

- PSAK 15 (revised 2013), Investment in Associates and Joint Ventures

PSAK 15 (revised 2009), “Investments in Associates” has been renamed PSAK 15 (revised 2013), “Investments in Associates and Joint Ventures”. The scope of the revised standard was expanded to cover entities that are investors with joint control of, or significant influence over, an investee.

The adoption of this revised standard does not have any impact to the Group’s consolidated financial statements.

- PSAK 24 (revised 2013), Employee Benefits

The amendments to PSAK 24 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of PSAK 24 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of PSAK 24 are replaced with a "net interest" amount under PSAK 24 (revised 2013) which is calculated by applying the discount rate to the net defined benefit liability or asset.

PSAK 24 (revised 2013) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The Group has adopted the revised standard since January 1, 2015. The adoption of the revised standard does not have a significant impact to the Group's consolidated financial statements issued in the prior years.

- PSAK 46 (revised 2014), Income Taxes

The amendments to PSAK 46: (1) remove references to final tax which was previously scoped in the standard; and (2) establish a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in PSAK 13, Investment Property will be recovered entirely through sale.

Under the amendments, unless the presumption is rebutted, the measurement of the deferred tax liability or deferred tax asset is required to reflect the tax consequences of recovering the carrying amount of the investment property through sale. The "sale" presumption is rebutted if the investment property is depreciable and the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The adoption of this revised standard does not have any impact to the Group's consolidated financial statements.

- PSAK 48 (revised 2014), Impairment of Assets

PSAK 48 has been amended to incorporate the requirements of PSAK 68, Fair Value Measurement.

The adoption of this revised standard does not have any impact to the Group's consolidated financial statements.

- PSAK 50 (revised 2014), Financial Instruments: Presentation

The amendments to PSAK 50 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legal enforceable right of set-off" and "simultaneous realization and settlement." The amendments also clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with PSAK 46 (revised 2014).

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

---

The amendments require retrospective application. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

- PSAK 55 (revised 2014), Financial Instruments: Recognition and Measurement

The amendments to PSAK 55 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. Further, the amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the “fair value through profit or loss” category – see discussion in ISAK 26.

This standard is also amended to incorporate the requirements of PSAK 68, Fair Value Measurement.

The adoption of this revised standard does not have any impact to the Group’s consolidated financial statements.

- PSAK 60 (revised 2014), Financial Instruments: Disclosures

The amendments to PSAK 60 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. Further, entities are required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or the amounts recognized in consolidated financial statements.

- PSAK 65, Consolidated Financial Statements

PSAK 65 replaces the part of PSAK 4 (Revised 2009), Consolidated and Separate Financial Statements, that deals with consolidated financial statements, and ISAK 7, Consolidation – Special Purpose Entities.

Under PSAK 65, there is only one basis for consolidation for all entities, and that basis is control.

A more robust definition of control has been developed that includes three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

PSAK 65 also adds an application guidance to assist in assessing whether an investor controls an investee in complex scenarios.

PSAK 65 requires investors to reassess whether or not they have control over the investees on transition, and requires retrospective application.

The adoption of this revised standard does not have any impact to the Group’s consolidated financial statements.

- PSAK 66, Joint Arrangements

PSAK 66 replaces PSAK 12, Interest in Joint Ventures.

PSAK 66 deals with how a joint arrangement should be classified where two or more parties have joint control. Under PSAK 66, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by parties to the arrangement, and, when relevant, other facts and circumstances. In contrast, under PSAK 12, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. The classification of joint arrangements under PSAK 12 was primarily determined based on the legal form of the arrangement.

The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Joint ventures under PSAK 66 are required to be accounted for using the equity method of accounting, whereas previously jointly controlled entities under PSAK 12 can be accounted for using the equity method of accounting or proportionate consolidation.

The transition provisions of PSAK 66 require entities to apply the standard at the beginning of the earliest period presented upon adoption.

The Group has adopted the revised standard since January 1, 2015 and evaluated the joint arrangement that the Group has entered (Note 49d). The adoption of the revised standard does not have any impact to the the Group's consolidated financial statements.

- PSAK 67, Disclosures of Interests in Other Entities

PSAK 67 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

In general, the application of PSAK 67, has resulted in more extensive disclosures in the consolidated financial statements (Note 12).

- PSAK 68, Fair Value Measurements

PSAK 68 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard does not change the requirements regarding which items should be measured or disclosed at fair value.

PSAK 68 defines fair value, establishes a framework for measuring fair value, and requires disclosure about fair value measurements.

The scope of PSAK 68 is broad; it applies to both financial instrument items and non-financial instrument items for which other PSAK require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

PSAK 68 is applied prospectively; the disclosure requirements need not be applied in comparative information provided for periods before initial application of the standard.

In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in this standard in comparative information provided for periods before the initial application of this standard.

In accordance with these transitional provisions, the Group has not made any new disclosures required by PSAK 68 for the 2014 comparative period (see Note 55 for the 2015 disclosures). Other than the additional disclosures, the application of PSAK 68 has not had any material impact on the amounts recognized in the consolidated financial statements.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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- ISAK 26, Reassessment of Embedded Derivatives

The amendments to ISAK 26 clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the “fair value through profit or loss” category.

The adoption of this revised standard does not have any impact to the Group’s consolidated financial statements.

**b. Standards and interpretation issued, but not yet adopted**

Standard and improvements to standards effective for periods beginning on or after January 1, 2016, with early application permitted as are follows:

Standard

- PSAK 110 (revised 2015): Accounting for Sukuk.

Improvements

- PSAK 5: Operating Segments,
- PSAK 7: Related Party Disclosures,
- PSAK 13: Investments Property,
- PSAK 16: Property, Plant and Equipment,
- PSAK 19: Intangible Assets,
- PSAK 22: Business Combination,
- PSAK 25: Accounting Policies, Changes in Accounting Estimates and Errors,
- PSAK 53: Share-based Payments, and
- PSAK 68: Fair Value Measurement.

Amendments to standards and interpretation which are effective for periods beginning on or after January 1, 2016, with retrospective application are as follows:

- PSAK 4: Separate Financial Statements about Equity Method in Separate Financial Statements,
- PSAK 15: Investment in Associates and Joint Venture about Investment Entities: Applying the Consolidation Exception,
- PSAK 24: Employee Benefits about Defined Benefit Plans: Employee Contributions,
- PSAK 65: Consolidation Financial Statements about Investment Entities: Applying the Consolidation Exception,
- PSAK 67: Disclosures of Interest in Other Entities about Investment Entities: Applying the Consolidation Exception, and
- ISAK 30: Levies.

The amendments to standards effective for periods beginning on or after January 1, 2016, with amendments to be applied prospectively are as follows:

- PSAK 16: Property, Plant and Equipment about Clarification of Acceptable Methods of Depreciation and Amortization,
- PSAK 19: Intangible Asset about Clarification of Acceptable Methods of Depreciation and Amortization, and
- PSAK 66: Joint Arrangements about Accounting for Acquisitions of Interests in Joint Operation.

Amendments to standards and interpretations effective for periods beginning on or after January 1, 2017, with early application permitted are amendments to PSAK 1: Presentation of Financial Statements about Disclosure Initiative and ISAK 31: Scope Interpretation of PSAK 13: Investment Property.

Standard and amendment to standard effective for periods beginning on or after January 1, 2018, with early application permitted are PSAK 69: Agriculture and amendments to PSAK 16: Property, Plant and Equipment about Agriculture: Bearer Plants.

As of the issuance date of the consolidated financial statements, management is evaluating the effect of adoption of these standards and interpretations on the consolidated financial statements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Statement of Compliance**

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards. Such consolidated financial statements are not intended to present the financial position, result of operations and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

#### **b. Basis of Preparation**

The consolidated financial statements, except for the consolidated statements of cash flows, have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts (if any) or fair values and accrual basis, at the end of each reporting period, as explained in the accounting policies below. The presentation currency used in the preparation of the consolidated financial statements is the United States Dollar (US\$).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics the asset or a liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PSAK 53, leasing transactions that are within the scope of PSAK 30, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PSAK 14 or value in use in PSAK 48.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated statements of cash flows are prepared using the direct method with classification of cash flows into operating, investing and financing activities.

#### **c. Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

---

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including (i) the size of the Company's holding of voting rights relative to the size and dispersion of holding of the other vote holders; (ii) potential voting rights held by the Company, other vote holders or other parties; (iii) rights arising from other contractual arrangements; and (iv) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expense of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable accounting standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under PSAK 55, Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

**d. Business Combinations**

Acquisition of business is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value except for certain assets and liabilities that are measured in accordance with the relevant standards.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another accounting standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured after reporting dates and its subsequent settlement is accounted for as equity. Contingent consideration that is classified as an asset or liability is remeasured after reporting dates in accordance with relevant accounting standards, as appropriate, with the corresponding gain or loss being recognized in profit or loss or in other comprehensive income (OCI).

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if the interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amount recognized as of that date.

**e. Business Combination Under Common Control**

Business combination of entities under common control that qualifies as a business are accounted for under pooling of interest method where assets and liabilities acquired in the business combination are recorded by the acquirer at their book values.

The difference between the transfer price and the book value is presented as Additional Paid in Capital and is not recycled to profit or loss.

The pooling of interest method is applied as if the entities had been combined from the period when the merging entities were placed under common control.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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**f. Foreign Currency Transactions and Translation**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowing relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowing.
- Exchange differences on transaction entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign currency operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Indonesian Rupiah using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of foreign operation (i.e., a disposal of the Group's entire interest in foreign operation, or disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposal of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

**g. Transactions With Related Parties**

A related party is a person or entity that is related to the Group (the reporting entity):

- a. A person or a close member of that person's family is related to the reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b. An entity is related to the reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the other).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group, of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring entities are also related to the reporting entity.
  - vi. The entity is controlled or jointly controlled by a person identified in (a).
  - vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**h. Financial Instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

**Financial Assets**

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group's financial assets are classified as follows:

- Fair Value Through Profit or Loss (FVTPL)
- Available-for-Sale (AFS)
- Loans and Receivable

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading, if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of an identified portfolio of financial instruments that the entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition, if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel (as defined in PSAK 7: Related Party Disclosures), for example the entity's board of directors and chief executive officer.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset, and is included in dividend income and interest income in the consolidated statements of profit or loss and other comprehensive income.

Available-for-sale (AFS)

AFS financial assets are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and bonds held by the Group that are traded in an active market are classified as AFS and are stated at fair value.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in equity as AFS investment revaluation, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative of gain or loss previously accumulated in AFS investment revaluation is reclassified to profit or loss.

Investments in unlisted equity instruments that are not quoted in active market and whose fair value cannot be reliably measured are also classified as AFS, measured at cost less impairment.

Dividends on AFS equity instruments, if any, are recognized in profit or loss when the Group's right to receive the dividends are established.

Loans and receivable

Cash and cash equivalents, except cash on hand, trade accounts receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivable" and measured at amortized cost using the effective interest method less impairment.

Interest income is recognized by applying the effective interest rate method, except for short-term receivable when the recognition of interest would be immaterial.

**Effective interest method**

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial instruments other than those financial assets classified as at fair value through profit or loss.

### **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be an objective evidence of impairment.

For all other financial assets, an objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets, that are assessed as not impaired individually, will be also assessed for impairment on a collective basis. The objective evidence of impairment for a portfolio of receivable could include the Group past experiences of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivable.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in equity are reclassified to profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

The carrying amount of the financial asset is reduced directly by the impairment loss for all financial assets, except for receivables, which the carrying amount is reduced by impairment loss through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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**Derecognition of financial assets**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

**Financial Liabilities and Equity Instruments****Classification as debt or equity**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an equity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments (treasury shares), the consideration paid, including any directly attributable incremental costs is recognized and deducted directly in equity until the shares are cancelled or reissued. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

**Financial liabilities at amortized cost**

Trade and other payable, accrued expenses, bank loans and other borrowings are subsequently measured at amortized cost, using the effective interest rate method.

#### **Derecognition of financial liabilities**

The Group derecognizes financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### **Derivative instruments**

The Group uses derivative financial instruments to manage their exposures to interest rate and foreign exchange rate fluctuations. Further details on the use of derivatives are disclosed in Note 47.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately as these derivatives are not designated and do not qualify as hedge accounting although they were entered into as economic hedge of exposures against interest rate fluctuation risk and foreign exchange rate risks.

A derivative is presented as non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### **Netting of Financial Assets and Financial Liabilities**

The Group only offsets financial assets and liabilities and present the net amount in the statements of financial position when they:

- currently have a legal enforceable right to set-off the recognized amount; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **i. Cash and Cash Equivalents**

For cash flow presentation purposes, cash and cash equivalents consists of cash on hand and in banks and investments which (i) have maturities of three months or less from the date of placement, (ii) are not pledged as collateral and (iii) are unrestricted.

#### **j. Time Deposits**

Time deposits with maturities of three months or less which are pledged as collateral or restricted and time deposits with maturities of more than three months that are realizable within one year from reporting period are presented separately.

#### **k. Receivable from Service Concession Arrangement**

Receivable due from concession project represents services provided in connection with the service concession arrangement for which guaranteed minimum payments have been agreed irrespective of the extent of use. Due to the length of the payment plans, receivables are measured at present value of amortized cost. The annual accumulation of interest on these discounted values is presented as interest income under revenue. Customers' payments divided into a portion to be deducted from the receivable and interest on the unpaid amounts and a portion for the other concession services.

If collection is expected in one year or less, it is classified as current assets. Otherwise, it is presented as non-current assets.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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**I. Inventories**

Inventories are stated at cost or net realizable value, whichever is lower.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated selling cost.

Cost of palm-oil finished goods comprises all costs incurred in estates (such as upkeep, cultivating and harvesting cost), an allocation of indirect cost using hectares as a basis of allocation, and processing cost. Cost of finished goods inventories are determined using the weighted average method.

Materials, spare parts and supplies are stated at cost, which is calculated using the weighted average method.

Allowance for decline in value of inventories is provided based on a review of the condition of the inventories at year end.

**m. Investment in Associates and Joint Ventures**

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangements have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results of operations and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with PSAK 58, Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture) the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate or a joint venture recognized at the date of acquisition, is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of PSAK 55, Financial Instruments: Recognition and Measurement, are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with PSAK 48, Impairment of Assets, as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PSAK 48 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures any retained investment at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with PSAK 55. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain that had previously been recognized in other comprehensive income relating to that reduction in ownership interest (if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities).

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of its interest in the associate or joint venture that are not related to the Group.

#### **n. Interests in Joint Operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the PSAKs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

**o. Property, Plant and Equipment - Direct Acquisitions**

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write-off the cost of assets less residual values using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings, roads and bridges	4 - 20
Leasehold improvement	3
Machinery and equipment	4 - 8
Computer and communication equipment	4
Office equipment, furniture and fixtures	4 - 8
Motor vehicles	4 - 8

Assets held under finance leases are depreciated over their expected economic useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

The estimated useful lives, residual values and depreciation method are reviewed at each year end. The effect of any changes in estimate is accounted for on a prospective basis.

The cost of maintenance and repairs is charged to profit or loss as incurred. Other costs incurred subsequently related to addition, replacement or service of property, plant and equipment are recognized as asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

When assets are retired or otherwise disposed of, their carrying values are removed from the accounts and any resulting gain or loss is reflected in profit or loss.

Construction in progress is stated at cost, which include borrowing costs during construction on debts incurred to finance the construction. Accumulated cost will be transferred to the respective property, plant and equipment account when the construction is completed and the asset is ready for use.

#### Land

Land is stated at cost and is not depreciated is not depreciated.

Land cost consists of acquisition cost, land compensation cost and all legal processing cost of landrights.

During the process of obtaining legal landrights (i.e. Land Cultivation Rights or Hak Guna Usaha/HGU title), all relevant expenses incurred will be recognized as advances and will be reclassified as land cost when the HGU is obtained.

#### **p. Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent periods.

On the disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group policy regarding goodwill arising from acquisition of associates is explained in Note 3m.

#### **q. Palm Plantations**

Palm plantations are classified as immature and mature plantations.

Immature plantations are stated at cost which represents accumulated costs incurred on the palm plantations before they mature and produce crops. Such costs include the cost for nurseries, field preparation, planting, fertilizing, maintenance, interest on debts incurred to finance the development of plantations until maturity, and allocation of other indirect costs based on hectares planted. These costs are accumulated up to the time the plantations are ready for harvest, for as long as the carrying value of such immature plantations do not exceed the higher of replacement cost or recoverable amount.

Palm plantations are considered mature when more than 70% of the area is ready for harvest and the average bunch weight exceeds 3.5 kg, which is normally achieved within three to four years after planting. At the time palm plantations are considered matured, immature plantations are reclassified to mature plantations account and are depreciated from the date of transfer.

Mature plantations are stated at cost as of the date of transfer, less accumulated depreciation. Mature plantations are depreciated using the straight line method based on the estimated productive lives of the mature plantations which is 20 years.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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**r. Intangible Asset - Landrights**

Deferred charges for landrights consisting of cost of renewal or extension of the landrights is amortized using the straight-line method over the legal term of the renewal extension or over the economic life of the asset, whichever is shorter.

**s. Impairment of Non-Financial Assets except Goodwill**

At the end of each reporting period, the Group reviews the carrying amount of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Estimated recoverable amount is the higher of fair value less cost to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of a non-financial asset (cash generating unit) is less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss.

Accounting policy for impairment of financial assets is discussed in Note 3h; while impairment for goodwill is discussed in Note 3p.

**t. Leases**

Leases are classified as finance leases whenever the terms of the lease substantially transfers all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**As Lessee**

Finance Lease

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as lease obligations.

Lease payments are apportioned between financing charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating Lease

Operating lease payments are recognized as an expense on straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as expense in the period in which they are incurred.

#### Sale and Leaseback

Assets sold under a sale and leaseback transaction are accounted for as follows:

- If the sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is deferred and amortized over the lease term.
- If the sale and leaseback transaction results in an operating lease, and the transaction is established at fair value, any profit or loss is recognized immediately. If the sale price is below fair value, any profit or loss is recognized immediately, except if the loss is compensated by future lease payments that are lower than market price. In this case, the loss is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognized immediately.

For finance leases, no adjustment is necessary unless there has been impairment in value, in which case the carrying amount is reduced to the recoverable amount.

#### **u. Provision**

Provision is recognized when: (i) the Group has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that the Group will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Provision for service concession arrangements

Under DGI's concession arrangement, as part of its obligations under the Joint Operation Contract (JOC), the consortium will assume responsibility for the major maintenance and inspections or overhauls of the Field Facilities and Electricity Generation Facilities they manage. In addition, the consortium is also responsible for managing the heat resource through make up well drilling and injection wells to ensure sufficient steam is available to meet power plant needs. Make up well programs have generally been conducted at approximately four years intervals including drilling of injection wells as needed.

Under the concession arrangement, AANE as the service provider is responsible for the maintenance of Electricity Generation Facility under its management. In this case, AANE is responsible to conduct a major overhaul of gas engine for every 64,000 hours (approximately 8 years) of its operation.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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Since DGI's consortium and AANE are not specifically remunerated for its maintenance activities, such maintenance costs are then recognized and measured in accordance with PSAK 57, Provision, Contingent Liabilities and Contingent Assets, that is, at the present value of the expenditures expected to be required to settle the obligations using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

**v. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**w. Revenue and Expense Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of Goods

Revenue from sales of goods is recognized when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Service Concession Arrangement

Construction services related to service concession arrangement are recognized as revenue in accordance with PSAK 34, Construction Contracts using the percentage of completion method. If the results of construction contracts cannot be reliably estimated, revenue is calculated using the zero profit method at the amount of the costs incurred and probable recoverable.

Under the service concession arrangement, DGI and AANE received only one consideration for their services. Management is of the opinion that the consideration should be split into two different activities i.e. (1) financing activities and (2) operating and maintenance activities. DGI and AANE employed the residual value method in allocating revenue between financing and operating and maintenance activities. DGI and AANE adopted an implicit interest rate to account for its financing revenue. The implicit interest rate is the discount rate that drives the aggregate present value of minimum guaranteed payment to be equal to the carrying value of the financial assets from service concession at the initial application date. DGI and AANE have used an implicit interest rate of 15% and 6.7%, respectively.

#### Dividend Income

Dividend income from investments is recognized when the shareholders' rights to receive the payment have been established.

#### Interest Income

Interest income is recognized on a timely basis, by reference to the outstanding principal and at the applicable effective interest rate.

#### Expenses

Expenses are recognized when incurred.

### **x. Post Employment Benefits**

The Group established defined benefit pension plan covering all the local permanent employees. In addition, the Group also provides post-employment benefits as required under Labor Law No. 13/2003 (the "Labor Law"). For normal pension scheme, the Group calculates and recognizes the higher of the benefits under the Labor Law and those under such pension plan.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earning and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

**y. Share-based Payments**

The Company provides Management Stock Option Plans (MSOP) for the Group's eligible management. The MSOP will be settled through issuance of shares of the Company (equity-settled share-based payment arrangement).

The cost of equity-settled share-based payment transactions is measured at fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share based payments is recorded as expense by the Group on a straight line basis over the vesting period, based on the Company's estimation of equity instruments value that will eventually vest. The same amount corresponds to increase in equity. At the end of each reporting period, the Company revises its estimated number of equity instruments expected to vest. The impact of the revision against the original estimates, if any, is recognized in profit or loss, so that the cumulative expense will reflect the revised estimation, and its corresponding adjustment to the Company's equity.

**z. Income Tax**

The tax currently payable is based on taxable profit to the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current tax expense is determined based on the taxable income for the period computed using prevailing tax rates.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arises from the initial recognition of goodwill.

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

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside of profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when there is an intention to settle its current tax assets and current tax liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **aa. Earnings per Share**

Basic earnings per share is calculated by dividing net income attributable to the owners of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing net income attributable to the owners of the Company by the weighted average number of shares outstanding which has taken into account all effects of all dilutive potential ordinary shares.

#### **bb. Segment Information**

Operating segments are identified based on internal reports on components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performances.

An operating segment is a component of an entity:

- a) that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to the transaction with other components of the same entity);
- b) whose operating results are reviewed regularly by the entity's chief operating decision maker responsible for resources allocation to the segments and assessment of its performance; and
- c) for which discrete financial information is available.

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of their performance is specifically focused on the category by industry.

### **4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

In the application of the Group accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are made based on historical experience and other relevant factors. Actual results may differ from these estimates.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical Judgments in Applying Accounting Policies**

In the process of applying the accounting policies described in Note 3, management has not made any critical judgment that has significant impact on the amounts recognized in the consolidated financial statements, apart from those involving estimates, which are described below.

**Key Sources of Estimation Uncertainty**

The key assumptions concerning future and other key sources of estimation related to uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**i) Impairment Loss on Loans and Receivable**

The Group assesses its loans and receivable for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, management makes judgement as to whether there is objective evidence that loss event has occurred (see Note 3h on impairment of financial assets). Management also makes judgement as to the methodology and assumptions for estimating the amount and timing of future cash flows which are reviewed regularly to reduce any difference between loss estimate and actual loss. The carrying amount of loans and receivable are disclosed in Notes 8 and 9.

**ii) Estimated Useful Lives of Palm Oil Plantation and Property, Plant and Equipment**

The useful life of each item of the Group's palm oil plantations as well as property, plant and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is made based on internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectation differs from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. Future results of operation could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The carrying amount of palm plantations and property, plant and equipment are disclosed in Notes 14 and 15.

**iii) Impairment of Goodwill**

Determination of goodwill impairment requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected from the cash-generating unit using an appropriate growth rate and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill is disclosed in Note 18.

