

RIMBUNAN SAWIT BERHAD

(Incorporated In Malaysia)

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31st August 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

FINANCIAL RESULTS

	<u>The Group</u>	<u>The Company</u>
	RM	RM
Net profit for the year after taxation	19,470,065	13,163,091
	=====	=====

DIVIDENDS

A tax-exempt final dividend of 3.0 sen per ordinary share amounting to RM3,848,004 for the financial year ended 31st August 2006 was paid on 19th March 2007.

The Board of Directors proposed a final dividend of 5.0 sen per ordinary share less tax at 27% totaling RM4,681,738 in respect of the financial year ended 31st August 2007. The dividend is not recognised as a liability at the balance sheet date and will be accounted for as an appropriation of retained profits in the financial year ending 31st August 2008 after approval by the members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS OF THE COMPANY

The directors who served since the date of last report are:-

Tan Sri Datuk Diong Hiew King @ Tiong Hiew King
Tiong Chiong Ong
Tiong Kiong King
Tiong Chiong Ie
Bong Wei Leong
Tiong Ing Ming

In accordance with Article 68 of the Company's Articles of Association, Tiong Chiong Ong and Tiong Kiong King shall retire from the board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Tan Sri Datuk Diong Hiew King @ Tiong Hiew King shall retire pursuant to Section 129(1) of the Companies Act 1965 and a separate resolution will be proposed for his re-appointment as director under the provision of Section 129(6) of the said act to hold office until the next Annual General Meeting of the Company.

RIMBUNAN SAWIT BERHAD

DIRECTORS' REPORT - CONTINUED

The directors holding office at 31st August, 2007 and their interests in the share capital of the Company, as recorded in the register of directors' shareholdings were as follows:-

	<u>Holdings registered in the name of directors as at</u>				<u>Other holdings in which directors are deemed to have an interest as at</u>			
	<u>1.9.2006</u>	<u>Bought</u>	<u>Sold</u>	<u>31.8.2007</u>	<u>1.9.2006</u>	<u>Bought</u>	<u>Sold</u>	<u>31.8.2007</u>
Tan Sri Datuk Diong Hiew								
King @ Tiong Hiew King	300,