**iv) Allowance for Decline in Value of Inventories**

The Group provides allowance for decline in value of inventories based on estimated future usage of such inventories. While it is believed that the assumptions used in the estimation of the allowance for decline in value of inventories are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of the allowance for decline in value of inventories, which ultimately will affect the result of the Group's operation.

The carrying value of inventories after the provision of the impairment loss of inventories is disclosed in Note 10.

**v) Realizability of Deferred Tax Assets**

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Based on current assessment, management believes that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

The carrying amount of deferred tax assets is disclosed in Note 43.

**vi) Employment Benefits**

The cost of defined benefit plan and present value of the pension obligation are determined based on actuarial valuation which makes use of various assumptions such as discount rates, expected rates of return on plan assets, rates of compensation increases and mortality rates. The defined benefit obligation is highly sensitive to changes in the assumptions.

The carrying amount of the obligation is disclosed in Note 28.

**vii) Impairment of Non-Financial Assets**

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is calculated based on the available data from binding sales transactions done at an arm's length term of similar assets or observable market price less incremental costs for disposing the asset. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the specific risks to the asset.

The carrying value of non-financial assets after impairment is disclosed in Notes 14 and 15.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**5. CASH AND CASH EQUIVALENTS**

	31/12/2015	31/12/2014
	US\$	US\$
Cash on hand	99,442	94,546
Bank - third parties		
Rupiah		
PT Bank Mandiri (Persero) Tbk	2,296,475	6,221,058
PT Bank Rakyat Indonesia Tbk	415,646	-
PT Bank CIMB Niaga Tbk	255,660	138,464
PT Bank Syariah Mandiri	240,321	300,795
PT Bank OCBC NISP Tbk	50,732	1,801
Citibank N.A.	40,059	49,083
PT Bank Central Asia Tbk	9,449	27,574
PT Bank Rabobank International		
Indonesia	6,748	2,414
PT ANZ Panin Bank	3,565	9,138
PT Bank Permata Tbk	1,922	2,013
PT Bank Internasional		
Indonesia Tbk	1,164	6,197
PT Bank Negara Indonesia		
(Persero) Tbk	1,049	2,036
The Hongkong and Shanghai		
Banking Corporation Ltd.	-	1,541
U.S. Dollar		
J.P. Morgan International Bank Ltd.	6,184,289	3,747,934
PT Bank Mandiri (Persero) Tbk	1,170,833	3,035,745
PT Bank OCBC NISP Tbk	1,021,051	116,681
PT Bank CIMB Niaga Tbk	686,506	1,806,703
PT Bank Permata Tbk	134,748	70,245
Citibank N.A.	65,670	266,124
PT Bank Rabobank International		
Indonesia	53,316	1,549,439
Bank OCBC Singapore	43,074	43,147
Credit Suisse Singapore	29,473	29,553
PT Bank Central Asia Tbk	3,940	5,881
PT ANZ Panin Bank	1,574	4,483
PT Bank International Indonesia Tbk	588	7,097
PT Bank Negara Indonesia		
(Persero) Tbk	515	545
The Hongkong and Shanghai		
Banking Corporation Ltd.	-	49,637
Royal Bank of Canada (Asia) Ltd.	-	4,110

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Euro		
PT ANZ Panin Bank	19,651	-
PT Bank Mandiri (Persero) Tbk	5,282	4,169
PT Bank Permata Tbk	1,781	2,056
PT Bank Central Asia Tbk	1,764	1,702
PT Bank International Indonesia Tbk	1,386	1,617
Time Deposits - third parties		
Rupiah		
PT Bank UOB Buana Tbk	208,515	263,574
PT Bank Permata Tbk	52,416	98,757
PT Bank Mandiri (Persero) Tbk	-	72,348
U.S. Dollar		
PT Bank Rabobank International Indonesia	4,000,000	7,032,393
PT Bank Permata Tbk	1,550,000	4,005,759
PT Bank UOB Buana Tbk	445,722	799,948
PT Bank Mandiri (Persero) Tbk	-	258,000
Total	<u>19,104,326</u>	<u>30,134,307</u>
Interest rate per annum of time deposits		
Rupiah	7.50%-8.75%	4.25% - 10.50%
U.S. Dollar	0.40% - 2.75%	0.50% - 3.50%

As of December 31, 2015, all the Company's, ANJA's, ANJAP's, PPM's and PMP's bank accounts at PT Bank OCBC NISP were used as collateral for the bank loan obtained from PT Bank OCBC NISP Tbk (Note 21). No restrictions are imposed making the cash in bank accounts available anytime at those companies' disposal.

Cash and cash equivalents, except cash on hand are classified as loans and receivables. The fair value of cash and cash equivalents are their carrying value.

## 6. RESTRICTED TIME DEPOSITS

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Rupiah		
PT Bank Mandiri (Persero) Tbk	151,504	55,466
U.S. Dollar		
PT Bank Mandiri (Persero) Tbk	585,000	181,000
Total	<u>736,504</u>	<u>236,466</u>
Interest rate per annum of		
Rupiah	4.25%	4.25%
U.S. Dollar	0.50%	0.50%

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

In 2014, time deposit placed with PT Bank Mandiri (Persero) Tbk represented PPM's time deposit used as collateral for the issuance of bank guarantee for the period from January 24, 2014 to January 24, 2015 in relation with Timber Use License ("Ijin Pemanfaatan Kayu" / IPK) issued by Provincial and District Forestry Services of West Papua amounting to Rp 690 million and US\$ 181 thousand.

In 2015, the placement of time deposits with PT Bank Mandiri (Persero) Tbk represented time deposits of PMP, PPM and the Company (through PAM, before merger) used as collateral for the issuance of bank guarantee for the period from January 13, 2015 to April 13, 2016, May 11, 2015 to August 10, 2016 and January 9, 2015 to April 9, 2016, respectively, in relation with Timber Use License ("Ijin Pemanfaatan Kayu" / IPK) issued by Provincial and District Forestry Services of West Papua amounting to Rp 790 million and US\$ 215 thousand for PMP, Rp 1 billion and US\$ 280 thousand for PPM and Rp 300 million and US\$ 90 thousand for the Company.

Time deposits are classified as loans and receivables. The fair value of time deposit is its carrying value.

All time deposits are placed with third party banks.

## 7. INVESTMENT IN TRADING SECURITIES – AT FAIR VALUE

Investment in trading securities is classified as FVTPL. The fair value of the money market fund and bonds is based on market value at the end of reporting period.

	<u>31/12/2015</u>		
	<u>Amortized</u>	<u>Unrealized</u>	<u>Fair value</u>
	<u>acquisition cost</u>	<u>loss</u>	<u>Fair value</u>
	US\$	US\$	US\$
Money market fund	290,200	-	290,200
Bonds	<u>65,000</u>	<u>(65,000)</u>	<u>-</u>
Total	<u><u>355,200</u></u>	<u><u>(65,000)</u></u>	<u><u>290,200</u></u>
	<u>31/12/2014</u>		
	<u>Amortized</u>	<u>Unrealized</u>	<u>Fair value</u>
	<u>acquisition cost</u>	<u>loss</u>	<u>Fair value</u>
	US\$	US\$	US\$
Money market fund	290,227	-	290,227
Bonds	<u>65,000</u>	<u>(65,000)</u>	<u>-</u>
Total	<u><u>355,227</u></u>	<u><u>(65,000)</u></u>	<u><u>290,227</u></u>

All investments in trading securities are placed with third parties.

**8. TRADE ACCOUNTS RECEIVABLE**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Third parties		
Electricity power	1,055,638	1,186,418
Tobacco	194,268	308,459
Others	<u>2,540</u>	<u>4,604</u>
Total	<u><u>1,252,446</u></u>	<u><u>1,499,481</u></u>

Details of trade accounts receivable based on their currencies are as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
U.S. Dollar	981,900	1,149,563
Rupiah	105,375	171,629
Euro	<u>165,171</u>	<u>178,289</u>
Total	<u><u>1,252,446</u></u>	<u><u>1,499,481</u></u>

Trade accounts receivable is classified as loans and receivables and measured at amortized cost using the effective interest method. The fair value of trade accounts receivable is its carrying value.

The summary of the aging profile of trade accounts receivable is as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Not yet due	1,144,579	1,211,374
< 30 days	73,490	238,225
31 - 60 days	<u>34,377</u>	<u>49,882</u>
Total	<u><u>1,252,446</u></u>	<u><u>1,499,481</u></u>

Management believes that all accounts receivable are collectible. As of December 31, 2015, credit risk concentration in trade accounts receivable is primarily from Pertamina Geothermal (see Notes 49d and 50) which are presented as trade accounts receivable from electricity power. These receivable contributes 76% and 68% to the total trade accounts receivable as of December 31, 2015 and 2014.

**9. OTHER RECEIVABLE**

As of December 31, 2015 and 2014, this account mainly consisted of employees' receivable. Employees' receivable is non-interest bearing and paid through deduction of monthly salary.

In connection with the initial public offering, the Group provided a fixed allotment of up to 1.0% of the shares offered to public for the Employee Stock Allocation (ESA) program for the Group's eligible employees. The number of shares issued for the ESA program was 3,295,500 shares. Under the ESA program, the Company sold the shares with a discount of 20%. The Group provided non-interest bearing loans to finance the purchase of the shares, which will be repaid in four annual installments. The ESA program shares are subject to a lock up period of at least 12 months commencing from the listing date or until such time when the loan is fully repaid. If an ESA program participant resigns before the loan is fully repaid then upon such resignation, the shares can be sold or transferred and the employee will be required to fully repay the loan.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

As of December 31, 2015 and 2014, this account also included the current portion of the Employee Stock Allocation (ESA) receivable amounting to US\$ 57 thousand and US\$ 63 thousand, respectively. The ESA receivable which falls due after one year amounted to US\$ 114 thousand as of December 31, 2015 and US\$ 126 thousand as of December 31, 2014 and are presented as part of other assets (Note 20).

The management believes that the allowance for impairment losses as of December 31, 2015 and 2014 of US\$ 40,654 and US\$ 45,082, respectively is adequate to cover any possible losses from uncollectible receivables.

**10. INVENTORIES – NET**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Tobacco	3,299,996	7,615,599
Palm oil	2,391,583	2,404,597
Supplementary materials, spareparts and others	<u>3,379,861</u>	<u>2,802,203</u>
Total	9,071,440	12,822,399
Allowance for decline in value of inventories	<u>(100,369)</u>	<u>(103,439)</u>
Net	<u><u>8,971,071</u></u>	<u><u>12,718,960</u></u>

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Changes in the allowance for decline in value of inventories:		
Beginning balance	103,439	120,878
Addition	24,079	29,006
Reversal	<u>(27,149)</u>	<u>(46,445)</u>
Ending balance	<u><u>100,369</u></u>	<u><u>103,439</u></u>

Management believes that the allowance for decline in value of inventories is adequate.

As of December 31, 2015, GMIT's tobacco inventories amounting to Rp 15 billion and ANJA's palm oil inventories amounting to US\$ 4.5 million were used as collateral for the bank loan obtained from PT Bank Central Asia Tbk and PT Bank OCBC NISP Tbk, respectively (Note 21). As of December 31, 2014, GMIT's tobacco inventories amounting to Rp 15 billion were used as collateral for the bank loan obtained from PT Bank Central Asia Tbk (Note 21).

Palm oil inventories were insured against losses from fire and other risks under a blanket policy amounting to US\$ 12.3 million and Rp 6.0 billion in 2015 and US\$ 14.4 million and Rp 6.0 billion in 2014. Tobacco inventories were insured against fire, theft, earthquake, flood and other risks. The insurance coverage for tobacco inventories in 2015 and 2014 amounted to Rp 55.3 billion and Rp 70.4 billion, respectively. Management believes that the insurance coverage is adequate to cover possible losses to the Group. As of December 31, 2015, the sum insured of palm oil inventory at ANJA amounting to US\$ 4.5 million is assigned as collateral for the bank loan obtained from PT Bank OCBC NISP Tbk (Note 21).

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**11. PREPAYMENTS AND ADVANCES**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Prepaid expenses		
Insurance	234,628	243,732
Rent	445,632	402,805
Other	165,842	322,809
Value added taxes	13,201,113	9,982,675
Overpayment of corporate income tax	6,098,251	7,484,491
Advances	<u>150,510</u>	<u>349,466</u>
Total	<u><u>20,295,976</u></u>	<u><u>18,785,978</u></u>

In 2015, the overpayment in corporate income tax (current tax) balance is from the Company, ANJA, SMM, and ANJAS, while in 2014, the overpayment in corporate income tax (current tax) balance is from ANJA and SMM.

ANJA and SMM have filed for 2014 tax refund and in 2015, SMM and ANJA have received the refunds on overpayment of corporate income tax amounting to US\$ 3.4 million and US\$ 3.0 million, respectively, which are less than the amounts recorded and reported in the annual corporate income tax return by US\$ 533 thousand and US\$ 560 thousand, respectively. SMM and ANJA have recognized the portion that cannot be refunded as part of tax expense.

**12. INVESTMENT IN ASSOCIATES**

	<u>31/12/2015</u>		
	<u>Acquisition cost</u>	<u>Accumulated equity in net income less dividends received</u>	<u>Carrying amount</u>
	US\$	US\$	US\$
PT Pangkatan Indonesia	2,959,700	9,357,717	12,317,417
PT Bilah Plantindo	533,775	5,916,552	6,450,327
PT Simpang Kiri Plantation			
Indonesia	496,988	4,423,137	4,920,125
PT Evans Lestari	<u>488,998</u>	<u>(166,131)</u>	<u>322,867</u>
Total	<u><u>4,479,461</u></u>	<u><u>19,531,275</u></u>	<u><u>24,010,736</u></u>

	<u>31/12/2014</u>		
	<u>Acquisition cost</u>	<u>Accumulated equity in net income less dividends received</u>	<u>Carrying amount</u>
	US\$	US\$	US\$
PT Pangkatan Indonesia	2,959,700	8,358,541	11,318,241
PT Bilah Plantindo	533,775	5,454,978	5,988,753
PT Simpang Kiri Plantation Indonesia	496,988	4,025,799	4,522,787
PT Evans Lestari	<u>488,998</u>	<u>(83,689)</u>	<u>405,309</u>
Total	<u><u>4,479,461</u></u>	<u><u>17,755,629</u></u>	<u><u>22,235,090</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

*PT Evans Lestari*

Based on Deed No. 7 of Notary Novita Puspitarini, S.H. dated November 25, 2013, the Company subscribed and paid for 12,000 shares for 20% ownership interest in PT Evans Lestari at a price of Rp 6,000,000,000 (equivalent to US\$ 488,998). Approval from the Minister of Law and Human Rights of the Republic of Indonesia related to the capital increase was obtained on January 2, 2014.

Details of the Group's associates, percentage of ownership interest and their principal activities are as follows:

Associate companies	Ownership interest	Main activities
	31/12/2015 and 31/12/2014	
	%	
PT Bilah Plantindo	20.00	Agribusiness
PT Simpang Kiri Plantation Indonesia	20.00	Agribusiness
PT Pangkatan Indonesia	20.00	Agribusiness
PT Evans Lestari	20.00	Agribusiness

Changes in investments in associates:

	31/12/2015	31/12/2014
	US\$	US\$
PT Pangkatan Indonesia		
Balance at beginning of year	11,318,241	9,546,652
Equity in net income	999,176	1,771,589
Balance at end of year	<u>12,317,417</u>	<u>11,318,241</u>
PT Bilah Platindo		
Balance at beginning of year	5,988,753	5,065,061
Equity in net income	461,574	923,692
Balance at end of year	<u>6,450,327</u>	<u>5,988,753</u>
PT Simpang Kiri Plantation Indonesia		
Balance at beginning of year	4,522,787	3,830,071
Equity in net income	397,338	692,716
Balance at end of year	<u>4,920,125</u>	<u>4,522,787</u>
PT Evans Lestari		
Balance at beginning of year	405,309	488,998
Equity in net loss	(82,442)	(83,689)
Balance at end of year	<u>322,867</u>	<u>405,309</u>

All of the above associates are accounted for using the equity method in these consolidated financial statements.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The summary of associates' financial information is set out below:

	31/12/2015			
	PT Pangkatan Indonesia US\$	PT Bilah Plantindo US\$	PT Simpang Kiri Plantation Indonesia US\$	PT Evans Lestari US\$
Assets	<u>66.368.371</u>	<u>34.106.032</u>	<u>26.184.448</u>	<u>16.582.105</u>
Liabilities	3,510,202	1,818,097	1,527,111	14,836,199
Equity attributable to				
Owners of the Company	61,622,221	32,287,935	24,657,337	1,745,906
Non-controlling interests	<u>1.235.948</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>66.368.371</u>	<u>34.106.032</u>	<u>26.184.448</u>	<u>16.582.105</u>
Income	24,221,572	8,011,754	6,580,534	6,949
Expenses	<u>(19.107.895)</u>	<u>(5.699.634)</u>	<u>(4.631.340)</u>	<u>(419.159)</u>
Profit (loss)	<u>5.113.678</u>	<u>2.312.120</u>	<u>1.949.194</u>	<u>(412.210)</u>
Total income (loss) attributable to:				
Owners of the Company	4,995,879	2,312,120	1,949,194	(412,210)
Non-controlling interests	<u>117.798</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total income (loss)	<u>5.113.678</u>	<u>2.312.120</u>	<u>1.949.194</u>	<u>(412.210)</u>
Total comprehensive income (loss) attributable to				
Owners of the Company	<u>4.995.879</u>	<u>2.307.870</u>	<u>1.986.690</u>	<u>(412.210)</u>
	31/12/2014			
	PT Pangkatan Indonesia US\$	PT Bilah Plantindo US\$	PT Simpang Kiri Plantation Indonesia US\$	PT Evans Lestari US\$
Assets	<u>61.381.862</u>	<u>31.621.646</u>	<u>24.072.133</u>	<u>10.826.482</u>
Liabilities	3,638,887	1,641,573	1,401,492	8,671,787
Equity attributable to				
Owners of the Company	56,596,875	29,980,073	22,670,641	2,154,695
Non-controlling interests	<u>1.146.100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and equity	<u>61.381.862</u>	<u>31.621.646</u>	<u>24.072.133</u>	<u>10.826.482</u>
Income	29,724,021	10,520,249	8,088,074	17,496
Expenses	<u>(20.681.706)</u>	<u>(5.872.149)</u>	<u>(4.577.704)</u>	<u>(435.941)</u>
Profit (loss)	<u>9.042.315</u>	<u>4.648.100</u>	<u>3.510.370</u>	<u>(418.445)</u>
Total income (loss) attributable to:				
Owners of the Company	8,857,945	4,648,100	3,510,370	(418,445)
Non-controlling interests	<u>184.370</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total income (loss)	<u>9.042.315</u>	<u>4.648.100</u>	<u>3.510.370</u>	<u>(418.445)</u>
Total comprehensive income (loss) attributable to				
Owners of the Company	<u>8.857.945</u>	<u>4.618.460</u>	<u>3.463.580</u>	<u>(418.445)</u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**13. OTHER INVESTMENTS**

This account represents the Group's long-term investments in shares of other investees with ownership interest of less than 20%.

	31/12/2015		
	Acquisition	Fair value	Fair value
	cost	adjustment	or acquisition
	US\$	US\$	US\$
PT Agro Muko	7,108,324	4,755,983	11,864,307
PT Puncakjaya Power	10,271,880	-	10,271,880
PT Prima Mitrajaya Mandiri	692,437	-	692,437
PT Moon Lion Industries Indonesia	1,026,225	(383,061)	643,164
PT Chevron Geothermal Suoh Sekincau	300,000	-	300,000
PT Teguh Jaya Prima Abadi	234,038	-	234,038
PT Sembada Sennah Maju	222,411	-	222,411
ARC Exploration Ltd. (ARC)	2,911,153	(2,899,558)	11,595
PT Chevron Geothermal Sekincau Selatan	12,500	-	12,500
Others	41,964	(41,964)	-
Net	<u>22,820,932</u>	<u>1,431,400</u>	<u>24,252,332</u>

	31/12/2014		
	Acquisition	Fair value	Fair value
	cost	adjustment	or acquisition
	US\$	US\$	US\$
PT Agro Muko	7,108,324	4,937,269	12,045,593
PT Puncakjaya Power	10,271,880	-	10,271,880
PT Prima Mitrajaya Mandiri	692,437	-	692,437
PT Moon Lion Industries Indonesia	1,026,225	(600,000)	426,225
PT Chevron Geothermal Suoh Sekincau	300,000	-	300,000
PT Teguh Jaya Prima Abadi	234,038	-	234,038
PT Sembada Sennah Maju	222,411	-	222,411
ARC Exploration Ltd. (ARC)	2,911,153	(2,885,039)	26,114
PT Chevron Geothermal Sekincau Selatan	12,500	-	12,500
Others	41,964	(41,964)	-
Net	<u>22,820,932</u>	<u>1,410,266</u>	<u>24,231,198</u>

Other investments are classified as available-for-sale investments. Except for PT Agro Muko, ARC Exploration Ltd. and PT Moon Lion Industries Indonesia, the Group adopts the acquisition cost approach in measuring its other investments, since they are non-listed shares and there is no readily available measure of fair value of the shares.

*PT Agro Muko*

For the years ended December 31, 2015 and 2014, the (decrease) increase in the fair value of PT Agro Muko of (US\$ 181,286) and US\$ 2,823,522, respectively was recognized by the Group in other comprehensive income.

*PT Prima Mitrajaya Mandiri*

Based on Deed No. 6 of notary Novita Puspitarini, S.H. dated July 8, 2014, the Company subscribed and paid for 4,500 share at a price of US\$ 692,437 for 5% ownership interest in PT Prima Mitrajaya Mandiri, a company operating in palm-oil plantation, with 95% of its shares owned by MP Evans Group. The approval from the Minister of Law and Human Rights of the Republic of Indonesia related to this investment was obtained on July 10, 2014.

*PT Moon Lion Industries Indonesia*

For the years ended December 31, 2015 and 2014, the increase in the fair value of PT Moon Lion Industries Indonesia of US\$ 216,939 and nil, respectively was recognized by the Group in other comprehensive income.

*PT Chevron Geothermal Suoh Sekincau*

Based on Deed No. 39 of notary Buchari Hanafi, S.H. dated November 21, 2013, the Company subscribed and paid for additional 1,500 new C-series shares at a price of US\$ 150,000 in PT Chevron Geothermal Suoh Sekincau. Approval from Minister of Law and Human Rights of the Republic of Indonesia related to the capital increase was obtained on January 7, 2014.

*PT Teguh Jayaprima Abadi*

Based on Deed No. 1 of notary Novita Puspitarini, S.H. dated November 3, 2014, the Company subscribed and paid for 3,200 shares at a price of US\$ 234,038 for 5% ownership in PT Teguh Jayaprima Abadi, a company operating in palm-oil plantation, with 95% of its shares owned by MP Evans Group. The approval of the Minister of Law and Human Rights of the Republic of Indonesia in relation to this investment was obtained on November 7, 2014.

*ARC Exploration Ltd. (ARC)*

For the years ended December 31, 2015 and December 31, 2014, based on the quoted market price of ARC shares, the decrease in the fair value of ARC amounted to US\$ 14,519 and US\$ 30,620, respectively, was recognized in other comprehensive income.

*PT Chevron Geothermal Sekincau Selatan*

Based on Deed No. 14 of notary Buchari Hanafi, S.H. dated May 8, 2014, the Company subscribed 125 shares for 5% ownership in PT Chevron Geothermal Sekincau Selatan at a price of Rp 143,687,500 (equivalent to US\$ 12,500). Approval from Minister of Law and Human Rights of the Republic of Indonesia was obtained on May 9, 2014.

*Paramount Life & General Holdings Corporations Philippines*

Based on Sale and Purchase Agreement dated December 8, 2014, the Company, as the owner of 327,593 shares in Paramount Life & General Holdings Corporation with par value of PhP 100 per share, agreed to sell all of its shares to Feldeen Holdings Corporation at a selling price of PhP 33,328,160 (or equivalent to US\$ 747,603). The difference between the acquisition cost and the selling price amounted to US\$ 527,215 which is recorded as gain on sale of other investment as of December 31, 2014.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**14. PALM PLANTATION**

	<u>01/01/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassification</u>	<u>Translation</u>	<u>31/12/2015</u>
	US\$	US\$	US\$	US\$	US\$	US\$
Mature plantation						
Cost	195,947,874	-	(605,998)	11,867,706	(1,435,061)	205,774,521
Accumulated depreciation	<u>(90,771,545)</u>	<u>(8,122,826)</u>	<u>507,967</u>	<u>-</u>	<u>67,212</u>	<u>(98,319,192)</u>
Net book value	105,176,329	(8,122,826)	(98,031)	11,867,706	(1,367,849)	107,455,329
Immature plantation - at cost	<u>43,353,690</u>	<u>25,762,283</u>	<u>-</u>	<u>(11,867,706)</u>	<u>(4,676,960)</u>	<u>52,571,307</u>
Total	<u>148,530,019</u>					<u>160,026,636</u>
	<u>01/01/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassification</u>	<u>Translation</u>	<u>31/12/2014</u>
	US\$	US\$	US\$	US\$	US\$	US\$
Mature plantation						
Cost	184,867,462	-	-	11,080,412	-	195,947,874
Accumulated depreciation	<u>(82,435,097)</u>	<u>(8,349,537)</u>	<u>-</u>	<u>-</u>	<u>13,089</u>	<u>(90,771,545)</u>
Net book value	102,432,365	(8,349,537)	-	11,080,412	13,089	105,176,329
Immature plantation - at cost	<u>39,228,046</u>	<u>24,435,089</u>	<u>(7,669,170)</u>	<u>(11,080,412)</u>	<u>(1,559,863)</u>	<u>43,353,690</u>
Total	<u>141,660,411</u>					<u>148,530,019</u>

Depreciation expense allocated to cost of sales for the years ended December 31, 2015 and 2014 amounted to US\$ 8,122,826 and US\$ 8,349,537, respectively.

The deductions in palm plantation for mature plantation in 2015 were related to the replanting activities in SMM for a total area of 545 hectares, while deductions in immature plantation in 2015 of 17 hectares was related to the allocation of area for composting and road. Deductions in immature plantation in 2014 were related to allocations to nucleus plantations at KAL as plasma plantation for a total area of 2,190 hectares. The balance of the cost transferred for plasma plantation after deduction with amount paid to the Group is recorded as plasma receivables in other assets (Note 20).

In 2015 and 2014, 3,182 hectares and 2,999 hectares of KAL immature plantation (nucleus) were reclassified to mature plantations account and were depreciated from the date of transfer.

Borrowing cost capitalized to the acquisition cost of immature plantations as of December 31, 2015 and 2014 amounted to US\$ 4,447,709 and US\$ 321,469, respectively.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The area of mature and immature plantations based on location are as follows:

	31/12/2015		
	Mature plantation (Hectare)	Immature plantation (Hectare)	Total planted area (Hectare)
Binanga, North Sumatera	9,813	-	9,813
Belitung, Bangka Belitung	13,682	545	14,227
Batang Angkola, North Sumatera	7,912	-	7,912
Ketapang, West Kalimantan	6,181	3,690	9,871
Empat Lawang, South Sumatera	-	279	279
South Sorong, West Papua	-	3,441	3,441
<b>Total</b>	<b>37,588</b>	<b>7,955</b>	<b>45,543</b>

	31/12/2014		
	Mature plantation (Hectare)	Immature plantation (Hectare)	Total planted area (Hectare)
Binanga, North Sumatera	9,813	-	9,813
Belitung, Bangka Belitung	14,229	-	14,229
Batang Angkola, North Sumatera	7,912	-	7,912
Ketapang, West Kalimantan	2,999	6,872	9,871
Empat Lawang, South Sumatera	-	294	294
South Sorong, West Papua	-	1,296	1,296
<b>Total</b>	<b>34,953</b>	<b>8,462</b>	<b>43,415</b>

In September 2015, KAL experienced a fire that was caused by wind bearing sparks from fires that originated from outside of KAL's plantation area. All fire was extinguished as soon as possible. The losses because of this fire is insignificant.

Management believes that there are no events or changes in circumstances that indicate any impairment on immature plantations and mature plantations as of December 31, 2015 and 2014.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**15. PROPERTY, PLANT AND EQUIPMENT**

	01/01/2015	Additions	Deductions	Reclassifications	Translation adjustments	31/12/2015
	US\$	US\$	US\$	US\$	US\$	US\$
<b>At cost:</b>						
Direct acquisitions						
Land	52,097,461	23,932,561	-	-	(1,569,027)	74,460,995
Buildings, roads and bridges	52,752,067	145,386	(116,660)	10,071,521	(887,361)	61,964,953
Machinery and equipment	41,234,394	3,557,260	(803,355)	10,094,030	(306,672)	53,775,657
Computer and communication equipment	429,297	44,085	-	-	(150)	473,232
Office equipment, furniture and fixtures	5,108,122	371,745	(106,630)	199,497	(102,405)	5,470,329
Motor vehicles	7,302,628	650,535	(139,623)	1,522,846	(310,004)	9,026,382
Construction in progress	24,898,131	22,633,814	(53,398)	(17,887,894)	(2,611,405)	26,979,248
Leased assets	4,000,000	-	-	(4,000,000)	-	-
<b>Total cost</b>	<b>187,822,100</b>	<b>51,335,386</b>	<b>(1,219,666)</b>	<b>-</b>	<b>(5,787,024)</b>	<b>232,150,796</b>
<b>Accumulated depreciation and impairment losses:</b>						
Direct acquisitions						
Buildings, roads and bridges	16,026,269	3,191,871	(73,074)	-	(120,865)	19,024,201
Machinery and equipment	26,699,552	3,260,236	(561,180)	4,000,000	(111,321)	33,287,287
Computer and communication equipment	154,050	91,952	-	-	(49)	245,953
Office equipment, furniture and fixtures	3,392,558	635,206	(100,452)	-	(47,958)	3,879,354
Motor vehicles	3,359,775	893,862	(135,491)	-	(66,870)	4,051,276
Construction in progress	10,292,063	-	-	-	(1,010,928)	9,281,135
Leased assets	2,767,769	1,232,231	-	(4,000,000)	-	-
<b>Total accumulated depreciation and impairment losses</b>	<b>62,692,036</b>	<b>9,305,358</b>	<b>(870,197)</b>	<b>-</b>	<b>(1,357,991)</b>	<b>69,769,206</b>
<b>Net carrying amount</b>	<b>125,130,064</b>					<b>162,381,590</b>
	01/01/2014	Additions	Deductions	Reclassifications	Translation adjustments	31/12/2014
	US\$	US\$	US\$	US\$	US\$	US\$
<b>At cost:</b>						
Direct acquisitions						
Land	16,638,644	36,048,066	-	-	(589,249)	52,097,461
Buildings, roads and bridges	46,743,531	59,969	(91,664)	6,272,069	(231,838)	52,752,067
Machinery and equipment	38,004,202	2,237,350	(616,839)	1,679,696	(70,015)	41,234,394
Computer and communication equipment	426,275	37,611	(34,548)	-	(41)	429,297
Office equipment, furniture and fixtures	4,896,219	485,461	(294,425)	47,482	(26,615)	5,108,122
Motor vehicles	6,376,794	511,611	(546,381)	1,047,027	(86,423)	7,302,628
Construction in progress	16,877,650	17,793,466	-	(9,046,274)	(726,711)	24,898,131
Leased assets	4,000,000	-	-	-	-	4,000,000
<b>Total cost</b>	<b>133,963,315</b>	<b>57,173,534</b>	<b>(1,583,857)</b>	<b>-</b>	<b>(1,730,892)</b>	<b>187,822,100</b>
<b>Accumulated depreciation and impairment losses:</b>						
Direct acquisitions						
Buildings, roads and bridges	13,351,649	2,752,466	(48,784)	-	(29,062)	16,026,269
Machinery and equipment	24,278,123	2,971,715	(519,966)	-	(30,320)	26,699,552
Computer and communication equipment	100,478	88,120	(34,548)	-	-	154,050
Office equipment, furniture and fixtures	3,118,502	572,337	(285,593)	-	(12,688)	3,392,558
Motor vehicles	3,108,043	665,929	(397,293)	-	(16,904)	3,359,775
Construction in progress	-	10,751,870	-	-	(459,807)	10,292,063
Leased assets	1,434,435	1,333,334	-	-	-	2,767,769
<b>Total accumulated depreciation and impairment losses</b>	<b>45,391,230</b>	<b>19,135,771</b>	<b>(1,286,184)</b>	<b>-</b>	<b>(548,781)</b>	<b>62,692,036</b>
<b>Net carrying amount</b>	<b>88,572,085</b>					<b>125,130,064</b>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

In May 2014, the Group performed impairment assessment on the construction in progress recorded in ANJAP (sago segment). This impairment assessment was triggered by an impairment indicator because certain machinery and equipment for sago production did not function in line with their technical performance specifications. The Group determined the production facilities of ANJAP which comprise of buildings, machinery and equipment as one cash generating unit and used fair value less cost to sell in determining the recoverable amount of the cash generating unit. Following this assessment, the Group recognized impairment loss of US\$ 10.8 million (Note 42) which was recorded as other expenses in profit or loss 2014 and reported under sago segment in the segment information disclosure.

On 2015, ANJAP performed reassessment on the impairment of construction in progress and concluded that no impairment loss is required.

At December 31, 2015 and 2014, the estimated fair value of land, buildings, roads and bridges and machinery is US\$ 194.1 million and US\$ 113.3 million, respectively. The estimated fair value of other property, plant and equipment is not significantly different from the carrying amount of those property, plant and equipment.

Depreciation expense for the years ended December 31, 2015 and 2014 were allocated as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Cost of sales (Note 39)	7,722,743	7,294,977
General and administrative expenses (Note 41)	968,163	959,226
Capitalized to immature plantation	<u>614,452</u>	<u>129,698</u>
Total	<u><u>9,305,358</u></u>	<u><u>8,383,901</u></u>

ANJA and its subsidiaries own several parcels of land with cultivation rights title (HGU) totaling to 93,857 hectares in Binanga, Ramba, Batang Angkola and Siais (North Sumatera Province), Gantung and Dendang (Bangka and Belitung Province), Laman Satong, Kuala Satong and Kuala Tolak (West Kalimantan Province), Metamani, Kais, Kokoda Utara and Aifat Selatan (West Papua Province) and land with building use rights title (HGB) covering a total area of 31 hectares in Dendang, in addition to the 523 hectares non-HGU land in Binanga. Those HGU and HGB are valid for 30 to 85 years period, expiring in 2039 until 2091.

GMIT owns several parcels of land with HGB in Jember and Lumajang. This HGB is valid for period of 20 years, expiring in 2028.

The Company owns land with HGU totaling to 30,515.75 hectares in Womba, Sorong, West Papua. This HGU is valid for 35 years period, expiring in 2050.

Construction in progress represents buildings, roads and bridges under construction as well as machinery and equipment under installation which belong to subsidiaries, including ANJAP's assets with impairment loss. These construction in progress are estimated to be completed in 2016 and 2017.

As of December 31, 2015, and 2014, all land and buildings owned by GMIT were used as collateral for the bank loans obtained from BCA (Note 21).

Property, plant and equipment, except land, were insured against fire, theft, earthquake, flood and other possible risks for a total coverage of US\$ 65,420 thousand and Rp 173,573,014 thousand as of December 31, 2015 and US\$ 64,686 thousand and Rp 175,863,136 thousand as of December 31, 2014. Management believes that the insurance coverage is adequate to cover the possible losses on the assets insured.

Cost of fully depreciated property, plant and equipment which were still utilized in operations as of December 31, 2015 and 2014 amounted to US\$ 23,667,479 and US\$ 16,513,481, respectively.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**16. INTANGIBLE ASSET - LANDRIGHTS**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Cost	890,801	884,772
Additions	-	6,029
Accumulated amortization	(23,649)	(22,491)
Translation adjustments	<u>(68,767)</u>	<u>(50,889)</u>
Net carrying amount	<u><u>798,385</u></u>	<u><u>817,421</u></u>

Amortization expense charged to operations amounted to US\$ 1,158 and US\$ 905 for the years ended December 31, 2015 and 2014, respectively.

**17. ADVANCES**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Third parties:		
Advances for legal processing of landrights	5,253,557	18,901,498
Advances others	1,978,260	744,550
Advances for purchase of property, plant and equipment	1,723,782	2,166,720
Advances for palm plantation	844,262	2,881,852
Advances for long-term investment	<u>-</u>	<u>242,047</u>
Total	<u><u>9,799,861</u></u>	<u><u>24,936,667</u></u>

In 2015, advances for legal processing of landrights represents payments to obtain HGU for numerous estates: ANJAS (1,639 hectares) and GSB (20,000 hectares), while in 2014, advances for legal processing of landrights represents payment to obtain HGU for numerous estates: ANJAS (1,639 hectares), GSB (20,000 hectares) and PAM (36,725 hectares).

On June 15, 2015, PAM obtained the landrights certificate title (Hak Guna Usaha) for its 30,515.75 hectare land (nucleus plantation) located in South Sorong, West Papua for a period of 35 years.

On February 4, 2014, KAL obtained the landrights certificate title (Hak Guna Usaha) for its 10,920 hectare land (nucleus plantation) located in Laman Satong, Kuala Satong and Kuala Tolak, Ketapang for a period of 35 years.

In October and November 2014, PMP and PPM obtained the landrights certificate title (Hak Guna Usaha) for its 22,678 and 26,571 hectares of land, respectively, located in South Sorong, West Papua for a period of 35 years.

In 2014, advances for long term investment represent the advance payments for purchase of 10,000 m<sup>2</sup> and 600 m<sup>2</sup> land in Sorong, West Papua Province. In 2015, the Company has paid the remaining payment for the land acquisition amounting to Rp 1,251 million (equivalent to US\$ 98 thousand). As of December 31, 2015, the related advances have been reclassified and recorded as part of Land (Note 15).

Advances for palm plantation represents down payments paid to third party contractors for land clearing and other activities related to the immature plantation.

Advances others mainly represents down payments paid for timber costs.

## 18. GOODWILL

Goodwill represents the excess of acquisition cost over the Company's interest in the fair value of the net assets of ANJA and its subsidiaries at the acquisition date.

Management believes that there is no impairment loss on goodwill as of December 31, 2015 and 2014.

## 19. CLAIMS FOR TAX REFUND

On December 10, 2014, GMIT received tax assessment letter for fiscal year 2009 for additional corporate income tax amounting to Rp 1,548,956 thousand. The tax assessment was paid in January 2015 and was recorded as claim for tax refund. On February 5, 2015, GMIT filed an objection on the corporate income tax underpayment assessment for fiscal year 2009 amounting to Rp 1,548,956 thousand (equivalent to US\$ 112,284). DGT in its decision letter dated February 3, 2016 rejected the objection of GMIT. GMIT is in the process to file an appeal to the Tax Court.

## 20. OTHER ASSETS

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Security deposits	6,114,403	8,592,164
Advances for plasma plantation project - net	5,317,420	1,140,155
Plasma receivables - net (Note 14)	1,411,948	718,818
ESA receivables (Note 9)	113,884	126,289
Others	<u>850,278</u>	<u>403,200</u>
Total	<u><u>13,807,933</u></u>	<u><u>10,980,626</u></u>

In 2015 and 2014, security deposits mainly represents transactional deposits relating to security deposit for the aircraft charter agreement with PT Airfast Indonesia (Note 49b), and the office lease agreement with PT Bumi Mulia Perkasa Development (Note 49c).

As of December 31, 2015, security deposits to Airfast was presented at amortized cost of Rp 93.9 billion. The amortized cost adjustment of the security deposit amounted to Rp 20.8 billion (equivalent to US\$ 1,524,386) presented as part of financial charges.

Advances for plasma plantation project represents payments made to develop palm oil plantation partnership by SMM, PPM, PMP and ANJ, while plasma receivables represent all payments made to develop palm oil plasma plantation by KAL, located in Ketapang, West Kalimantan, net of proceeds from loan facility for plasma financing. KAL has commitments on this plasma plantation project (Note 49i).

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**21. BANK LOANS**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
<u>Short-term bank loans</u>		
Rupiah		
Citibank N.A.	24,288,148	-
PT Bank CIMB Niaga Tbk	6,705,328	-
PT Bank OCBC NISP Tbk	6,596,593	-
PT Bank Central Asia Tbk	654,181	3,308,589
U.S. Dollar		
PT Bank OCBC NISP Tbk	2,000,000	3,500,000
Citibank N.A.	-	21,000,000
Total	<u>40,244,250</u>	<u>27,808,589</u>
<u>Long-term bank loans</u>		
Rupiah		
PT Bank OCBC NISP Tbk	50,732,077	-
U.S. Dollar		
PT Bank OCBC NISP Tbk	<u>8,000,000</u>	<u>-</u>
Total	<u>58,732,077</u>	<u>-</u>
Unamortized borrowing cost	<u>(889,158)</u>	<u>-</u>
Total	<u>57,842,919</u>	<u>-</u>
<u>Effective interest rate per annum</u>		
Short-term bank loan		
Rupiah	10.00%-12.65%	11.50%
U.S. Dollar	4.17%	3.00% - 3.24%
Long-term bank loan		
Rupiah	12.76% - 12.77%	-
U.S. Dollar	5.79%	-

The following table summarizes the repayment schedule for principal balance of long-term loan at December 31, 2015:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Due in the year:		
Within one year	-	-
1 - 5 years	15,609,812	-
> 5 years	<u>43,122,265</u>	<u>-</u>
Total	<u>58,732,077</u>	<u>-</u>

Bank loans are classified as other financial liabilities measured at amortized cost using the effective interest rate. The fair value of bank loans are their carrying value.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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Citibank N.A.

On November 12, 2013, ANJA obtained a revolving credit facility of US\$ 25 million from Citibank N.A. with an interest rate at 2.75% above LIBOR. The term of the loan ranges from one to three months.

In 2014, the loan agreement was amended several times, whereas ANJA, KAL, PPM and PMP became the joint parties for the credit facility of US\$ 25 million from Citibank N.A.

As of December 31, 2014, outstanding loan of KAL, PPM and PMP amounted to US\$ 9 million, US\$ 5.5 million and US\$ 6.5 million, respectively from the total loan facility. The loan has been fully paid in 2015.

In June 2015, the loan facility was amended to allow loan withdrawal in Rupiah. The loan facility will expire on November 12, 2016 and can be automatically extendable each year.

As of December 31, 2015, outstanding loan of KAL, PPM and PMP amounted to Rp 231.93 billion (equivalent to US\$ 16.81 million), Rp 48.125 billion (equivalent to US\$ 3.48 million) and Rp 55 billion (equivalent to US\$ 3.99 million), respectively from the total loan facility. The loan will be due on various dates in February and March 2016 and can be rolled over on a quarterly basis.

This loan facility is guaranteed with corporate guarantee from ANJA, SMM and ANJAS.

PT CIMB Niaga Tbk

On July 28, 2015, the Company, KAL, GSB and ANJA entered into a short term loan agreement with PT Bank CIMB Niaga Tbk for a total facility of US\$ 35 million. The loan bears interest rate at 2.5% to 3% above LIBOR for borrowings in USD and 2.5% to 3.25% above JIBOR for borrowings in Rupiah. The loan facility is secured with corporate guarantee from ANJA, ANJAS and SMM.

As of December 31, 2015, outstanding loan of KAL amounted to Rp 92.5 billion (equivalent to US\$ 6,705,328) from the total loan facility and will be due on December 31, 2015 and has been rolled over every 2 weeks until March 10, 2016.

On January 14, 2016 and February 25, 2016, KAL has drawn Rp 18 billion and Rp 25 billion, respectively from the facility which will be due on March 10, 2016 and can be rolled over every 2 weeks.

PT Bank OCBC NISP Tbk (OCBC NISP)

On November 20, 2013, ANJA obtained credit facilities in the form of Demand Loan 1 of US\$ 15 million which can be used to finance the acquisition of a company and/or capital expenditure, Demand Loan 2 of US\$ 10 million to finance its working capital needs and foreign exchange transaction facility of US\$ 20 million for foreign currency hedging from OCBC NISP. The interest rate for those credit facilities is 3% above LIBOR. ANJA should fulfill several financial and non-financial covenants, such as to maintain debt to equity ratio at a maximum of 1.5x, interest service coverage ratio of not less than 2x and debt to earning before interest, tax, depreciation and amortization (EBITDA) of not more than 2x. These facilities are valid until November 19, 2014.

On May 9, 2014, the loan agreement between ANJA and OCBC NISP was amended, whereas ANJA, PPM, and PMP become the joint parties for the credit facility from OCBC NISP. As of December 16, 2014, these facilities were extended until November 19, 2015.

On June 1, 2015, the loan agreement between ANJA, PPM, PMP and OCBC NISP was further amended, whereas ANJA, PPM, PMP, and the Company become the joint parties for the credit facility from OCBC NISP.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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The loan facilities have also been increased to the following limits:

- Demand Loan 1 credit facility of US\$ 15 million.
- Demand Loan 2 credit facility of US\$ 10 million.
- Demand Loan 3 credit facility of Rp 130 billion.
- Overdraft credit facility of US\$ 5 million.
- Fixed Loan credit facility of US\$ 30 million.
- Foreign exchange transaction facility of US\$ 20 million.

The Demand Loan 1, Demand Loan 2 and foreign exchange transaction facility would be due on November 19, 2015, while the Demand Loan 3, Overdraft credit facility and Fixed Loan were due on August 31, 2015.

On August 24, 2015, the Company, ANJA, PPM, PMP, ANJAP, ANJAS and SMM entered into loan agreement with OCBC NISP for the following credit facilities:

- Overdraft credit facility of US\$ 5 million with the allocation limit to the Company, ANJA, PMP and PPM of US\$ 0.5 million, US\$ 2.5 million, US\$ 1 million and US\$ 1 million, respectively. The facility bears interest rate at 3.75% above LIBOR and available until the due date of 1 year from the loan agreement date.
- Demand Loan 1 credit facility of US\$ 3 million bearing interest rate at 3.75% above LIBOR and available until the due date of 1 year after the loan agreement date.
- Demand Loan 2 credit facility of Rp 91 billion bearing interest rate at OCBC NISP's Prime Lending Rate and available until the due date of 1 year after the loan agreement date.
- Fixed Loan credit facility of US\$ 8 million to the Company bearing interest rate at 5% above LIBOR and available until the due date of 4 years after the loan agreement date.
- Term Loan 1 and 3 credit facilities of Rp 1,345.5 billion for the Company, PPM, PMP and ANJAP bearing interest rate at 1% above OCBC NISP's Prime Lending Rate and available until the due date of 7 years after the loan agreement date.
- Term Loan 2 and 4 credit facilities of US\$ 23.5 million for the Company, PPM, PMP and ANJAP bearing interest rate at 5% above LIBOR and available until the due date of 7 years after the loan agreement date.
- Foreign exchange transaction facility of US\$ 10 million which is available until the due date of 1 year after the loan agreement date.

The loan facilities are guaranteed with:

- Pledges of ANJA's shares in ANJAS of 420,760 shares with the right to sell and set off;
- Pledges of ANJA's shares in SMM of 24,999 shares with the right to sell and set off;
- Corporate guarantee from ANJA;
- Fiduciary of inventory in the amount of US\$ 4.5 million from ANJA;
- Charge over all Accounts of the Company, ANJA, PPM, PMP and ANJAP at OCBC NISP; and
- Assignment of insurance proceeds of inventory in the amount of US\$ 4.5 million from ANJA.

The Group should fulfill certain financial covenants which among others maintain debt to equity ratio at a maximum of 1x, debt service coverage ratio of not less than 1.25x and debt to EBITDA of not more than 4.5x, 4x, and 3x for the financial year 2015-2019, 2020, and afterwards, respectively.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The Group should also fulfill certain non-financial covenants which among others maintain the ownership of Tahija family at least at 51%, restrict the Group to incur financial activities in the amounts which equivalent with the loan financing, submit the annual budget plan to the Bank for the next accounting year at the latest 30 days after the year end of the current year and submit the loan monitoring report.

As of December 31, 2015, the Group is in compliance with the terms and conditions of the loans.

As of December 31, 2015, outstanding loan from short-term credit facility of PPM amounted to US\$ 1.0 million and Rp 91 billion and PMP amounted to US\$ 1.0 million. These loans will be due on August 24, 2016.

As of December 31, 2015, outstanding loan of the Company, PPM, PMP and ANJAP amounted to US\$ 8 million, Rp 256.4 billion, Rp 385.1 billion and Rp 58.35 billion, respectively, from the long-term loan facilities. The Company's loan will be due on August 24, 2019 while PPM, PMP and ANJAP's loan will be due on August 24, 2022.

On January 18, 2016, ANJAP withdrew Rp 6.7 billion from loan facility and will be due on August 24, 2022.

PT Bank Central Asia Tbk (BCA)

On January 29, 2010, GMIT obtained credit facilities from BCA which consisted of:

- Local credit facility of Rp 2 billion.
- Time loan revolving facility of Rp 20 billion.
- Time loan incidental facility of Rp 3 billion.

On December 10, 2013, the loan facilities have been amended to the following:

- Local credit facility, with a maximum limit of Rp 2 billion.
- Time loan revolving facility, with a maximum limit of Rp 43 billion.

The credit facilities obtained from BCA are secured by GMIT's inventories (Besuki N.O. tobacco) amounting to Rp 15 billion and all of GMIT's land and buildings (Notes 10 and 15). These credit facilities were extended until April 29, 2016.

The loan agreements relating to the above facilities contain certain covenants which among others restrict GMIT to obtain new loans or credit from other parties and/or become a guarantor, to lend money (except lending in relation to their normal course of operation), to be involved in consolidation, merger, liquidation and to change its institutional status.

The outstanding bank loan in GMIT was Rp 9.0 billion (equivalent to US\$ 654,181) and Rp 41.2 billion (equivalent to US\$ 3,308,589) as of December 31, 2015 and 2014, respectively. This loan was due on January 29, 2015 and has been further extended until April 29, 2016.

**22. TRADE ACCOUNTS PAYABLE**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Third parties		
Palm plantation	2,614,019	5,897,892
Electricity power	671,302	352,857
Tobacco	<u>1,058</u>	<u>9,493</u>
Total	<u><u>3,286,379</u></u>	<u><u>6,260,242</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

Based on currencies:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
U.S. Dollar	706,037	3,624,049
Rupiah	<u>2,580,342</u>	<u>2,636,193</u>
Total	<u><u>3,286,379</u></u>	<u><u>6,260,242</u></u>

Based on creditors:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Koperasi Laman Mayang Sentosa	970,537	-
PT Wilmar Chemical Indonesia	259,412	-
Koperasi Eka Lestari	99,838	106,918
PT Bumi Pesona Permai	99,445	-
PT Bumi Tani Subur	94,596	501,132
CV Sumber Buana Perkasa	90,990	57,468
Koperasi ANJA Lestari	84,377	73,680
PT Hatika Patra Persada	36,517	70,368
PT Probesco Disatama	8,726	254,213
CV Mitra Utama Traktor Indonesia	3,708	50,030
PT Sentana Adidaya Pratama	-	2,730,050
PT Agro Tradisi	-	166,540
PT Meroke Tetap Jaya	-	198,524
PT Hanampi Sejahtera Kahuripan	-	179,212
PT Pertamina Patra Niaga	-	69,293
Mackenzie Industri Sdn. Bhd.	-	61,500
PT Asher Indonesia	-	55,573
Others (each below US\$ 50,000)	<u>1,538,233</u>	<u>1,685,741</u>
Total	<u><u>3,286,379</u></u>	<u><u>6,260,242</u></u>

**23. TAXES PAYABLE**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Corporate income tax		
The Company	-	15,687
Subsidiaries	226,872	3,649,161
Income taxes		
Article 21	595,233	400,019
Article 25	1,361,200	180,584
Article 4 (2)	87,605	80,509
Article 23/26	72,107	157,438
Article 22	1,803	3,776
Article 15	21,991	11,307
Value Added Tax	<u>36,181</u>	<u>12,917</u>
Total	<u><u>2,402,992</u></u>	<u><u>4,511,398</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**24. OTHER PAYABLE**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Payable to third parties	2,546,979	4,545,279
Advances received from customers	<u>173,957</u>	<u>1,502,255</u>
Total	<u><u>2.720,936</u></u>	<u><u>6,047,534</u></u>

Payable to third parties is classified as financial liabilities and is measured at amortized cost. The fair value of payable to third parties is its carrying amount.

All other payable is payable to third parties.

In 2015, payable to third parties mainly consists of payable to contractors related to the construction of plant and equipment, development of immature plantation and processing of landrights.

As of December 31, 2015 and 2014, payable to third parties included contingent liability to PMN's previous shareholders which is due in 2015-2016 (Note 49m). In 2015, the Company has paid Rp 6,875 million from the total of the contingent liability. The remaining contingent liability as of December 31, 2015 amounted to Rp 3,552 million (equivalent to US\$ 257 thousand) and has been fully paid in January 2016.

Advance received from customers represents receipt of cash from several customers for purchase of tobacco and crude palm oil whose deliveries will be made based on further instructions from those customers.

**25. ACCRUED EXPENSES**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Salaries, bonuses and allowances	3,936,085	4,851,770
Professional fees	294,287	264,035
Others	<u>2,872,659</u>	<u>2,985,628</u>
Total	<u><u>7.103.031</u></u>	<u><u>8,101,433</u></u>

**26. LEASE LIABILITIES**

SMM has entered into a sale and lease back arrangement on certain buildings, machineries and equipment with PT Mitra Pinasthika Mustika Finance on December 7, 2012. SMM has determined, based on an evaluation of the terms and conditions of the arrangement, that the sale and leaseback transaction was qualified for finance lease. The sales proceeds of US\$ 4,000,000 was established at fair value and was received on December 7, 2012. The excess of sales proceeds over the carrying amount of the assets amounting to US\$ 3,350,288 was recorded as deferred revenue (Note 27).

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The summary of the sale and lease back terms and conditions is as follows:

Net to Finance	: US\$ 2,200,000
Interest Rate	: 9.5% p.a. effective floating rate (determined every 6 months in arrears)
Tenor	: 30 months
Installment	: US\$ 1,557,418 (1st payment), US\$ 25,561 (2nd - 30th month)
Provision expense	: US\$ 11,000 (0.5% of Net to Finance)
Insurance	: Insured by Lessee

The future minimum lease payments based on the lease agreement are as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Payment due in:		
Less than a year	-	153,362
More than a year to five years	-	-
Minimum lease payments	-	153,362
Interest	-	(4,158)
Present value of minimum lease payments	-	149,204
Current maturities	-	(149,204)
Lease payable - net of current maturities	-	-

## 27. DEFERRED REVENUE

Deferred revenue represents the difference between proceeds from sales and book value of assets related to the sales and lease back transaction by SMM (Note 26) at a total amount of US\$ 3,350,288, which will be amortized over 30 month period. As of December 31, 2015, this deferred revenue has been fully amortized.

## 28. POST-EMPLOYMENT BENEFITS OBLIGATION

### Defined Benefit Pension Plan

The Group provides post-employment benefits for their qualifying employees in accordance with Labor Law No. 13/2003. The number of employees entitled to the benefits were 6,962 in 2015 and 6,472 in 2014.

The pension plan for the Company's employees is managed by Dana Pensiun Lembaga Keuangan (DPLK) Manulife Indonesia, the deed of establishment of which was approved by the Minister of Finance of the Republic of Indonesia in his decision letter No. KEP-231/KM.17/1994 dated August 5, 1994.

The defined benefit pension plan typically expose the Group to actuarial risks such as: investment risk, interest rate risk and salary risk.

### Investment Risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan assets are placed at the government banks and in money market.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

Interest Risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's assets.

Salary Risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Recognized in profit (loss)		
Current service cost	3.146.330	2.334.996
Termination cost, curtailment, and settlement	344.802	310.590
Past service cost	-	263.531
Interest cost	713.151	596.442
Interest income on plan assets	(19.375)	(5.226)
Amortization of past service cost	-	10.183
Components of defined benefit costs recognized in profit or loss	<u>4.184.908</u>	<u>3.510.516</u>
Recognized in other comprehensive income:		
Remeasurement on the net defined benefit liability:		
Return on plan assets	409	-
Actuarial gains	<u>(1.395.960)</u>	<u>(27.924)</u>
	<u>(1.395.551)</u>	<u>(27.924)</u>
Total	<u><u>2.789.357</u></u>	<u><u>3.482.592</u></u>

All the expense for the year amounted to US\$ 4,184,908 and US\$ 3,510,516, respectively are recorded as part of general and administrative expenses in 2015 and 2014.

The amounts included in the consolidated statement of financial position arising from the Group's obligation in respect of the defined benefits plan is as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Present value of funded obligations	11,159,702	10,313,176
Unrecognized past service cost	-	(44,464)
Fair value of plan assets	<u>(188,063)</u>	<u>(259,481)</u>
Net liability	<u><u>10,971,639</u></u>	<u><u>10,009,231</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

Movements in the present value of the defined benefit obligation were as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Opening defined benefit obligation	10,313,176	7,708,896
Current service cost	3,146,330	2,334,996
Interest cost	713,151	596,442
Past service cost	-	263,531
Benefits paid	(494,223)	(285,491)
Remeasurement on the net defined benefit (asset) liability:		
Actuarial gains and losses arising from changes in demographic assumptions	-	(394)
Actuarial gains and losses arising from changes in financial assumptions	(696,487)	324,131
Actuarial losses from experience adjustments	(699,473)	(515,850)
Past service cost due to plan amendment	-	164,189
Foreign exchange differential	<u>(1,122,772)</u>	<u>(277,274)</u>
Closing defined benefit obligation	<u><u>11,159,702</u></u>	<u><u>10,313,176</u></u>

Movements in the fair value of the plan assets were as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Opening fair value of plan assets	259,481	94,890
Interest income	19,375	7,355
Remeasurement gain (loss):		
Return on plan assets	(409)	151
Contributions from the employer	3,563	173,522
Exchange differences on foreign plans	(23,943)	(3,326)
Benefits paid	<u>(70,004)</u>	<u>(13,111)</u>
Closing fair value of plan assets	<u><u>188,063</u></u>	<u><u>259,481</u></u>

Cumulative actuarial gain (losses) recognized in other comprehensive income are as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Cumulative amounts at beginning of year	1,051,143	1,038,504
Actuarial gain for the year	1,395,551	27,924
Actuarial gain (loss) from investment in associates	<u>6,650</u>	<u>(15,285)</u>
Cumulative amounts at end of year	<u><u>2,453,344</u></u>	<u><u>1,051,143</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The major category of plan assets, and the expected rate of return at the end of the reporting period for each category, are as follows:

	Expected return		Fair value of plan assets	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	%	%	US\$	US\$
Time deposits placed in state-owned banks	8.75%	8.00%	59,306	98,502
Investment in money market	8.00%	8.00%	<u>128,757</u>	<u>160,979</u>
Fair value of plan assets			<u><u>188,063</u></u>	<u><u>259,481</u></u>

The fair value of the above investment in government banks and money market are determined based on quoted market prices in active markets. This policy has been implemented during the current and prior years.

The cost of providing post-employment benefits is calculated annually by an independent actuary, PT Dayamandiri Dharmakonsolindo. The actuarial valuation was carried out using the following key assumptions:

	31/12/2015	31/12/2014
Mortality rate	TMI 3 2011	TMI 3 2011
Normal pension age	55-60 years	55-60 years
Salary increment rate per annum	8.00% - 10.00%	8.00% - 10.00%
Discount rate per annum	8.75% - 9.30%	7.80% - 8.75%

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher (lower), the defined benefit obligation would decrease to US\$ 10,043,685 (increase to US\$ 11,623,818).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase to US\$ 11,782,332 (decrease to US\$ 9,905,289).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The Company's defined benefit pension plan is funded by the Company. There is no minimum funding requirement under the arrangement between the Company and DPLK Manulife Indonesia nor is there a minimum funding requirement under the prevailing regulations. The subsidiaries' defined benefit pension plan is unfunded.

The average duration of the benefit obligation at December 31, 2015 is 7.63-17.78 years (2014: 5.78-18.17 years). This number can be analysed from average expected future service of active members: 6.92-9.76 years for 2015 and 7.47-12.19 years for 2014.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**29. CAPITAL STOCK**

The composition of the Company's shareholders is as follows:

Name of shareholders	31/12/2015			
	Number of shares	Percentage of ownership	Total paid-in capital stock	
			Rp	Equivalent in US\$
PT Memimpin Dengan Nurani	1,343,804,685	41.7347%	134,380,468,500	14,037,446
PT Austindo Kencana Jaya	1,343,804,685	41.7347%	134,380,468,500	14,037,446
Mr. George Santosa Tahija	156,242,000	4.8524%	15,624,200,000	7,544,278
Mr. Sjakon George Tahija	156,147,130	4.8495%	15,614,713,000	7,539,697
Yayasan Tahija	1,500	0.0000%	150,000	73
Public (each below 5%)	219,873,700	6.8286%	21,987,370,000	2,253,161
Total outstanding shares	3,219,873,700	100%	321,987,370,000	45,412,101
Treasury stock	115,651,300	-	11,565,130,000	1,186,135
Number of shares issued and fully paid	3,335,525,000	100%	333,552,500,000	46,598,236

Name of shareholders	31/12/2014			
	Number of shares	Percentage of ownership	Total paid-in capital stock	
			Rp	Equivalent in US\$
PT Memimpin Dengan Nurani	1,343,804,685	40.2952%	134,380,468,500	14,037,446
PT Austindo Kencana Jaya	1,343,804,685	40.2952%	134,380,468,500	14,037,446
Mr. George Santosa Tahija	156,242,000	4.6851%	15,624,200,000	7,544,278
Mr. Sjakon George Tahija	156,147,130	4.6822%	15,614,713,000	7,539,697
Yayasan Tahija	1,500	0.0000%	150,000	73
Public (each below 5%)	334,900,000	10.0423%	33,490,000,000	3,434,778
Total	3,334,900,000	100.0000%	333,490,000,000	46,593,718

Based on Deed No. 304 on notary Dr. Irawan Soerodjo, S.H., M.Si. dated December 23, 2014, in accordance with the announcement to the Indonesian Stock Exchange dated December 9, 2014, the Company issued 1,550,000 shares with total nominal value of Rp 155,000,000 (equivalent to US\$ 12,645) in relation with Management Stock Option Program. The Company has also recorded an amount US\$ 177,971 as additional paid in capital (Note 30) as a result of this transaction.

Based on Deed No. 288 on notary Dr. Irawan Soerodjo, S.H., M.Si. dated December 23, 2015, in accordance with the announcement to the Indonesian Stock Exchange dated December 8, 2015, the Company issued 625,000 shares with total nominal value of Rp 62,500,000 (equivalent to US\$ 4,518) in relation with Management Stock Option Program. The Company has also recorded an amount US\$ 66,258 as additional paid in capital (Note 30) as a result of this transaction.

As discussed in Note 1c, the Company has acquired 115,651,300 shares of its issued and paid up shares from the shareholders who disagreed with the resolution of the Extraordinary General Meeting of Shareholders held on June 22, 2015 regarding the merger between the Company and PAM. Total acquisition cost of these treasury stock which was paid by the Company on June 30, 2015 amounted to Rp 141,840 million (including other direct acquisition cost of Rp 283 million) or equivalent to US\$ 10.6 million. The shares are recorded as part of "treasury stock" in Equity.

**30. ADDITIONAL PAID IN CAPITAL**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Net excess of IPO proceeds over paid in capital		
Excess of IPO price over par value	37,643,466	37,643,466
Share issuance costs	(5,496,381)	(5,496,381)
Management Stock Option Plan exercised	<u>244,229</u>	<u>177,971</u>
Subtotal	<u>32,391,314</u>	<u>32,325,056</u>
Difference in value from restructuring transaction between entities under common control:		
Sale of investment in shares of ANJHC	8,024,263	8,024,263
Sale of investment in shares of BKM	1,490,208	1,490,208
Sale of investment in properties	32,592	32,592
Sale of property, plant and equipment	3,569,959	3,569,959
Sale of other assets	<u>(112,689)</u>	<u>(112,689)</u>
Subtotal	<u>13,004,333</u>	<u>13,004,333</u>
Total	<u><u>45,395,647</u></u>	<u><u>45,329,389</u></u>

The difference in value from restructuring transaction between entities under common control arised from the following transactions:

**Sale of investment in shares of ANJHC**

On May 7, 2012, the Company transferred 165,837,499 shares or 99.99% ownership in PT Austindo Nusantara Jaya Healthcare (ANJHC) to PT Austindo Nusantara Jaya Husada Cemerlang with the selling price of US\$ 20,000,000. The difference between the selling price and the book value of equity transferred of US\$ 8,024,263 represents difference in value from restructuring transaction between entities under common control.

**Sale of investment in shares of BKM**

On July 23, 2012, the Company transferred 27,750 shares in PT Bina Kosala Metropolitan (BKM) to PT Austindo Nusantara Jaya Husada Cemerlang with the selling price of US\$ 2,630,886. The difference between the selling price and the book value of equity transferred of US\$ 1,490,208 represents the difference in value from restructuring transaction between entities under common control.

**Sale of investment properties**

On August 14, 2012, the Company sold its investment in land and buildings to PT Memimpin Dengan Nurani and PT Austindo Kencana Jaya with total selling price of US\$ 2,606,165. The difference between the selling price and the book value of US\$ 994,316 represents the difference in value from restructuring transaction between entities under common control.

On September 5, 2012, the Company sold its investment in properties to PT Austindo Nusantara Jaya Husada Cemerlang with the total selling price of US\$ 4,324,371. The difference between the selling price and the book value of (US\$ 961,724) represents the difference in value from restructuring transaction between entities under common control.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**Sale of property, plant and equipment**

On December 6, 2012, the Company sold building, office equipment, furniture and fixtures to PT Memimpin Dengan Nurani and PT Austindo Kencana Jaya with a total selling price of US\$ 2,970,834. The difference between the selling price and the book value of US\$ 2,392,599 represents the difference in value from restructuring transaction between entities under common control.

On May 16, 2012, GMIT sold its land and building located in Jember to entities under common control, PT Memimpin Dengan Nurani and PT Austindo Kencana Jaya. The difference between the selling price and the book value of land and building of US\$ 1,177,360 was recorded as difference in value from restructuring transaction between entities under common control.

**Sale of other assets**

On June 29, 2012, the Company sold other assets to Mr. Sjakon George Tahija with a selling price of US\$ 42,440. The difference between the selling price and the book value of (US\$ 112,689) represents the difference in value from restructuring transaction between entities under common control.

**31. MANAGEMENT STOCK OPTIONS**

The Company provides a management stock option plans (MSOP) for eligible management within the Group. The option in MSOP program can be used to buy the Company's new shares up to 1.5% of paid in capital after the Initial Public Offering or at a maximum of 50,000,000 (fifty million) common shares.

The options in this program will be granted in three phases, (i) 40% on the listing date, (ii) 30% on the first anniversary of the listing and the remaining (iii) 30% on the second anniversary of the listing. Each of the distributed option can be used to buy one new share of the Company during the option period, which is within two years after the vesting date, under condition that the vesting period of the option is one year since the grant date. During the vesting period, the participants cannot use their rights to buy the Company's shares.

The shared-based payment arrangements during the current year is as follows:

Option series	Number of shares	Grant date	Expiry date	Fair value at grant date per option Rp
Tranche 1	13,600,000	8-May-13	8-May-16	417.45
Tranche 2	12,675,000	8-May-14	8-May-17	518.85
Tranche 3	11,925,000	8-May-15	8-May-18	327.26

The exercise price for the option is 90% of average closing price of the Company's share during 25 trading days before the notification date to the Indonesian Stock Exchange regarding the exercise period for the options. Exercise period for Tranche 1 in 2014 is from November 3, 2014 until December 12, 2014, while the exercise period for Tranche 1 and Tranche 2 in 2015 is from May 8, 2015 until June 15, 2015 and November 2, 2015 until December 4, 2015 at exercise price of Rp 1,095.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

Fair value of share options granted

The fair value of the stock options on the grant date was measured using the Black and Scholes model. For the years ended December 31, 2015 and 2014, the fair value of options recognized as general and administrative expenses in profit or loss was US\$ 216,052 and US\$ 436,149, respectively. As of December 31, 2015 and 2014, the fair value of the stock option recorded in equity was US\$ 923,185 and US\$ 728,435, respectively.

Key assumptions used in calculating the fair value of the options are as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
Risk free interest rate	8.13%	8.28%
Option period	3 years	3 years
Expected stock price volatility	35.81%	37.77%
Expected dividend	3.00%	3.00%

Movements in outstanding options are as follows:

	<u>Number of options</u>	
	<u>31/12/2015</u>	<u>31/12/2014</u>
Outstanding option at beginning of period	22,125,000	13,600,000
Options granted	11,925,000	12,675,000
Options lapsed	(4,200,000)	(2,600,000)
Options exercised	<u>(625,000)</u>	<u>(1,550,000)</u>
Outstanding options at end of period	<u><u>29,225,000</u></u>	<u><u>22,125,000</u></u>

**32. DIFFERENCES IN VALUE DUE TO CHANGES IN EQUITY OF SUBSIDIARIES AND OTHER COMPREHENSIVE INCOME**

**Differences in Value Due to Changes in Equity of subsidiaries**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Effect of changes in equity resulting from step acquisition of ANJA	29,217,031	29,217,031
Effect of changes in equity resulting from remeasurement of functional currency in SMM	1,860,354	1,860,354
Effect of changes in equity of ANJA from option conversion and purchase of shares from non-controlling interest	<u>(469,794)</u>	<u>(469,794)</u>
Total	<u><u>30,607,591</u></u>	<u><u>30,607,591</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**Other Comprehensive Income**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Available for sale investment revaluation		
Beginning balance	4,851,471	2,058,569
Change in fair value	<u>21,134</u>	<u>2,792,902</u>
Sub total	<u>4,872,605</u>	<u>4,851,471</u>
Translation adjustments		
Beginning balance	(25,786,173)	(24,576,063)
Foreign exchange differentials from translations of subsidiaries'	<u>(8,856,467)</u>	<u>(1,210,110)</u>
Sub total	<u>(34,642,640)</u>	<u>(25,786,173)</u>
Total	<u><u>(29,770,035)</u></u>	<u><u>(20,934,702)</u></u>

**33. NON-CONTROLLING INTERESTS**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
PT Lestari Sagu Papua	132,769	324,387
PT Austindo Aufwind New Energy	13,616	18,707
PT Austindo Nusantara Jaya Agri	7,192	8,234
PT Gading Mas Indonesia Teguh	1,233	1,382
Others	<u>383</u>	<u>377</u>
Total	<u><u>155,193</u></u>	<u><u>353,087</u></u>

Summarized financial information in respect to PT Lestari Sagu Papua, a subsidiary that has material non-controlling interest is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Balance at beginning of year	324,387	485,299
Share profit for the year	<u>(191,618)</u>	<u>(160,912)</u>
Total	<u><u>132,769</u></u>	<u><u>324,387</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Current assets	184,045	261,873
Non-current assets	<u>90,282</u>	<u>430,541</u>
Total assets	<u><u>274,327</u></u>	<u><u>692,414</u></u>
Current liabilities	3,369	30,399
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u><u>3,369</u></u>	<u><u>30,399</u></u>
Revenue	21,352	16,105
Expenses	<u>(412,408)</u>	<u>(344,497)</u>
Profit (loss) for the year	<u><u>(391,056)</u></u>	<u><u>(328,392)</u></u>
Profit (loss) attributable to:		
Owners of the Company	(391,056)	(328,392)
Non-controlling interests	<u>-</u>	<u>-</u>
Profit (loss) for the year	<u><u>(391,056)</u></u>	<u><u>(328,392)</u></u>
Total comprehensive income attributable to:		
Owners of the Company	(391,056)	(328,392)
Non-controlling interests	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>(391,056)</u></u>	<u><u>(328,392)</u></u>
Net cash inflow (outflow) from:		
Operating activities	(52,436)	(251,385)
Investing activities	(1,237)	(208,195)

**34. REVENUE FROM SALES**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Palm oil and palm kernel	114,628,525	147,359,552
Tobacco	5,166,621	4,805,003
Others	<u>140,760</u>	<u>10,187</u>
Total	<u><u>119,935,906</u></u>	<u><u>152,174,742</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**35. SHARE IN NET INCOME OF ASSOCIATES**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
PT Pangkatan Indonesia	999,176	1,771,589
PT Bilah Plantindo	462,424	929,620
PT Simpang Kiri Plantation Indonesia	389,838	702,074
PT Evans Lestari	<u>(82,442)</u>	<u>(83,689)</u>
Total	<u><u>1.768.996</u></u>	<u><u>3.319.594</u></u>

**36. DIVIDEND INCOME**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Investments in stocks	3,126,310	4,882,000
Money market funds	<u>126</u>	<u>44</u>
Total	<u><u>3.126.436</u></u>	<u><u>4.882.044</u></u>

**37. INTEREST INCOME**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Time deposits and current accounts	245,393	629,651
Others	<u>2,133</u>	<u>7,374</u>
Total	<u><u>247.526</u></u>	<u><u>637.025</u></u>

**38. OTHER INCOME**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Gain from sale of RSPO certificate	689,486	780,901
Gain on sale of properties, plant and equipment	670,058	9,365
Management service income from plasma	148,254	325,645
Gain on sale of other investment	-	527,215
Gain on sale and leaseback transaction (Note 27)	-	1,340,115
Others	<u>693,036</u>	<u>434,648</u>
Total	<u><u>2.200.834</u></u>	<u><u>3.417.889</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**39. COST OF SALES**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Palm oil and palm kernel	79,974,570	87,183,553
Tobacco	4,107,950	3,924,588
Others	<u>133,470</u>	<u>7,201</u>
Total	<u><u>84,215,990</u></u>	<u><u>91,115,342</u></u>
	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Fresh Fruit Bunches (FFB) Costs		
Harvesting expenses	10,694,525	10,753,992
Maintenance expenses of mature plantations	19,167,445	20,820,124
Indirect expenses including depreciation of property, plant and equipment (Note 15)	19,302,126	19,470,125
Depreciation of mature plantation (Note 14)	8,122,826	8,349,537
Purchases of FFB	<u>13,573,707</u>	<u>19,280,735</u>
Total FFB Costs	70,860,629	78,674,513
Factory overhead costs including depreciation of property, plant and equipment (Note 15)	<u>9,100,926</u>	<u>8,973,156</u>
Total palm oil production costs	<u><u>79,961,555</u></u>	<u><u>87,647,669</u></u>
Tobacco Cost		
Purchase of tobacco	-	3,590,604
Tobacco processing cost	<u>433,025</u>	<u>1,581,692</u>
Total tobacco production cost	<u><u>433,025</u></u>	<u><u>5,172,296</u></u>
Others	<u>137,449</u>	<u>10,669</u>
Finished Goods:		
Beginning of period		
Palm oil	2,404,597	1,940,481
Tobacco	7,615,599	6,553,478
Others	3,320	-
End of period		
Palm oil	(2,391,583)	(2,404,597)
Tobacco	(3,299,996)	(7,615,599)
Others	(5,924)	(3,320)
Translation adjustment of tobacco, and other inventories	<u>(642,052)</u>	<u>(185,735)</u>
Cost of sales	<u><u>84,215,990</u></u>	<u><u>91,115,342</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The details of suppliers with purchases exceeding 10% of the consolidated net fresh fruit bunches (FFB) purchases are as follows:

Nama	31/12/2015		31/12/2014	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
	US\$	%	US\$	%
PT Sentana Adidaya Pratama	7,051,752	18	6,722,810	18
UD Riri	3,140,400	8	5,115,985	13
Total	<u>10,192,152</u>	<u>26</u>	<u>11,838,795</u>	<u>31</u>

#### 40. PERSONNEL EXPENSES

This account represents salaries, allowances, bonuses and post-employment benefit expenses (Note 28).

#### 41. GENERAL AND ADMINISTRATIVE EXPENSES

	31/12/2015	31/12/2014
	US\$	US\$
Travel and transportation	3,820,204	4,362,022
Professional fees	2,754,897	2,526,132
Depreciation (Note 15)	968,163	959,226
Rent	849,871	899,990
Office expenses	660,426	596,025
Repairs and maintenance	433,581	695,379
Donation	366,253	102,525
Training, seminars and meeting	340,516	391,239
Communication and electricity	272,383	268,076
Share-based compensation (Note 31)	216,052	436,149
Membership and subscription fees	205,029	180,254
Custodian fees and bank charges	136,461	120,620
Insurance	102,323	82,373
Others	785,165	870,167
Total	<u>11,911,324</u>	<u>12,490,177</u>

#### 42. OTHER EXPENSES

Further to a sharp decline in CPO price, slowdown in macro-economic growth, volatility in exchange rates and other external factors, in 2015, Group decided to slow down new planting process in PPM and PMP and halted the new land clearing process as a conservative measure to ensure sustainable growth. Following this decision, PPM and PMP have reduced the activities of contractors and incurred termination charges for the land clearing contractors and seedlings purchase agreements. This one-off expense is recorded under other expenses amounted to US\$ 8.8 million.

On December 31, 2014, other expenses mainly comprised of the impairment expense on the construction in progress recorded in ANJAP (Note 15).

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**43. INCOME TAXES**

Tax expense of the Group consists of the following:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Current tax	11,920,987	18,311,618
Deferred tax	<u>(2,977,060)</u>	<u>(2,757,458)</u>
Total tax expenses	<u><u>8,943,927</u></u>	<u><u>15,554,160</u></u>

Current Tax

The reconciliation between income before tax per consolidated statements of profit or loss and other comprehensive income and taxable income is as follows:

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Income before tax	557,513	33,822,364
Income before tax per subsidiaries	(31,226,110)	(32,394,776)
Income adjustment based on cost method	<u>56,422,085</u>	<u>22,683,300</u>
Income before tax of the Company	<u>25,753,488</u>	<u>24,110,888</u>
Temporary differences:		
Bonus	705,354	(250,000)
Post-employment benefits (including foreign exchange effects)	<u>236,142</u>	<u>265,422</u>
Subtotal	<u>941,496</u>	<u>15,422</u>
Non-tax-deductible expenses (non-taxable income/subject to final tax):		
Personnel expenses	1,061,694	998,179
Donation	54,443	-
Share based compensation	41,189	169,792
Interest income	(67,918)	(203,894)
Dividend income from subsidiaries	(26,399,451)	(21,499,567)
Gain on sale of property and equipment	-	(1,382)
Gain on sale of trading securities	-	(4,440)
Gain on sale of other investment	-	(447,365)
Others	<u>209,698</u>	<u>193,982</u>
Subtotal	<u>(25,100,345)</u>	<u>(20,794,695)</u>
Total taxable income	<u><u>1,594,639</u></u>	<u><u>3,331,615</u></u>
Details:		
Taxable income (fiscal loss)		
The Company	1,805,227	3,343,724
PAM	<u>(210,588)</u>	<u>(12,109)</u>
Net	<u><u>1,594,639</u></u>	<u><u>3,331,615</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Current income tax expense - the Company	451,307	835,931
Current income tax expense - subsidiaries		
PT Austindo Nusantara Jaya Agri and its subsidiaries	10,420,246	16,416,221
PT Darajat Geothermal Indonesia	1,037,048	1,058,290
PT Gading Mas Indonesia Teguh	<u>12,386</u>	<u>1,176</u>
Total income tax expense - current	<u><u>11,920,987</u></u>	<u><u>18,311,618</u></u>

The Company has submitted its corporate income tax return for the year 2014 in April 2015. The amount of taxable income is in accordance with the amount reported in the corporate income tax return. As of issuance date of the consolidated financial statements, the Company has not submitted its corporate income tax for the year 2015.

#### Deferred Tax

In 2015 and 2014, the Company had deductible temporary differences from bonus accrual and post-employment benefit obligation. The Group only recognized the deferred tax assets over which balance management believe can be utilized in future periods to compensate future taxable income.

The details of deferred tax assets and liabilities of the Group are as follows:

	<u>01/01/2015</u>	<u>Credited (charged) to income for the year</u>	<u>Credited (charged) to other comprehensive income</u>	<u>Translation adjustments</u>	<u>31/12/2015</u>
	US\$	US\$	US\$	US\$	US\$
Deferred tax assets					
The Company	183,545	235,375	(47,972)	-	370,948
PT Gading Mas Indonesia Teguh	149,032	14,734	(16,596)	(14,584)	132,586
PT Austindo Nusantara Jaya Agri	6,093,575	2,781,997	(241,242)	(392,514)	8,241,816
PT ANJ Agri Papua	2,138,415	140,013	(27,137)	(213,343)	2,037,948
PT Austindo Aufwind New Energy	178,366	29,825	(754)	(18,369)	189,068
Total	<u>8,742,933</u>	<u>3,201,944</u>	<u>(333,701)</u>	<u>(638,810)</u>	<u>10,972,366</u>
Deferred tax liabilities					
PT Darajat Geothermal Indonesia	(637,378)	(7,765)	(20,654)	-	(665,797)
PT Surya Makmur	(1,475,820)	(117,705)	213	-	(1,593,312)
PT Aceh Timur Indonesia	<u>(1,110,800)</u>	<u>(99,414)</u>	<u>(1,875)</u>	<u>-</u>	<u>(1,212,089)</u>
Total	<u>(3,223,998)</u>	<u>(224,884)</u>	<u>(22,316)</u>	<u>-</u>	<u>(3,471,198)</u>
Net		<u><u>2,977,060</u></u>	<u><u>(356,017)</u></u>		

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

	01/01/2014	Credited (charged) to income for the year	Credited (charged) to other comprehensive income	Translation adjustments	31/12/2014
	US\$	US\$	US\$	US\$	US\$
Deferred tax assets					
The Company	175,836	3,855	3,854	-	183,545
PT Gading Mas Indonesia Teguh (formerly PT Gading Mas Indonesian Tobacco)	117,349	35,935	(363)	(3,889)	149,032
PT Austindo Nusantara Jaya Agri	3,537,073	2,710,838	(46,132)	(108,204)	6,093,575
PT ANJ Agri Papua	1,863,078	318,746	8,163	(51,572)	2,138,415
PT Austindo Aufwind New Energy	214,809	(34,069)	526	(2,900)	178,366
Total	<u>5,908,145</u>	<u>3,035,305</u>	<u>(33,952)</u>	<u>(166,565)</u>	<u>8,742,933</u>
Deferred tax liabilities					
PT Darajat Geothermal Indonesia	(817,887)	143,827	36,682	-	(637,378)
PT Surya Makmur	(1,238,776)	(238,526)	1,482	-	(1,475,820)
PT Aceh Timur Indonesia	(929,991)	(183,148)	2,339	-	(1,110,800)
Total	<u>(2,986,654)</u>	<u>(277,847)</u>	<u>40,503</u>	<u>-</u>	<u>(3,223,998)</u>
Net		<u>2,757,458</u>	<u>6,551</u>		

A reconciliation between tax expense and the amount computed by applying the prevailing tax rates to income before tax is as follows:

	2015	2014
	US\$	US\$
Income before tax of the Company	<u>25,753,488</u>	<u>24,110,888</u>
Tax expense at prevailing tax rates	<u>(6,438,372)</u>	<u>(6,027,722)</u>
Effect of non-tax-deductible expenses (non-taxable income/subjected to final tax):		
Personnel expenses	(265,424)	(249,545)
Donation	(13,611)	-
Share based compensation	(10,297)	(42,448)
Interest income	16,980	50,974
Dividend income from subsidiaries	6,599,863	5,374,892
Gain on sale of property and equipment	-	346
Gain on sale of trading securities	-	1,110
Gain on sale of other investment	-	111,841
Others	<u>(52,424)</u>	<u>(48,496)</u>
Total	<u>6,275,087</u>	<u>5,198,674</u>
Fiscal loss for which no tax benefit was recognized	<u>(52,647)</u>	<u>(3,028)</u>
Total tax expense	<u>(215,932)</u>	<u>(832,076)</u>
Tax expense of subsidiaries	<u>(8,727,995)</u>	<u>(14,722,084)</u>
Total tax expense	<u>(8,943,927)</u>	<u>(15,554,160)</u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**44. (LOSS) EARNINGS PER SHARE**

The computation of basic (loss) earnings per share is based on the following data:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
<u>(Loss) earnings</u>		
Net (loss) income attributable to owners of the Company	(8,218,376)	18,425,605
<u>Number of shares</u>		
Weighted average number of ordinary shares outstanding for basic (loss) earning per share computation	<u>3,277,126,433</u>	<u>3,333,479,167</u>
Weighted average number of ordinary shares outstanding for diluted (loss) earning per share computation	<u>3,280,048,933</u>	<u>3,353,391,667</u>
 (Loss) earnings per share		
Basic	(0.00251)	0.00553
Diluted	(0.00251)	0.00549

As of December 31, 2015 and 2014, the Company has dilutive potential common shares resulting from stock options (Note 31) totaling to 29,225,000 shares and 22,125,000 shares, respectively.

**45. APPROPRIATED RETAINED EARNINGS**

In the Annual General Shareholders' Meetings held on June 22, 2015, the shareholders of the Company approved the allocation of additional appropriated retained earnings amounting to Rp 31,000,000 (equivalent to US\$ 2,327) for the year 2015.

In the Annual General Shareholders' Meetings held on June 3, 2014, the shareholders of the Company approved the allocation of additional appropriated retained earnings amounting to Rp 6,667,000,000 (equivalent to US\$ 567,888) for the year 2014.

**46. CASH DIVIDENDS**

In the Annual General Shareholders' Meeting held on June 22, 2015, the shareholders of the Company approved the distribution of cash dividends of Rp 112,673.70 million or Rp 35 (full amount) per share (equivalent to US\$ 8,448,205 or US\$ 0.003 per share) from the profit of year 2014 to the shareholders recorded on the shareholders register on July 2, 2015 (recording date). This dividend was paid to the shareholders on July 24, 2015.

In the Annual General Shareholders' Meeting held on June 3, 2014, the shareholders of the Company approved the distribution of cash dividends of Rp 116,667.25 million or Rp 35 (full amount) per share (equivalent to US\$ 9,639,532 or US\$ 0.003 per share) from the profit of year 2013 to the shareholders recorded on the shareholders register on June 27, 2014 (recording date). This dividend was paid to the shareholders on July 14, 2014.

#### 47. DERIVATIVE INSTRUMENTS

- a) ANJA entered into forward currency contract facilities with Citibank N.A., PT Bank OCBC NISP Tbk and PT Rabobank International Indonesia to minimize foreign exchange exposure. Foreign currency contracts require ANJA, at a future date, to buy and sell U.S. Dollar against Rupiah using the rates agreed at the inception of the contracts. As of December 31, 2015 and 2014, there was no outstanding balance of the facility.
- b) ANJA had entered into future commodity contracts with PT Bank ANZ Indonesia in 2015 and Morgan Stanley Capital Group Inc. and Barclays Capital in 2014. The gain from these future commodity contracts amounted to US\$ 409,782 in 2015 and nil in 2014, respectively was recorded in the consolidated statements of profit or loss and other comprehensive income as part of other income or other expense. As of December 31, 2015, ANJA has outstanding future commodity contracts with PT Bank ANZ Indonesia which is effective in January 4, 2016 with the details as follows:

	<u>Notional quantity</u> Metric ton	<u>Effective date</u>	<u>Termination date</u>
Contract 1	6,000	January 4, 2016	June 30, 2016
Contract 2	6,000	January 4, 2016	June 30, 2016
Contract 3	3,000	January 4, 2016	March 30, 2016
Contract 4	6,000	January 4, 2016	June 30, 2016

- c) On October 1, 2010, GMIT entered into a foreign exchange line agreement with PT Bank Permata Tbk, whereas the Bank agreed to provide a derivative transaction facility of a maximum amount of US\$ 1,000,000, with maximum transaction terms of 6 months with the latest validity until October 6, 2015 and was not renewed. There was no outstanding balance of the facility in 2015 and 2014.

#### 48. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

##### Nature of Relationship

- Mr. George Santosa Tahija, Mr. Sjakon George Tahija, Yayasan Tahija, PT Memimpin Dengan Nurani (MDN) dan PT Austindo Kencana Jaya (AKJ) are the Company's shareholders.
- PT Austindo Nusantara Jaya Husada Cemerlang is a subsidiary of PT Austindo Kencana Jaya.

##### Transactions with related parties

GMIT utilizes land and building owned by AKJ and MDN as its office, employee housing, training centre and warehouse in accordance with the lend and use agreement dated May 17, 2012. This agreement expired on May 17, 2014 and has been renewed until May 17, 2016. Based on this lend and use agreement, GMIT has no obligation to pay anything to AKJ or MDN, however GMIT has to bear and pay the Land and Building tax, fire insurance, repair and maintenance, electricity, water, telephone, security and all other maintenance costs related to the land and building during the lend and use period.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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**49. COMMITMENTS AND CONTINGENCIES****COMMITMENTS**

- a. The Group provides the economic value added (EVA) incentive plan to its management. The first cycle of the plan started from January 1, 2007 to December 31, 2009, the second cycle started from January 1, 2010 to December 31, 2012, while the third cycle started from January 1, 2013 to December 31, 2015. The bonus is calculated annually based on a certain formula as specified in the EVA manual.
- b. On December 7, 2012, the Company entered into an Aircraft EJ-135 Charter Services Agreement with PT Airfast Indonesia (Airfast) for providing aviation service to carry passengers and/or cargo. The agreement is valid for a minimum period of five (5) years, extendable by providing a three-month prior written notice before the expiration date. On January 27, 2014 the agreement was novated so that the agreement was entered between Airfast with ANJA, ANJAP, PPM and PMP as the users of the aircraft. The agreement will be effective from January 1, 2014 to January 1, 2019.

Based on the agreement, Airfast irrevocably grants to ANJA, ANJAP, PPM and/or PMP a call option to purchase the aircraft from Airfast at the current market price at the purchase date upon expiration of the charter period or upon termination of the agreement.

On February 3 and 4, 2014, ANJA, ANJAP, PPM and PMP paid refundable security deposits of US\$ 8,500,000 to Airfast in accordance to the aircraft charter agreement. The security deposit of US\$ 8,500,000 will be refunded by Airfast in five installments from 2015-2019 on January 15th each year. On January 15, 2015, ANJA, ANJAP, PPM, and PMP received the refundable deposit from Airfast of US\$ 550,000.

On November 28, 2014, the agreement was amended, whereas ANJA, ANJAP, PPM, PMP and PAM become the users of the aircraft effective from January 1, 2015.

In June 2015, the agreement was further amended whereas PAM is no longer a user of the aircraft. Based on the latest agreement, the Group is committed to pay a monthly fixed charter fee of maximum US\$ 88,850 and Rp 783,851 thousand plus all operational expenses billed based on the usage of the aircraft effective per August 1, 2015.

In October 2015, ANJA, ANJAP, PPM and PMP have received the first phase from the second installment of refundable deposit amounted to US\$ 458,333 which has been due on January 15, 2016.

On November 2, 2015, the agreement was amended to convert all fees and refundable security deposit into Rupiah. ANJA, ANJAP, PPM and PMP are committed to pay a monthly fixed charter fee maximum Rp 1,993 million plus all operational expenses billed based on the usage of the aircraft. The refundable security deposit that should be paid by Airfast every January 15th each year become Rp 1,237,500,000 for 2016, Rp 7,425,000,000 for 2017 and 2018, respectively and Rp 85,050,000,000 for 2019.

In January 2016, ANJA, ANJAP, PPM and PMP received the second phase from the remaining second installment of refundable deposit amounted to Rp 1,237,500,000.

- c. On December 18, 2012, the Company entered into a lease agreement with PT Bumi Mulia Perkasa Development, for leasing of 1,755.50 square meters office space at Gedung Atrium Mulia. The agreement was amended on December 10, 2013, whereas effective on January 1, 2014, the lessees become the Company, SMM, ANJAP, AANE, PPM, PMP and ANJ Boga with certain office space charged to each entity. Total rental fee and service charges for the Group of US\$ 92,164 should be paid quarterly. The Group has paid US\$ 92,164 security deposits, which is recorded as other non-current assets (Note 20). The lease period is effective until April 3, 2016, with an option to extend the contract for the next three years. This option could be exercised not earlier than 4 months, and not later than 2 months, before the due date of the lease contract.

On February 27, 2016, the Company entered into a lease agreement with PT Bumi Mulia Perkasa Development for 3 years period starting from April 3, 2016 to April 2, 2019.

- d. DGI has a 5% participation in a consortium with Chevron Geothermal Indonesia (CGI) and Chevron Darajat Limited (CDL) to develop Darajat Unit II and III Power Project. These parties have the following commitments with Perusahaan Pertambangan Minyak dan Gas Bumi Negara (Pertamina) whose geothermal operation is now operated by PT Pertamina Geothermal Energy (Pertamina Geothermal) and Perusahaan Listrik Negara (PLN):

- i. Joint Operation Contract - On November 16, 1984, Pertamina as the first party, CGI and CDL (jointly called "Contractor") as the second party entered into a Joint Operation Contract (JOC). This contract was amended and restated on January 15, 1996 and February 7, 2003. Under this contract, Pertamina will be responsible for the management of the geothermal field operation for the existing unit owned and operated by PLN, and the geothermal field operation and the electricity generation operations for the next and all subsequent units, which will be built, owned and operated by the contractor. The Contractor shall finance all expenditures for the existing unit of geothermal field operation owned and operated by PLN and geothermal field operation and electricity generation operation for the next and all subsequent units built. The Contractor shall also bear the risk, and be responsible for the conduct of such geothermal field operation and electricity generation operation and is appointed as the exclusive Contractor for all geothermal field operation and electricity generation in the Darajat West Java Area (contract area).

The original term of this contract shall be 564 months commencing on the effective date, provided that if a production period of 360 months for any unit will not be achieved within the period ending 564 months following the effective date, then an extension period shall be added. Based on amendment dated February 7, 2003, in the event that either PLN and the contractor exercises the option to extend the ESC contract (Note 49d.ii) term from 432 months to 552 months, the term of this contract will be automatically amended from 564 months to 684 months since the effective date. The contractor has constructed Darajat Unit II and III. Darajat Unit II and III, respectively started to sell electricity respectively from June 2000 and July 2007.

- ii. Energy Sales Contract - The Energy Sales Contract ("ESC") was entered into by PLN as a buyer and Pertamina, as the seller, and CGI as the deliverer and serving as contractor to Pertamina Geothermal under the JOC. This contract was amended and restated on January 15, 1996 and subsequently amended on May 1, 2000. Under the ESC, PLN has agreed to purchase and pay for geothermal energy and for electricity generated from geothermal energy as delivered and/or made available from the Darajat West Java Area (contract area), and Pertamina has agreed to sell such geothermal energy and electricity to PLN pursuant to a Joint Operation with CGI and CDL.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The term of this contract shall be for a period ending 432 months, however, either PLN or CGI and CDL shall have the option, exercisable any time during the first 372 months from the effective date, to amend the term of this contract from 432 months after the effective date to 552 months after the effective date. Furthermore, should any production period extend beyond the term of this contract, then the term of this contract will be automatically extended until the end of such production period.

The production period for delivery of geothermal energy shall be at least 360 months; however, either PLN or Darajat shall have the option, exercisable at any time during the period of 300 months from the effective date, to amend the 360 months period to 480 months.

- e. On November 29, 2012, Perusahaan Listrik Negara (PLN) and AANE entered into a Power Purchase Agreement (PPA) which is valid for 15 years since the signing date. AANE agreed to sell electricity power to PLN and PLN agreed to purchase the electricity power generated by the power plant built by AANE with a capacity of 1,200 kW in Desa Jangkang, subdistrict Dendang, regency of Belitung Timur. AANE has an agreed price of Rp 975/kWh, adjustable to new price if announced by PLN. AANE will also be responsible in designing, building, providing fund, construction, testing, commissioning and providing interconnection facilities and transaction points to connect the power plant owned by AANE to PLN's electricity system, operating and maintaining the power plant in accordance with standard operating procedures (SOP) as determined and agreed by both parties. Commercial date of operation for the electricity sales from AANE to PLN was December 31, 2013.

On December 18, 2015, the PPA was amended to increase the electricity production capacity by 600kW to 1,800 kW. All increase in electricity production from this capacity will continue to be sold to PLN. On January 29, 2016, PLN and AANE have signed the Commercial Operation Date Agreement for the increase of 600kW electricity capacity.

- f. On June 10, 2013, ANJAS and ANJA, each entered into a security service agreement with PT Jaga Nusantara (JANUS) whereas JANUS would provide security services to safeguard respectively ANJAS' and ANJA's assets, employees and facilities. The agreement is valid for three years and is extendable for maximum one year. The estimated maximum costs related to the service for ANJAS and ANJA are respectively Rp 6,165,435 thousand and Rp 6,260,634 thousand for the first year, Rp 6,659,052 thousand and Rp 6,761,160 thousand for the second year and Rp 7,202,030 thousand and Rp 7,311,740 thousand for the third year.
- g. On December 3, 2014, ANJAP and PT Mitra Adyaniaga entered into EPC agreement for the construction of ANJAP's power plant and its supporting facilities. The contract amount was US\$ 4,031,500, payable in several stages based on the delivery progress. Subsequently, on February 4, 2015 and March 9, 2015, ANJAP and PT Mitra Adyaniaga entered into EPC agreement for the power plant's civil structure and test, with total contract amount of Rp 18,650 million. As of December 31, 2015, ANJAP has paid US\$ 2,768,120 and Rp 15,050 million, such amount was recorded as part of construction in progress (Note 15).
- h. On December 1, 2014, ANJAP and PT Asindo Tech entered into EPC agreement for revamping of ANJAP's sago mill. The contract amount was Rp 51,700 million, payable in several stages based on the delivery progress. Subsequently, on April 1, 2015 and May 4, 2015, ANJAP and PT Asindo Tech entered into EPC agreement for the construction of sago mill supporting facilities, with total contract amount of Rp 1,185 million. As of December 31, 2015, ANJAP has paid Rp 36,664 million, such amount was recorded as part of construction in progress (Note 15).

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

- i. Based on the Ministry of Agriculture Regulation No. 26 in year 2007, KAL has plasma obligation for a minimum 20% of hectarage. In July 2014, KAL allocate 2,431 hectares for plasma plantation that are owned by Bina Satong Lestari Cooperative, Laman Mayang Sentosa Cooperative and for cooperative in Desa Kuala Tolak which its establishment is still in process. Management cooperation agreements between KAL with Bina Satong Lestari Cooperative and Laman Mayang Sentosa Cooperative were signed on August 19, 2014, whereas the KAL (referred to as the Nucleus) is required to perform the following, among others:
- Act as business partner to develop the plantation for smallholders based on the mutual agreement between the Nucleus and the cooperatives.
  - Purchase the fresh fruit bunches (FFB) produced by plasma plantations at prevailing price in West Kalimantan Province.
  - Plasma financing is derived from bank loan. Loan agreement is made between bank and cooperatives.

The agreement period is 30 years.

Meanwhile, the loan agreements between both Cooperatives and PT Bank Mandiri (Persero) Tbk were signed on August 22, 2014. The loan facility was Rp 31.6 billion and Rp 130.3 billion, respectively and guaranteed by KAL and SMM. The loan period is until 2025 with floating interest rate.

- j. ANJA, ANJAS and SMM has non-cancellable CPO sales commitment with several customers for delivery from July 1, 2015 to June 30, 2016 from ANJA and ANJAS with total quantity of 5,000 metric tonnes per month and delivery from July 1, 2015 to December 31, 2017 from SMM with total quantity of 3,000 metric tones per month. The average sales price under this sales commitment is US\$ 550/metric tonnes, subject to variance adjustment calculated based on formula defined in the agreements.
- k. ANJAS, SMM KAL and GSB entered into scientic and technical cooperation with Centre De Cooperation Internationale En Recherche Agronomique Pour Le Development (CIRAD) related to scientic and technical cooperation in research and development activities in oil palm agronomy and cultural practices. This agreement is valid from June 1, 2014 until May 31, 2019 with total contract amounting to EUR 96,392 per year and will be subjected to yearly revaluation of maximum 2%.
- l. Other than the above commitments, the Group through its various subsidiaries have various contracts to assist the Group to develop its plantations. The contracts will expire throughout 2016 or 2017, but may be extended with agreements from both parties. The total significant contracts commitment is as follows:

	<u>Contract value</u>	<u>Total amount have been paid</u>
US\$	1,387,350	-
IDR	170,146,227,584	74,317,215,000
MYR	820,000	531,203

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**CONTINGENCIES**

m. The Company purchased 22,825,100 shares or 35.09% ownership in PT Prima Mitra Nusatama (PMN) from other shareholders in 2012. There is a contingent liability which will be paid during period of 2015-2016, if, and only if, the Company does not receive any claims from the buyer of PT Asuransi Indrapura (AI)'s shares, who obtained a guarantee from the Company for the claims' settlement. AI was a subsidiary of PMN, which was sold to a third party in 2012 (Note 24).

In 2015, the Company paid a contingent liability of Rp 6,875 million (equivalent to US\$ 0.6 million). In January 2016, the Company has fully paid the remaining contingent liability of Rp 3,552 million (equivalent to US\$ 0.3 million). The payment was made because there was no claim from the buyer of AI.

n. As of December 31, 2015, KAL and ANJAS are in the judicial review process relating to the request filed by the tax authorities with the Supreme Court. The Group has not recorded additional tax liabilities in relation to those ongoing judicial review because the Group assessed that the Group has technical ground to support its tax position. On January 29, 2016, ANJAS received the Supreme Court decision which reject the judicial review request filed by the tax authorities, thus no additional tax liabilities should be paid by ANJAS.

o. As of December 31, 2015, certain officers in KAL are being investigated by law enforcement agency in relation with the fire originating from outside of KAL's plantation area. As of the issuance date of this consolidated financial statements, the investigation is still on going.

**50. SERVICE CONCESSION ARRANGEMENT**

The Joint Operation Contract (JOC) and Energy Sales Contract (ESC) of DGI (Note 49d) and AANE (Note 49e) fulfill all characteristics of a concession arrangement and the infrastructure arising from those contracts is controlled by the grantor, therefore, the management treated those contracts as service concession arrangements.

**Receivable from Service Concession Arrangement**

The movement in the net carrying amount of receivable from service concession arrangement is as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Balance at beginning of year	8,089,738	8,258,795
Repayment	(137,149)	(132,948)
Translation adjustment	<u>(178,850)</u>	<u>(36,109)</u>
Balance at end of year	<u>7,773,739</u>	<u>8,089,738</u>
Less:		
Current maturity	<u>149,503</u>	<u>143,002</u>
Non-current portion	<u><u>7,624,236</u></u>	<u><u>7,946,736</u></u>

### Provision for Services Concession Arrangement

The provision for service concession arrangement represents the present value of minimum contractual obligations from the related service concession arrangement.

The movement of provision recognized in the statements of financial position is as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Balance at beginning of year	1,532,985	1,099,622
Provision during the year	486,078	423,895
Realization during the year	(60,163)	-
Increase in provision due to the passage of time	23,768	9,468
Translation adjustment	<u>(11,887)</u>	<u>-</u>
Balance at end of year	<u>1,970,781</u>	<u>1,532,985</u>
Less:		
Current maturities	<u>135,886</u>	<u>90,627</u>
Non-current portion	<u>1,834,895</u>	<u>1,442,358</u>

The discount rate used in calculating the present value of the above provision as follows:

	<u>31/12/2015 and 31/12/2014</u>
DGI (US\$)	1.16%
AANE (Euro)	3.00%

### Service Concession Revenue

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Service concession revenue	5,010,991	5,083,245
Financing revenue from service concession	<u>1,047,148</u>	<u>1,074,885</u>
Total	<u>6,058,139</u>	<u>6,158,130</u>

### Cost of Service Concession

This account mainly represents the maintenance and geothermal well drilling costs in order to maintain production capacity according to the service concession contract, which amounted to US\$ 2,922,045 and US\$ 2,866,314 for the years ended December 31, 2015 and 2014, respectively.

## 51. SEGMENT INFORMATION

For management reporting purposes, the Group is segmented into 4 segments based on product line, comprising of palm oil, sago, energy and others. These segments form the basis for operation segment reporting of the Group.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The organization of the Group is not entirely grouped by each business segment, therefore the segment information available on the earnings and assets is directly related to the main activity. The Group has no reasonable basis for allocating revenues, expenses and other assets to each segment. The Group's business segments operate in Indonesia.

Belows is the operating segment information:

**a. Segment Results**

	31/12/2015						
	Palm oil US\$	Energy US\$	Sago US\$	Others US\$	Total US\$	Elimination US\$	Consolidated US\$
<b>COMPREHENSIVE INCOME</b>							
<b>INCOME</b>							
Segment income:							
Revenue from sales	114,628,525	-	2,740	5,304,641	119,935,906	-	119,935,906
Revenue from service concession	-	6,058,139	-	-	6,058,139	-	6,058,139
Share in net income of associates	1,768,996	-	-	-	1,768,996	-	1,768,996
Dividend income	2,379,905	746,405	-	-	3,126,310	-	3,126,310
Interest income	137,703	7,023	34,460	282	179,468	-	179,468
Other income	2,240,849	-	286	19,629	2,260,764	(69,749)	2,191,015
Total segment income	121,155,978	6,811,567	37,486	5,324,552	133,329,583	(69,749)	133,259,834
Unallocated income					31,072,487	(30,994,484)	78,003
<b>TOTAL INCOME</b>					<b>164,402,070</b>	<b>(31,064,233)</b>	<b>133,337,837</b>
<b>EXPENSE</b>							
Segment Expense:							
Cost of goods sold	79,974,570	-	2,123	4,239,297	84,215,990	-	84,215,990
Cost of service concession	-	2,922,045	-	-	2,922,045	-	2,922,045
Selling expense	3,319,031	-	301	50,486	3,369,818	-	3,369,818
Personnel expense	5,920,277	207,701	1,299,463	594,269	8,021,710	-	8,021,710
General & administrative expense	11,244,669	719,834	2,521,602	283,440	14,769,545	(4,621,349)	10,148,196
Foreign exchange loss	4,481,792	91,922	(227,053)	27,216	4,373,877	-	4,373,877
Financial charges	1,175,246	9,236	518,719	237,533	1,940,734	(9,236)	1,931,498
Other expense	9,013,284	136,682	208,176	(6,564)	9,351,578	-	9,351,578
Total segment expense	115,128,869	4,087,420	4,323,331	5,425,677	128,965,297	(4,630,585)	124,334,712
Unallocated expense					8,445,612	-	8,445,612
<b>TOTAL EXPENSE</b>					<b>137,410,909</b>	<b>(4,630,585)</b>	<b>132,780,324</b>
Income before tax					26,991,161	(26,433,648)	557,513
Tax expense:							
Segment	7,855,368	1,014,988	(140,011)	(2,350)	8,727,995	-	8,727,995
Unallocated					215,932	-	215,932
Total tax expense					8,943,927	-	8,943,927
Net (loss) income for the year					18,047,234	(26,433,648)	(8,386,414)
Net (loss) income attributable to:							
Owners of the Company					18,215,272	(26,433,648)	(8,218,376)
Non-controlling interest					(168,038)	-	(168,038)
Net (loss) income for the year					18,047,234	(26,433,648)	(8,386,414)
Comprehensive (loss) income:							
Owners of the Company					10,426,123	(26,433,648)	(16,007,525)
Non-controlling interest					(197,894)	-	(197,894)
Total comprehensive (loss) income					10,228,229	(26,433,648)	(16,205,419)

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

	31/12/2014						
	Palm oil US\$	Energy US\$	Sago US\$	Others US\$	Total US\$	Elimination US\$	Consolidated US\$
COMPREHENSIVE INCOME							
INCOME							
Segment income:							
Revenue from sales	147,359,552	-	10,187	4,805,003	152,174,742	-	152,174,742
Revenue from service concession	-	6,158,130	-	-	6,158,130	-	6,158,130
Share in net income of associates	3,319,594	-	-	-	3,319,594	-	3,319,594
Dividend income	3,966,508	797,842	-	117,650	4,882,000	-	4,882,000
Interest income	283,681	41,508	94,496	6,500	426,185	-	426,185
Other income	2,732,478	3,004	44,486	12,669	2,792,637	-	2,792,637
Total segment income	157,661,813	7,000,484	149,169	4,941,822	169,753,288	-	169,753,288
Unallocated income					5,351,736	(4,515,600)	836,136
TOTAL INCOME					175,105,024	(4,515,600)	170,589,424
EXPENSE							
Segment Expense:							
Cost of goods sold	87,183,553	-	7,201	3,924,588	91,115,342	-	91,115,342
Cost of service concession	-	2,866,314	-	-	2,866,314	-	2,866,314
Selling expense	2,361,291	-	79	63,454	2,424,824	-	2,424,824
Personnel expense	6,240,897	217,806	1,854,769	609,893	8,923,365	-	8,923,365
General & administrative expense	9,313,740	684,449	4,068,560	277,386	14,344,135	(4,515,600)	9,828,535
Foreign exchange loss	2,114,951	(13,203)	106,083	160,513	2,368,344	-	2,368,344
Financial charges	363,387	-	-	169,747	533,134	-	533,134
Other expense	115,239	89,695	10,751,870	139,540	11,096,344	-	11,096,344
Total segment expense	107,693,058	3,845,061	16,788,562	5,345,121	133,671,802	(4,515,600)	129,156,202
Unallocated expense					7,610,858	-	7,610,858
TOTAL EXPENSE					141,282,660	(4,515,600)	136,767,060
Income before tax					33,822,364	-	33,822,364
Tax expense:							
Segment	14,127,057	948,533	(318,746)	(34,760)	14,722,084	-	14,722,084
Unallocated					832,076	-	832,076
Total tax expense					15,554,160	-	15,554,160
Net income for the year					18,268,204	-	18,268,204
Net income attributable to:							
Owners of the Company					18,425,605	-	18,425,605
Non-controlling interest					(157,401)	-	(157,401)
Net income for the year					18,268,204	-	18,268,204
Comprehensive income:							
Owners of the Company					20,027,587	-	20,027,587
Non-controlling interest					(159,849)	-	(159,849)
Total comprehensive income					19,867,738	-	19,867,738

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**b. Segment Assets and Liabilities**

	31/12/2015						Consolidated US\$
	Palm oil US\$	Energy US\$	Sago US\$	Others US\$	Total US\$	Elimination US\$	
CONSOLIDATED FINANCIAL POSITION							
ASSET							
Segment assets	384,911,904	24,860,747	20,210,947	4,639,535	434,623,133	-	434,623,133
Unallocated assets	-	-	-	-	273,894,868	(238,073,981)	35,820,887
Total consolidated assets							<u>470,444,020</u>
LIABILITIES							
Segment liabilities	110,759,465	5,091,287	4,780,021	1,212,540	121,843,313	-	121,843,313
Unallocated liabilities	-	-	-	-	10,030,464	(1,859,652)	8,170,812
Total consolidated liabilities							<u>130,014,125</u>
Capital expenditure							
Segment	49,378,293	2,813	5,497,865	74,055	54,953,026	-	54,953,026
Unallocated	-	-	-	-	22,144,643	-	22,144,643
Total capital expenditure							<u>77,097,669</u>
Depreciation, impairment losses and amortization							
Segment	16,704,386	1,394	388,442	79,750	17,173,972	-	17,173,972
Unallocated	-	-	-	-	255,370	-	255,370
Total depreciation, impairment and losses and amortization							<u>17,429,342</u>

	31/12/2014						Consolidated US\$
	Palm oil US\$	Energy US\$	Sago US\$	Others US\$	Total US\$	Elimination US\$	
CONSOLIDATED FINANCIAL POSITION							
ASSET							
Segment assets	365,179,895	24,560,697	18,912,020	9,091,625	417,744,237	-	417,744,237
Unallocated assets	-	-	-	-	260,052,865	(233,767,641)	26,285,224
Total consolidated assets							<u>444,029,461</u>
LIABILITIES							
Segment liabilities	56,532,248	3,635,828	830,506	5,252,763	66,251,345	-	66,251,345
Unallocated liabilities	-	-	-	-	3,073,287	(755,967)	2,317,320
Total consolidated liabilities							<u>68,568,665</u>
Capital expenditure							
Segment	75,649,507	3,560	5,866,840	32,362	81,552,269	-	81,552,269
Unallocated	-	-	-	-	56,354	-	56,354
Total capital expenditure							<u>81,608,623</u>
Depreciation, impairment losses and amortization							
Segment	15,940,009	3,470	11,205,806	96,531	27,245,816	-	27,245,816
Unallocated	-	-	-	-	243,130	-	243,130
Total depreciation, impairment and losses and amortization							<u>27,488,946</u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**52. EVENT AFTER THE REPORTING DATE**

Based on Deed No. 133 of notary Mala Mukti, S.H. dated January 29, 2016, KAL entered into loan agreement with PT OCBC NISP Tbk for maximum amount of Rp 225 billion to finance the construction of mill and bulking station and foreign exchange transaction facility amounting to US\$ 4.5 million. The loan facilities will be due on 96 months after the agreement date. The credit facilities are guaranteed with the corporate guarantee from ANJA, ANJAS, and SMM. On February and March 2016, KAL withdrew Rp 33 billion and Rp 25 billion, respectively, from the loan facility which will be due on January 29, 2022.

**53. MONETARY ASSETS AND LIABILITIES DENOMINATED IN CURRENCIES OTHER THAN U.S. DOLLARS**

As of December 31, 2015 and 2014, the Group had monetary assets and liabilities in currencies other than U.S. Dollars as follows:

	31/12/2015		31/12/2014	
	Foreign currencies	Equivalent to US\$	Foreign currencies	Equivalent to US\$
<b>Assets</b>				
Cash and cash equivalents				
Rupiah	50,809,230,618	3,683,163	90,703,883,960	7,291,309
Euro	32,625	29,864	7,845	9,544
Restricted time deposits				
Rupiah	2,090,000,000	151,504	690,000,000	55,466
Trade accounts receivable				
Rupiah	1,453,642,675	105,375	2,135,064,760	171,629
Euro	180,437	165,171	146,559	178,289
Other receivable				
Rupiah	10,422,421,745	812,055	15,638,212,040	1,257,091
Prepaid expenses - Value Added Taxes				
Rupiah	182,109,353,835	13,201,113	124,184,477,000	9,982,675
Claim for tax refund				
Rupiah	1,548,956,190	112,284	-	-
Other assets				
Rupiah	186,449,280,745	13,515,714	29,712,467,280	2,388,462
<b>Total</b>		<b>31,776,243</b>		<b>21,334,465</b>
<b>Liabilities</b>				
Short-term bank loans				
Rupiah	527,579,422,975	38,244,250	41,158,848,308	3,308,589
Trade accounts payable				
Rupiah	35,595,817,890	2,580,342	32,794,240,920	2,636,193
Taxes payable				
Rupiah	11,237,447,745	814,603	8,393,554,120	674,723
Other payable				
Rupiah	699,849,000,000	50,732,077	-	-
Other payable				
Rupiah	32,116,964,855	2,328,160	43,321,491,400	3,482,435
Accrued expenses				
Rupiah	68,069,987,394	4,934,396	60,537,443,760	4,866,354
Post employment benefit obligation				
Rupiah	151,353,760,005	10,971,639	124,514,833,640	10,009,231
<b>Total</b>		<b>110,605,466</b>		<b>24,977,525</b>
<b>Total liabilities, net</b>		<b>(78,829,223)</b>		<b>(3,643,060)</b>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

As of December 31, 2015 and 2014, the conversion rates used by the Group as well as the exchange rates, prevailing on March 8, 2016 were as follows:

	<u>08/03/2016</u>	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$	US\$
Currencies:			
1 Rupiah	0.000076	0.000072	0.000080
1 Euro	1.10250	1.09240	1.21650

In relation to the fluctuation of the U.S. Dollar exchange rate against foreign currencies, the Group recorded the foreign exchange net loss of US\$ 4,387,591 and US\$ 2,156,137, respectively during the years ended December 31, 2015 and 2014.

#### 54. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

##### a. Capital risk management

The Group manages capital risk to ensure that they will be able to continue as a going concern, in addition to maximizing shareholders profit through the optimization of the balance of debt and equity.

Management periodically reviews the Group's capital structure. As part of this review, the Board of Directors considers the cost of capital and related risk.

The Group's capital structure consists of equity attributable to the owners of the Company (consisting of capital stock, additional paid in capital, differences in value due to changes in equity of subsidiaries, management stock option, other comprehensive income, and retained earnings) and debt. The Group is not required to meet certain capital requirements.

The debt to equity ratio as of December 31, 2015 and December 31, 2014 were as follows:

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Debts		
Short term bank loans	40,244,250	27,808,589
Lease liabilities - current maturities	-	149,204
Long term bank loans	<u>57,842,919</u>	-
Total debt	<u>98,087,169</u>	<u>27,957,793</u>
Equity attributable to the owners of the Company	<u>340,274,702</u>	<u>375,107,709</u>
Debt to equity ratio	<u>28.83%</u>	<u>7.45%</u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**Categories and classes of financial Instruments**

	Loans and receivable	Available for sale	Assets at fair value through profit or loss	Liabilities at amortized cost
	US\$	US\$	US\$	US\$
<b>December 31, 2015</b>				
<b>Current Financial Assets</b>				
Cash and cash equivalents	19,004,884	-	-	-
Restricted time deposits	736,504	-	-	-
Investment in trading securities at fair value	-	-	290,200	-
Receivable from service concession arrangement - current	149,503	-	-	-
Trade accounts receivable	1,252,446	-	-	-
Other receivable - net	890,056	-	-	-
<b>Non-current Financial Assets</b>				
Long-term receivable from service concession arrangement	7,624,236	-	-	-
Other investments	-	24,252,332	-	-
Other assets	13,807,933	-	-	-
<b>Current Financial Liabilities</b>				
Short-term bank loans	-	-	-	40,244,250
Trade accounts payable	-	-	-	3,286,379
Other payable	-	-	-	2,546,979
Accrued expenses	-	-	-	7,103,031
Provision for service concession arrangement - current maturities	-	-	-	135,886
<b>Non-current Financial Liabilities</b>				
Long-term bank loans	-	-	-	58,732,077
Provision for service concession arrangement - net of current maturities	-	-	-	1,834,895
Total	<u>43,465,562</u>	<u>24,252,332</u>	<u>290,200</u>	<u>113,883,497</u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

	Loans and receivable	Available for sale	Assets at fair value through profit or loss	Liabilities at amortized cost
	US\$	US\$	US\$	US\$
<b>December 31, 2014</b>				
<b>Current Financial Assets</b>				
Cash and cash equivalents	30,134,307	-	-	-
Restricted time deposits	236,466	-	-	-
Investment in trading securities at fair value	-	-	290,227	-
Receivable from service concession arrangement - current	143,002	-	-	-
Trade accounts receivable	1,499,481	-	-	-
Other receivable - net	1,702,707	-	-	-
<b>Non-current Financial Assets</b>				
Long-term receivable from service concession arrangement	7,946,736	-	-	-
Other investments	-	24,231,198	-	-
Other assets	10,980,626	-	-	-
<b>Current Financial Liabilities</b>				
Short-term bank loans	-	-	-	27,808,589
Trade accounts payable	-	-	-	6,260,242
Other payable	-	-	-	4,545,279
Accrued expenses	-	-	-	8,101,433
Lease liabilities - current maturities	-	-	-	149,204
Provision for service concession arrangement - current maturities	-	-	-	90,627
<b>Non-current Financial Liabilities</b>				
Long-term other payable	-	-	-	253,993
Provision for service concession arrangement - net of current maturities	-	-	-	1,442,358
Total	<u>52,643,325</u>	<u>24,231,198</u>	<u>290,227</u>	<u>48,651,725</u>

**b. Financial risk management objectives and policies**

The Group's financial risk management and policy are implemented to ensure that adequate financial resources are available for operation and development of its business, while managing its exposure to foreign currency risk, foreign currency sensitivity, interest rate risk, price risk, credit risk and liquidity risk. The Group operates within defined guidelines that are approved by the Board of Directors.

The Group divides risks into the following categories: market risk, credit risk and liquidity risk. Market risks include foreign exchange rate risk, interest rate risk, price risk and credit risk. In managing risk, the Group considers priorities based on the probability of the risk will materialize and the scale of potential impacts if the risk occurs.

**i. Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuates following changes in foreign exchange currency rates.

The majority of the Group transactions are done in United States Dollar (U.S. Dollar) currency, which is also its functional and reporting currency.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The Group has monetary assets and liabilities denominated in currencies other than U.S. Dollar (mostly Rupiah) as disclosed in Note 53. In the event of sharp fluctuations, the operating performance may be affected. However, management mitigates this risk exposure by monitoring the foreign currency rate fluctuation and maintaining the balance between present and future assets and liabilities in foreign currency.

The Group manages the foreign currency exposure by matching, as far as possible, receipts and payments in each individual currency. To help manage the risk, the Group also entered into forward foreign exchange contracts within established parameters (Note 47).

Foreign currency sensitivity

The following table details the Group's sensitivity to 8% and 2%, as well as 3% and 6% increase and decrease in U.S. Dollar rate against the relevant foreign currencies in 2015 and 2014, respectively. 8% and 2% (2014: 3% and 6%) increase or decrease represent management's assessment of reasonable possible change in foreign exchange rates after considering the current economic conditions. The sensitivity analysis includes only outstanding foreign denominated monetary assets and liabilities and shows their translation effects at year end for a 8% and 2% change in the foreign currency rates of Rupiah and Euro, respectively at December 31, 2015.

	31/12/2015			
	Impact on Rupiah		Impact on Euro	
	8%	-8%	2%	-2%
	US\$	US\$	US\$	US\$
<b>Assets</b>				
Cash and cash equivalents	(294,653)	294,653	(713)	713
Restricted time deposits	(12,120)	12,120	-	-
Investment in trading securities at fair value	(20)	20	(3,942)	3,942
Trade accounts receivable	(8,430)	8,430	-	-
Other receivable	(55,922)	55,922	-	-
Prepayments	(1,056,089)	1,056,089	-	-
Claim for tax refund	(8,983)	8,983	-	-
Other assets	(1,081,257)	1,081,257	-	-
<b>Total *)</b>	<b>(2,517,474)</b>	<b>2,517,474</b>	<b>(4,655)</b>	<b>4,655</b>
<b>Liabilities</b>				
Short-term bank loan	3,059,540	(3,059,540)	-	-
Trade accounts payable	206,427	(206,427)	-	-
Taxes payable	65,168	(65,168)	-	-
Long-term bank loans	4,058,566	(4,058,566)	-	-
Other payable	184,806	(184,806)	-	-
Accrued expenses	394,752	(394,752)	-	-
Post employment benefit obligation	877,731	(877,731)	-	-
<b>Total *)</b>	<b>8,846,990</b>	<b>(8,846,990)</b>	<b>-</b>	<b>-</b>
<b>Total assets (liabilities) net</b>	<b>6,329,516</b>	<b>(6,329,516)</b>	<b>(4,655)</b>	<b>4,655</b>

\*) included the translation effect of assets and liabilities amounted to Rp 262.0 billion and Rp 1,305.0 billion, respectively, from subsidiaries with Rupiah reporting currency.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

	31/12/2014			
	Impact on Rupiah		Impact on Euro	
	3%	-3%	6%	-6%
	US\$	US\$	US\$	US\$
<b>Assets</b>				
Cash and cash equivalents	(218,739)	218,739	(573)	573
Restricted time deposits	(1,664)	1,664	-	-
Trade accounts receivable	(5,149)	5,149	(10,697)	10,697
Other receivable	(37,713)	37,713	-	-
Prepayments	(299,571)	299,571	-	-
Other assets	(71,654)	71,654	-	-
<b>Total *)</b>	<b>(634,490)</b>	<b>634,490</b>	<b>(11,270)</b>	<b>11,270</b>
<b>Liabilities</b>				
Short-term bank loan	99,258	(99,258)	-	-
Trade accounts payable	79,086	(79,086)	-	-
Taxes payable	20,242	(20,242)	-	-
Other payable	104,473	(104,473)	-	-
Accrued expenses	145,991	(145,991)	-	-
Post employment benefit obligation	300,277	(300,277)	-	-
<b>Total *)</b>	<b>749,327</b>	<b>(749,327)</b>	<b>-</b>	<b>-</b>
<b>Total assets (liabilities) net</b>	<b>114,837</b>	<b>(114,837)</b>	<b>(11,270)</b>	<b>11,270</b>

\*) included the translation effect of assets and liabilities amounted to Rp 150.7 billion and Rp 102.6 billion, respectively, from subsidiaries with Rupiah reporting currency.

Other than its impact to monetary assets and liabilities value of each entity within the Group, an increase or decrease of Rupiah to U.S. Dollar currency will also affect the Group's equity as a whole. The impact comes from the difference in net equity translation adjustments of subsidiaries with Rupiah reporting currency when they are consolidated into the Group's books in U.S. Dollar. This impact is recorded as 'Foreign Exchange Differentials from Translation of Subsidiaries' Financial Statements' (part of other comprehensive income).

The following table shows changes in other comprehensive income from translation adjustments if the U.S. Dollar increases or decreases by 8% and 3% against Rupiah, respectively for the year ended December 31, 2015 and 2014:

	31/12/2015		31/12/2014	
	+8%	-8%	+3%	-3%
	US\$	US\$	US\$	US\$
Other comprehensive income - translation adjustments	(5,553,720)	5,553,720	(2,558,129)	2,558,129

**ii. Interest rate risk**

The Group is exposed to the interest rate risk since it has cash and cash equivalents and certain financial assets and financial liabilities with both fixed and floating interest rates.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**Interest rate profile**

The Group financial instruments that are exposed to fair value interest rate risk (i.e. fixed rate instruments) and cash flow interest rate risk (i.e. floating rate instruments), are as follows:

	31/12/2015				
	Maturity date				
	< 3 month	3 - 12 months	1 - 5 years	> 5 years	Total
	US\$	US\$	US\$	US\$	US\$
Financial assets:					
Floating rate					
Cash and cash equivalents	12,748,231	-	-	-	12,748,231
Investment in trading securities at fair value	290,200	-	-	-	290,200
<b>Total</b>	<b>13,038,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,038,431</b>
Fixed rate					
Cash and cash equivalent	-	6,256,654	-	-	6,256,654
Restricted time deposits	-	736,504	-	-	736,504
Receivable from service concession arrangement	294,697	884,090	4,715,148	20,796,374	26,690,309
<b>Total</b>	<b>294,697</b>	<b>7,877,248</b>	<b>4,715,148</b>	<b>20,796,374</b>	<b>33,683,467</b>
Financial liabilities:					
Floating rate					
Provision for service concession arrangement	33,971	101,915	1,793,523	41,372	1,970,781
Long-term bank loans	-	-	15,609,812	43,122,265	58,732,077
<b>Total</b>	<b>33,971</b>	<b>101,915</b>	<b>17,403,335</b>	<b>43,163,637</b>	<b>60,702,858</b>
Fixed rate					
Short-term bank loans	40,244,250	-	-	-	40,244,250
<b>Total</b>	<b>40,244,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,244,250</b>
31/12/2014					
Maturity date					
	< 3 month	3 - 12 months	1 - 5 years	> 5 years	Total
	US\$	US\$	US\$	US\$	US\$
Financial assets:					
Floating rate					
Cash and cash equivalents	17,509,012	-	-	-	17,509,012
Investment in trading securities at fair value	290,227	-	-	-	290,227
<b>Total</b>	<b>17,799,239</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,799,239</b>
Fixed rate					
Cash and cash equivalent	-	12,530,749	-	-	12,530,749
Restricted time deposits	236,466	-	-	-	236,466
Receivable from service concession arrangement	34,471	108,531	670,532	7,276,204	8,089,738
<b>Total</b>	<b>270,937</b>	<b>12,639,280</b>	<b>670,532</b>	<b>7,276,204</b>	<b>20,856,953</b>
Financial liabilities:					
Floating rate					
Provision for service concession arrangement	22,657	67,970	1,427,943	14,415	1,532,985
Lease liabilities	73,720	75,484	-	-	149,204
<b>Total</b>	<b>96,377</b>	<b>143,454</b>	<b>1,427,943</b>	<b>14,415</b>	<b>1,682,189</b>
Fixed rate					
Short-term bank loan	27,808,589	-	-	-	27,808,589
<b>Total</b>	<b>27,808,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,808,589</b>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The Group accounts for the fixed interest rate bearing financial instruments using amortized cost method. Therefore, changes in interest rate do not have any impact to profit or loss and equity of the Group.

Sensitivity analysis for floating rate financial instruments

The following sensitivity analysis has been determined based on the exposure to interest rates for the Group financial instruments outstanding at the reporting date. This analysis is prepared assuming the amount of financial instruments outstanding at the end of reporting period represents the balance throughout the year, taking into account the movement of the actual principal amount throughout the year. This sensitivity analysis utilizes the assumption of an increase and decrease of 50 basis points on the relevant interest rates with other variables held constant. The 50 basis points increase and decrease represents the management's assessment on rational interest rate changes after considering the current economic conditions.

	<u>31/12/2015</u>	
	<u>+ 50 Basis Points</u>	<u>- 50 Basis Points</u>
	<u>US\$</u>	<u>US\$</u>
Financial Assets		
Cash and cash equivalents	63,741	(63,741)
Investment in trading securities at fair value	1,451	(1,451)
Financial Liabilities		
Provision for service concession arrangement	(9,854)	9,854
Long-term bank loans	(293,660)	293,660
Total	<u>(238,322)</u>	<u>238,322</u>
	<u>31/12/2014</u>	
	<u>+ 50 Basis Points</u>	<u>- 50 Basis Points</u>
	<u>US\$</u>	<u>US\$</u>
Financial Assets		
Cash and cash equivalents	87,545	(87,545)
Investment in trading securities at fair value	1,451	(1,451)
Financial Liabilities		
Provision for service concession arrangement	(7,665)	7,665
Lease liabilities	(746)	746
Total	<u>80,585</u>	<u>(80,585)</u>

**iii. Price Risk**

The Group is exposed to price risks arising from investment in trading securities classified as FVTPL. Investment in trading securities is held for trading purposes. To manage price risk arising from investment in trading securities, the Group diversifies its portfolio. Diversification of the portfolio is performed within the limits set by the Board of Directors.

The Group investment in trading securities (consisting of money market funds and listed bonds) is described in Note 7.

The Group is also exposed to the price risk arising from other investments classified as AFS. Equity investments are held for strategic purpose rather than trading purpose. The Group does not actively trade these investments (Note 13).

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The Group faces commodity price risk because CPO and PK are commodity products traded in global markets. CPO and PK prices are generally determined based on an international index as benchmark, which tend to be highly cyclical and subject to significant fluctuations. As a global commodity product, CPO and PK prices are principally dependent on the supply and demand dynamics of CPO and PK in global export market. The Group has not entered into any CPO and PK pricing agreements to hedge its exposure to fluctuation in CPO and PK prices but may do so in the future. However, in order to minimize the risk, CPO and PK prices are negotiated with the customers to obtain favorable prices. ANJA and its subsidiaries entered into certain derivatives transactions for the purpose of economic hedge against commodity price risk.

**iv. Credit Risk**

Credit risk refers to the risk of a counterparty defaulting on its contractual obligation, resulting in a loss to the Group.

The Group's credit risk is primarily attributed to its cash and cash equivalents, trade receivables and plasma receivables. The Group places its cash and cash equivalents with credit worthy financial institutions. Management believes on its ability to control and maintain minimal exposure on credit risk considering the Group monitor the receivable collection in accordance with the credit terms in the sales agreements. As for plasma receivables, the Group minimizes the credit risk by entering into legal agreement for sales of fresh fruit bunches by plasma plantation (Note 49i).

Trade accounts receivable age analysis and credit risk concentration are disclosed in Note 8.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses represents the Group' exposure to credit risk.

The Group's principal source of income is from sales (Note 34), service concession (Note 50) and dividend income (Note 36) which together contribute 97% of total income. The following table summarizes details of customers from sales revenue and service concession revenue which individually exceed 10% of the Group's total income:

Name	31/12/2015		31/12/2014	
	Amount US\$	Percentage to consolidated total income %	Amount US\$	Percentage to consolidated total income %
PT Synergy Oil Nusantara	23,700,959	18	6,446,400	4
PT Pacific Indopalm Industries	9,078,484	7	20,889,480	12
PT Pacific Palmindo Industri	5,989,346	4	17,980,985	10
PT Musim Mas	4,624,851	3	19,005,340	11
Total	<u>43,393,640</u>	<u>32</u>	<u>64,322,205</u>	<u>37</u>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

**i. Liquidity Risk**

The Group manages liquidity risk by maintaining adequate reserves by continuously monitor forecast and actual cash flows and matching the maturity profiles of its financial assets and liabilities.

The following tables detail the Group contractual financial assets and liabilities based on the remaining maturity profile as of December 31, 2015 and 2014. The tables represent the undiscounted cash flow of financial assets and liabilities based on the earliest required payment date:

	31/12/2015				
	Weighted average effective interest rate	Less than 1 year	1 - 5 years	Over 5 years	Total
		US\$	US\$	US\$	US\$
<b>Financial assets:</b>					
Cash and cash equivalents		19,104,326	-	-	19,104,326
Restricted time deposits					
Rupiah	4.25%	154,333	-	-	154,333
U.S. Dollar	0.50%	586,285	-	-	586,285
Investment in trading securities at fair value		290,200	-	-	290,200
Receivable from service concession arrangement		1,178,787	4,715,148	20,796,374	26,690,309
Trade accounts receivable		1,252,446	-	-	1,252,446
Other receivable		890,056	-	-	890,056
Other assets		89,706	13,718,227	-	13,807,933
<b>Total financial assets</b>		<b>23,546,139</b>	<b>18,433,375</b>	<b>20,796,374</b>	<b>62,775,888</b>
<b>Financial liabilities:</b>					
<b>Short-term bank loan</b>					
Rupiah	10.00% - 11.50%	38,814,928	-	-	38,814,928
U.S. Dollar	4.17%	2,012,805	-	-	2,012,805
Trade accounts payable		3,286,379	-	-	3,286,379
Provision for service concession		132,377	184,273	3,205,962	3,522,612
<b>Long-term bank loans</b>					
Rupiah	12.76% - 12.77%	6,358,884	32,993,224	53,564,039	92,916,147
U.S. Dollar	5.79%	427,119	9,127,314	-	9,554,433
Other payable		2,720,936	-	-	2,720,936
Accrued expenses		7,103,031	-	-	7,103,031
<b>Total Financial Liabilities</b>		<b>60,856,460</b>	<b>42,304,811</b>	<b>56,770,001</b>	<b>159,931,272</b>
<b>Total Net Assets (Liabilities)</b>		<b>(37,310,320)</b>	<b>(23,871,436)</b>	<b>(35,973,627)</b>	<b>(97,155,384)</b>

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

	31/12/2014				Total US\$
	Weighted average effective interest rate	Less than 1 year	1 - 5 years	Over 5 years	
		US\$	US\$	US\$	
Financial assets:					
Cash and cash equivalents	-	30,134,307	-	-	30,134,307
Restricted time deposits					
Rupiah	4.25%	55,466	-	-	55,466
U.S. Dollar	0.50%	181,000	-	-	181,000
Investment in trading securities at fair value					
Receivable from service concession arrangement	-	143,002	670,532	7,276,204	8,089,738
Trade accounts receivable	-	1,499,481	-	-	1,499,481
Other receivable	-	1,702,707	-	-	1,702,707
Other assets	-	-	10,980,626	-	10,980,626
<b>Total financial assets</b>		<b>34,006,190</b>	<b>11,651,158</b>	<b>7,276,204</b>	<b>52,933,552</b>
Financial liabilities:					
Short-term bank loan					
Rupiah	11.50%	3,308,589	-	-	3,308,589
U.S. Dollar	3.00% - 3.24%	24,500,000	-	-	24,500,000
Trade accounts payable	-	6,260,242	-	-	6,260,242
Provision for service concession	-	-	1,442,358	-	1,442,358
Lease liabilities	-	153,362	-	-	153,362
Other payable	-	4,545,279	253,993	-	4,799,272
Accrued expenses	-	8,101,433	-	-	8,101,433
<b>Total Financial Liabilities</b>		<b>46,868,905</b>	<b>1,696,351</b>	<b>-</b>	<b>48,565,256</b>
<b>Total Net Assets (Liabilities)</b>		<b>(12,862,715)</b>	<b>9,954,807</b>	<b>7,276,204</b>	<b>4,368,296</b>

## 55. FAIR VALUE MEASUREMENTS

### Fair value of financial instruments carried at amortized cost

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values due to their short-term maturities, the insignificant impact of discounting or they carry market rate of interest.

### Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

PT AUSTINDO NUSANTARA JAYA Tbk AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value measurement hierarchy of the Group's assets and liabilities

The following tables summarize the carrying amounts and fair values of the assets and liabilities, analyzed among those whose fair value is based on:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31/12/2015	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets Measured at Fair Value</b>				
Financial Assets				
Financial assets at FVTPL				
Trading securities				
Money market fund	290,200	-	-	290,200
Available-for-sale financial assets (AFS)				
Other investments	11,595	-	12,507,471	12,519,066
Total	<u>301,795</u>	<u>-</u>	<u>12,507,471</u>	<u>12,809,266</u>

There were no transfers between Level 1 and 2 during the period.

Other investment are classified as available-for-sale investments. Except for PT Agro Muko, ARC Exploration Ltd., and PT Moon Lion Industries Indonesia, the Company adopts the acquisition cost in measuring its other investment, since these are non-listed shares and there is no readily available measure of fair value of the shares.

Reconciliation of Level 3 fair value measurements of financial assets

	<u>Available-for-sale</u>	
	<u>Unlisted shares</u>	
	<u>2015</u>	<u>2014</u>
	US\$	US\$
Beginning balance	12,471,818	9,648,296
Total gains or (losses) - in profit or loss	<u>35,653</u>	<u>2,823,522</u>
Ending balance	<u>12,507,471</u>	<u>12,471,818</u>

All gains and losses included in other comprehensive income relate to unlisted shares held at the end of the reporting period and are reported as changes of "change in fair value of available for sale investments".

**56. SUPPLEMENTAL DISCLOSURES FOR NON-CASH FINANCING AND INVESTING ACTIVITIES**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Financing and investing activities:		
Addition of property, plant and equipment through:		
Advance for legal processing of land	14,719,765	26,552,107
Advance for purchase of property, plant and equipment	2,120,922	518,592
Other payable	419,253	449,257
Addition of palm plantation through:		
Other accounts payable	211,023	2,090,313
Capitalization of fixed asset depreciation	614,452	129,698
Deduction of other assets through the amortized cost adjustment	1,524,386	-
Addition of other asset through reclassification of advance	97,356	-
Borrowing cost through payable	195,723	-
Acquisition and additional investment in subsidiaries, associates and other investments through advance for investment	-	638,998
Addition of advance through other payable	-	84,590

**57. SUPPLEMENTARY INFORMATION**

The supplementary information for the parent company only on pages 102 to 112 presented the statements of financial position, statement of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows and other explanatory information.

**58. MANAGEMENT RESPONSIBILITY AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The preparation and fair presentation of the consolidated financial statements on pages 1 to 101 and the supplementary information on pages 102 to 112 were the responsibility of the management, and were approved by the President Director and Director and authorized for issuance on March 8, 2016.

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PT AUSTINDO NUSANTARA JAYA Tbk  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE I - STATEMENTS OF FINANCIAL POSITION  
 PARENT ENTITY ONLY  
 DECEMBER 31, 2015 AND 2014

	<u>Notes</u>	<u>31/12/2015</u> US\$	<u>31/12/2014 *)</u> US\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		6,032,251	6,620,172
Restricted time deposit		111,747	-
Investment in trading securities at fair value		290,200	290,227
Other receivable - net		1,598,317	779,792
Prepaid taxes		183,066	37,064
Prepayment and advances		<u>176,272</u>	<u>186,289</u>
Total Current Assets		<u>8,391,853</u>	<u>7,913,544</u>
<b>NON-CURRENT ASSETS</b>			
Due from related party		418,820	-
Investment in subsidiaries		235,103,653	223,467,654
Investment in associate		3,448,698	3,448,698
Other investments		27,056,839	26,139,865
Long term prepaid and advances		1,667,119	23,888,944
Deferred tax assets	2	370,948	183,545
Property and equipment - net of accumulated depreciation of US\$ 718,406 as of December 31, 2015 and US\$ 463,037 as of December 31, 2014		<u>22,418,021</u>	<u>528,748</u>
Other assets		<u>603,036</u>	<u>237,816</u>
Total Non-current Assets		<u>291,087,134</u>	<u>277,895,270</u>
<b>TOTAL ASSETS</b>		<u><u>299,478,987</u></u>	<u><u>285,808,814</u></u>

\*) As restated (Note 4)

Presented using cost method

PT AUSTINDO NUSANTARA JAYA Tbk  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE I - STATEMENTS OF FINANCIAL POSITION  
 PARENT ENTITY ONLY  
 DECEMBER 31, 2015 AND 2014 (Continued)

	<u>Notes</u>	<u>31/12/2015</u> US\$	<u>31/12/2014 *)</u> US\$
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Taxes payable	1	231,212	290,081
Other payable		266,919	558,478
Accrued expenses		879,847	1,296,436
<b>Total Current Liabilities</b>		<u>1,377,978</u>	<u>2,144,995</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loan		7,874,051	-
Other payable - long term		-	238,129
Post-employment benefit obligation		778,437	734,181
<b>Total Noncurrent Liabilities</b>		<u>8,652,488</u>	<u>972,310</u>
<b>TOTAL LIABILITIES</b>		<u>10,030,466</u>	<u>3,117,305</u>
<b>EQUITY</b>			
Capital stock - Rp 100 par value per share			
Authorized - 12,000,000,000 shares			
Issued and paid-up - 3,335,525,000 shares			
as of December 31, 2015 and 3,334,900,000			
shares as of December 31, 2014		46,598,236	46,593,718
Treasury stock		(10,642,803)	-
Additional paid in capital		36,224,502	36,158,244
Management stock options		923,185	728,435
Other comprehensive income		6,008,947	6,107,923
Retained earnings			
Appropriated		6,796,399	6,794,072
Unappropriated		203,540,055	186,309,117
<b>Total Equity</b>		<u>289,448,521</u>	<u>282,691,509</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>299,478,987</u>	<u>285,808,814</u>

\*) As restated (Note 4)

Presented using cost method

PT AUSTINDO NUSANTARA JAYA Tbk  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE II - STATEMENTS OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME  
 PARENT ENTITY ONLY  
 YEARS ENDED DECEMBER 31, 2015 AND 2014

	Notes	2015 US\$	2014 *) US\$
<b>INCOME</b>			
Dividend income		29,526,288	26,382,332
Revenue from management services	3	4,551,600	4,515,600
Interest income		111,093	211,098
Foreign exchange gain		(13,412)	218,919
Other income		9,818	618,023
<b>Total Income</b>		<b>34,185,387</b>	<b>31,945,972</b>
<b>EXPENSES</b>			
Personnel expenses		6,292,009	4,996,609
General and administrative expenses		1,820,985	2,838,475
Financial charges		244,750	-
Other expense		74,155	-
<b>Total Expenses</b>		<b>8,431,899</b>	<b>7,835,084</b>
<b>INCOME BEFORE TAX</b>		<b>25,753,488</b>	<b>24,110,888</b>
<b>TAX EXPENSES</b>	2	<b>215,932</b>	<b>832,076</b>
<b>NET INCOME FOR THE YEAR</b>		<b>25,537,556</b>	<b>23,278,812</b>
<b>OTHER COMPREHENSIVE INCOME :</b>			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain (loss)		191,886	(15,414)
Deferred tax (expense) benefit		(47,972)	3,854
<b>Total</b>		<b>143,914</b>	<b>(11,560)</b>
Item that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		21,134	2,792,902
<b>Total other comprehensive income - net of tax</b>		<b>165,048</b>	<b>2,781,342</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>25,702,604</b>	<b>26,060,154</b>

\*) As restated (Note 4)

Presented using cost method.

PT AUSTINDO NUSANTARA JAYA Tbk  
SUPPLEMENTARY INFORMATION  
SCHEDULE III - STATEMENTS OF CHANGES IN EQUITY  
PARENT ENTITY ONLY  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Other comprehensive income Available-for-sale									
	Capital stock US\$	Additional paid in capital US\$	Treasury Stock US\$	Management stock options US\$	Investment revaluation US\$	Translation adjustments US\$	Retained Earnings Appropriated US\$	Unappropriated US\$	Total equity US\$	
Balance as of January 1, 2014	46,581,073	35,980,273	-	344,299	2,058,569	1,297,649	6,226,184	173,249,285	265,737,332	
Paid up capital from management stock options	12,645	177,971	-	(52,013)	-	-	-	-	138,603	
Management stock options	-	-	-	436,149	-	-	-	-	436,149	
Net income for the year December 31, 2014 *)	-	-	-	-	-	-	-	23,278,812	23,278,812	
Other Comprehensive Income:										
Change in fair value of available-for-sale investments	-	-	-	-	2,792,902	-	-	-	2,792,902	
Actuarial loss	-	-	-	-	-	-	-	(15,414)	(15,414)	
Deferred tax benefit	-	-	-	-	-	-	-	3,854	3,854	
Foreign exchange differentials from translation of subsidiaries financial statements	-	-	-	-	-	(41,197)	-	-	(41,197)	
Total comprehensive income	-	-	-	-	2,792,902	(41,197)	-	(11,560)	2,740,145	
Appropriation for retained earnings	-	-	-	-	-	(41,197)	567,888	(567,888)	-	
Cash dividend	-	-	-	-	-	-	-	(9,539,532)	(9,539,532)	
Balance as of December 31, 2014 *)	46,593,718	36,158,244	-	728,435	4,851,471	1,256,452	6,794,072	186,309,117	282,691,509	
Paid up capital from management stock options	4,518	66,258	-	(21,302)	-	-	-	-	49,474	
Treasury stock	-	-	(10,642,803)	-	-	-	-	-	(10,642,803)	
Management stock options	-	-	-	216,052	-	-	-	-	216,052	
Net income for the year ended December 31, 2015:								25,537,556	25,537,556	
Other comprehensive income:										
Change in fair value of available-for-sale investment	-	-	-	-	21,134	-	-	-	21,134	
Actuarial gain	-	-	-	-	-	-	-	191,886	191,886	
Deferred tax benefit	-	-	-	-	-	-	-	(47,972)	(47,972)	
Foreign exchange differentials from translation of subsidiaries financial statements	-	-	-	-	-	(120,110)	-	-	(120,110)	
Total comprehensive income	-	-	-	-	21,134	(120,110)	-	143,914	44,938	
Appropriation of Retained earnings	-	-	-	-	-	-	2,327	(2,327)	-	
Cash dividend	-	-	-	-	-	-	-	(8,448,205)	(8,448,205)	
Balance as of December 31, 2015	46,598,236	36,224,502	(10,642,803)	923,185	4,872,605	1,136,342	6,796,399	203,540,055	289,448,521	

\*) As restated (Note 4)

Presented using cost method.

PT AUSTINDO NUSANTARA JAYA Tbk  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE IV - STATEMENTS OF CASH FLOWS  
 PARENT ENTITY ONLY  
 YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015 US\$	2014 *) US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	3,806,000	4,515,600
Payment to employees	(5,429,040)	(4,041,578)
Payment for other operating activities	(2,630,208)	(2,021,234)
Income taxes paid	(583,904)	(824,896)
Payment of post-employment benefits	(413,280)	(160,836)
Interest received	102,033	251,098
<b>Net Cash Used in Operating Activities</b>	<b>(5,148,399)</b>	<b>(2,281,846)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of trading securities	-	1,991,617
Dividends received	29,526,288	26,382,331
Acquisition of property and equipment	(7,559,793)	(56,354)
Proceeds from sale of property and equipment	-	2,682
Placement of restricted time deposit	(111,747)	-
Acquisition and additional investment in subsidiaries, associates and other investments	(3,755,761)	(1,041,228)
Addition advance for long-term investment	(1,184,126)	(8,843,213)
Addition in advance	(299,934)	(15,442,141)
Addition in other assets	(267,864)	-
Proceeds from liquidation of subsidiary	-	747,603
<b>Net Cash Provided by Investing Activities</b>	<b>16,347,063</b>	<b>3,741,297</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceed from management stock option	49,474	138,603
Purchase of treasury shares	(10,642,803)	-
Loan to subsidiaries	(2,721,203)	-
Proceeds from loan to subsidiaries	2,308,033	-
Proceeds from short-term bank loan	20,500,000	310,717
Proceeds from long-term bank loan	8,000,000	-
Payment for borrowing cost	(142,017)	-
Payments of short-term bank loan	(20,500,000)	(310,717)
Payment of interest expense	(189,864)	(2,448)
Payment of dividend	(8,448,205)	(9,639,532)
<b>Net Cash Used in Financing Activities</b>	<b>(11,786,585)</b>	<b>(9,503,377)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(587,921)</b>	<b>(8,043,926)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>6,620,172</b>	<b>14,664,098</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>6,032,251</b>	<b>6,620,172</b>

\*) As restated (Note 4)

Presented using cost method.

PT AUSTINDO NUSANTARA JAYA Tbk  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE V - NOTES TO FINANCIAL STATEMENTS  
 PARENT ENTITY ONLY  
 YEARS ENDED DECEMBER 31, 2015 AND 2014

**1. TAXES PAYABLE**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	US\$	US\$
Current tax (Note 2)	-	15,687
Income tax		
Article 21	199,323	247,438
Article 23/26	1,729	4,644
Article 4 (2)	8,796	12,478
Article 15	-	8,363
Value Added Taxes	<u>21,364</u>	<u>1,471</u>
Total	<u><u>231,212</u></u>	<u><u>290,081</u></u>

**2. INCOME TAX**

Tax expense of the Company consists of the followings:

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Current tax	451,307	835,931
Deferred tax	<u>(235,375)</u>	<u>(3,855)</u>
Total tax expense	<u><u>215,932</u></u>	<u><u>832,076</u></u>

Current Tax

The reconciliation between income before tax per statements of profit or loss and other comprehensive income and taxable income is as follows:

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Income before tax per statements of profit or loss and other comprehensive income	<u>25,753,488</u>	<u>24,110,888</u>
Temporary differences:		
Bonus	705,354	(250,000)
Post-employment benefits (including foreign exchange effects)	<u>236,142</u>	<u>265,422</u>
Subtotal	<u><u>941,496</u></u>	<u><u>15,422</u></u>

(forward)

PT AUSTINDO NUSANTARA JAYA Tbk  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE V - NOTES TO FINANCIAL STATEMENTS  
 PARENT ENTITY ONLY  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Non-tax-deductible expenses (non-taxable income/subject to final tax):		
Personnel expenses	1,061,694	998,179
Donation	54,443	-
Share based compensation	41,189	169,792
Interest income	(67,918)	(203,894)
Dividend income from subsidiaries	(26,399,451)	(21,499,567)
Gain on sale of property and equipment	-	(1,382)
Gain on sale of trading securities	-	(4,440)
Gain on sale of other investment	-	(447,365)
Others	<u>209,698</u>	<u>193,982</u>
Subtotal	<u>(25,100,345)</u>	<u>(20,794,695)</u>
Total taxable income	<u><u>1,594,639</u></u>	<u><u>3,331,615</u></u>
Details:		
Taxable income (fiscal loss)		
The Company	1,805,227	3,343,724
PAM	<u>(210,588)</u>	<u>(12,109)</u>
Net	<u><u>1,594,639</u></u>	<u><u>3,331,615</u></u>

Current tax expense and payable are computed as follows:

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Current tax expense - the Company	451,307	835,931
Less prepaid taxes		
Articles 23 - the Company	<u>568,216</u>	<u>820,244</u>
Current tax payable (prepaid tax) - net	<u><u>(116,909)</u></u>	<u><u>15,687</u></u>

Deferred Tax

In 2015 and 2014, the Company has deductible temporary differences from bonus accrual and employee benefit obligation. The Company only recognizes the deferred tax assets over which management believes can be utilized to compensate future taxable income.

PT AUSTINDO NUSANTARA JAYA Tbk  
SUPPLEMENTARY INFORMATION  
SCHEDULE V - NOTES TO FINANCIAL STATEMENTS  
PARENT ENTITY ONLY  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

The details of deferred tax assets of the Company are as follows:

	01/01/2015	Credited to profit or loss for the year	Charged to other comprehensive income	31/12/2015
	US\$	US\$	US\$	US\$
Post-employment benefits obligation	183,545	59,036	(47,972)	194,609
Bonus	-	176,339	-	176,339
<b>Total</b>	<b>183,545</b>	<b>235,375</b>	<b>(47,972)</b>	<b>370,948</b>

	01/01/2014	Credited (charged) to profit or loss for the year	Credited to other comprehensive income	31/12/2014
	US\$	US\$	US\$	US\$
Post-employment benefits obligation	113,336	66,355	3,854	183,545
Bonus	62,500	(62,500)	-	-
<b>Total</b>	<b>175,836</b>	<b>3,855</b>	<b>3,854</b>	<b>183,545</b>

A reconciliation between tax expense and the amounts computed by applying the prevailing tax rates to income before tax per statements of comprehensive income is as follows:

	2015	2014
	US\$	US\$
Income before tax per statements of comprehensive income	<u>25,753,488</u>	<u>24,110,888</u>
Tax expense at prevailing tax rates	<u>(6,438,372)</u>	<u>(6,027,722)</u>
Effect of non-tax-deductible expenses (non-taxable income/subjected to final tax):		
Personnel expenses	(265,424)	(249,545)
Donation	(13,611)	-
Share based compensation	(10,297)	(42,448)
Interest income	16,980	50,974
Dividend income from subsidiaries	6,599,863	5,374,892
Gain on sale of property and equipment	-	346
Gain on sale of trading securities	-	1,110
Gain on sale of other investment	-	111,841
Others	<u>(52,424)</u>	<u>(48,496)</u>
<b>Total</b>	<u>6,275,087</u>	<u>5,198,674</u>
Fiscal loss for which no tax benefit was recognized	<u>(52,647)</u>	<u>(3,028)</u>
<b>Total tax expense</b>	<u><u>(215,932)</u></u>	<u><u>(832,076)</u></u>

PT AUSTINDO NUSANTARA JAYA Tbk  
SUPPLEMENTARY INFORMATION  
SCHEDULE V - NOTES TO FINANCIAL STATEMENTS  
PARENT ENTITY ONLY  
YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

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### **3. NATURE OF RELATIONSHIP AND TRANSACTION WITH RELATED PARTIES**

#### Nature of Relationship

Related parties which are shareholders of the Company:

- PT Austindo Kencana Jaya (AKJ)
- PT Memimpin Dengan Nurani (MDN)
- Yayasan Tahija

Related parties in which the Company is a shareholder (direct or indirect):

- PT Austindo Nusantara Jaya Agri (ANJA)
- PT Gading Mas Indonesia Teguh (formerly PT Gading Mas Indonesian Tobacco (GMIT))
- PT Darajat Geothermal Indonesia (DGI)
- PT Aceh Timur Indonesia (ATI)
- PT Surya Makmur (SM)
- PT Sahabat Mewah Makmur (SMM)
- PT Austindo Nusantara Jaya Agri Siais (ANJAS)
- PT Kayung Agro Lestari (KAL)
- PT Galempa Sejahtera Bersama (GSB)
- PT Lestari Sagu Papua (LSP)
- PT ANJ Agri Papua (ANJAP)
- PT Permata Putera Mandiri (PPM)
- PT Putera Manunggal Perkasa (PMP)
- PT Austindo Nusantara Jaya Boga (ANJB)
- PT Austindo Aufwind New Energy (AANE)

#### Transaction with Related Parties

In the normal course of business, the Company entered into certain transactions with related parties, including the followings:

- On June 27, 2014, the Company entered into a Management Service Agreement with each of its subsidiaries, to provide the subsidiaries with certain management assistance to support the business operation of the subsidiaries. In return, the subsidiaries shall pay the Company management fee on a monthly basis, as specified in the agreement between the Company and each subsidiary. This agreement has been renewed on December 14, 2015 for period until December 31, 2016 and is extendable. Management fee charged to subsidiaries amounted to US\$ 4,515,600 for the year ended December 31, 2015 and 2014.
- On December 15, 2014, the Company provided loan facility to AANE amounting to US\$ 750,000 with interest rate at 2.75% + LIBOR for increasing its electricity production capacity up to 1,800 kW. This facility will be available for three years from the grant date. As of December 31, 2015, AANE has utilized US\$ 418,820 from the facility.

PT AUSTINDO NUSANTARA JAYA Tbk  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE V - NOTES TO FINANCIAL STATEMENTS  
 PARENT ENTITY ONLY  
 YEARS ENDED DECEMBER 31, 2015 AND 2014 - Continued

- On July 15, 2015, the Company provided loan facility to ANJAP amounting to Rp 40 billion or equivalent in US\$ to finance its operation and sagu factory development. The interest rate for the loan facility in Rupiah and US\$ are 11.5% and 3% p.a., respectively. This facility will be available for one year from the agreement date. As of December 31, 2015, no outstanding loan to ANJAP.
- The Company paid benefits to its Commissioners and Directors as follows:

	2015	2014
	US\$	US\$
Short-term employee benefits	2,935,457	2,882,876
Stock options	-	24,960
Total	<u>2,935,457</u>	<u>2,907,836</u>

#### 4. RESTATEMENT OF THE 2014 FINANCIAL STATEMENTS

In relation with the merger between the Company and PT Pusaka Agro Makmur ("PAM", a wholly owned subsidiary) which is effective on June 23, 2015, the Company has restated its financial statements for the year ended December 31, 2014, to present the financial statements for the effect as if the merger has taken place since October 15, 2014, the date when the Company acquired the entire outstanding shares of PAM. The Company does not restate its statement of financial position as of January 1, 2014 because there is no impact from merger on the statement of financial position as of the respective date.

Following is a summary of accounts in the financial statements of 2014 before and after the restatement:

	31/12/2014	
	Before restatement	After restatement
	US\$	US\$
Total cash and cash equivalents	6,494,303	6,620,172
Total current assets	7,822,323	7,913,544
Total assets	285,818,264	285,808,813
Total current liabilities	2,129,813	2,144,994
Total liabilities	3,073,285	3,117,304
Total equity	282,744,979	282,691,509
Total liabilities and equity	285,818,264	285,808,813
Total Income	31,946,229	31,945,972
Total expenses	7,823,068	7,835,084
Income before tax	24,123,161	24,110,888
Tax expense	(832,076)	(832,076)
Net income for the year	23,291,085	23,278,812
Total comprehensive income - net of tax	2,781,342	2,781,342
Total comprehensive income	26,072,427	26,060,154
Total cash flows from operating activities	(2,336,640)	(2,281,846)
Total cash flows from investing activities	4,020,957	3,741,297
Total cash flows from financing activities	(9,500,329)	(9,503,377)

PT AUSTINDO NUSANTARA JAYA Tbk  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE VI - NOTES TO INVESTMENT IN SUBSIDIARIES  
 AND ASSOCIATES  
 YEARS ENDED DECEMBER 31, 2015 AND 2014

Investment in subsidiaries and associates were presented using cost method as follows:

Subsidiaries and associates	Domicile	Nature of business	% of ownership		% of voting rights	
			2015 %	2014 %	2015 %	2014 %
<b>Direct Subsidiaries</b>						
PT Darajat Geothermal Indonesia (DGI)	Darajat, West Java	Renewable Energy	99.99	99.99	99.99	99.99
PT Austindo Aufwind New Energy (AANE)	Belitung, Bangka Belitung	Renewable Energy	99.18	99.18	99.18	99.18
PT Aceh Timur Indonesia (ATI)	Jakarta	Agribusiness	99.99	99.99	99.99	99.99
PT Surya Makmur (SM)	Medan	Agribusiness	99.99	99.99	99.99	99.99
PT Austindo Nusantara Jaya Agri (ANJA)	Binanga, North Sumatera	Agribusiness	99.99	99.99	99.99	99.99
PT Austindo Nusantara Jaya Boga (ANJB)	Jakarta	Agribusiness	99.99	99.99	99.99	99.99
PT Gading Mas Indonesia Teguh (GMIT) (formerly PT Gading Mas Indonesian Tobacco)	Jember	Agribusiness	99.96	99.96	99.96	99.96
PT ANJ Agri Papua (ANJAP)	South Sorong, Papua	Agribusiness	99.69	99.57	99.99	99.99
PT Pusaka Agro Makmur (PAM) (has been merged to the Company on June 23, 2015)	Maybrat, Papua	Agribusiness	-	100.00	-	100.00
<b>Indirect Subsidiaries</b>						
PT Galempa Sejahtera Bersama (GSB)	South Sumatera	Agribusiness	5.00	5.00	99.99	99.99
PT Putera Manunggal Perkasa (PMP)	South Sorong and Maybrat, Papua	Agribusiness	5.00	5.00	99.99	99.99
PT Permata Putera Mandiri (PPM)	South Sorong, Papua	Agribusiness	5.00	5.00	99.99	99.99
PT Sahabat Mewah dan Makmur (SMM)	Belitung, Bangka Belitung	Agribusiness	0.04	0.00	99.99	99.99
PT Austindo Nusantara Jaya Agri Siais (ANJAS)	South Angkola, North Sumatera	Agribusiness	-	-	99.99	99.99
PT Kayung Agro Lestari (KAL)	Ketapang, West Kalimantan	Agribusiness	-	-	99.99	99.99
PT Lestari Sagu Papua (LSP)	South Sorong, Papua	Agribusiness	-	-	51.00	51.00
<b>Entitas Asosiasi/ Associates</b>						
PT Pangkatan Indonesia	Labuhan Batu, North Sumatera	Agribusiness	20.00	20.00	20.00	20.00
PT Evans Lestari	Musi Rawas, South Sumatera	Agribusiness	20.00	20.00	20.00	20.00
PT Bilah Plantindo	Labuhan Batu, North Sumatera	Agribusiness	-	-	20.00	20.00
PT Simpang Kiri Plantation Indonesia	Simpang Kiri, Aceh	Agribusiness	-	-	20.00	20.00

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# FINANCIAL HIGHLIGHTS 2015

	2015	2014	2013	2012
<b>Results from Operations (US\$ million)</b>				
Revenue from sales and service concessions	126.0	158.3	138.4	165.9
Total income	133.3	170.6	151.8	185.1
Gross profit	38.9	64.4	48.1	77.7
EBITDA	23.7	63.4	46.2	78.4
Net income (loss) from continuing operations	(8.4)	18.3	21.9	42.0
Net income from discontinued operations	0	0	0	56.7
Net income (loss) for the year	(8.4)	18.3	21.9	98.7
<i>attributable to the owners of the company</i>	(8.2)	18.4	22.0	96.3
<i>attributable to non-controlling interests</i>	(0.2)	(0.2)	(0.1)	2.4
Total comprehensive income (loss)	(16.2)	19.9	1.1	95.6
<i>attributable to the owners of the company</i>	(16.0)	20.0	1.3	93.3
<i>attributable to non-controlling interests</i>	(0.2)	(0.1)	(0.2)	2.3

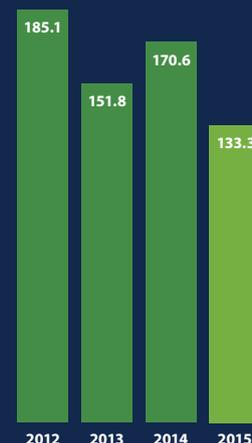
<b>Earnings (Loss) per Share (us\$)</b>				
Basic earnings (loss) per share	(0.00251)	0.00553	0.00680	0.07970
Basic earnings (loss) per share from continuing operations	(0.00251)	0.00553	0.00680	0.03473
Diluted earnings (loss) per share from continuing operations	(0.00251)	0.00549	0.00678	-
Basic earnings (loss) per share from discontinued operations	-	-	-	0.04497

<b>Financial Position (US\$ million)</b>				
Cash and cash equivalents	19.1	30.1	41.4	76.6
Total current assets	51.7	65.5	72.1	109.3
Total assets	470.4	444.0	397.4	399.4
Bank loans	98.1	27.8	1.4	3.8
Total current liabilities	55.9	53.6	19.2	55.9
Total liabilities	130.0	68.6	32.7	71.7
Total equity	340.4	375.5	364.7	327.7

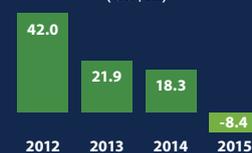
<b>Financial Ratios</b>				
Return on assets (%)	(1.8)	4.1	5.5	10.5
Return on equity (%)	(2.5)	4.9	6.0	12.8
EBITDA margin (%) *	18.8	40.0	33.4	47.3
Net profit margin (%)	(6.3)	10.7	14.4	22.7
Current ratio	0.9	1.2	3.8	2.0
Liabilities to equity ratio	0.4	0.2	0.1	0.2
Liabilities to assets ratio	0.3	0.2	0.1	0.2
Net debt to equity ratio	0.2	(0.01)	(0.1)	(0.2)

\* Calculated as EBITDA divided by the sum of revenue from sales and service concessions.

**Total income**  
(US\$m)



**Net income (loss) from continuing operations**  
(US\$m)



**EBITDA**  
(US\$m)



**EBITDA Margin**  
(US\$m)



## ANNUAL REPORT 2015

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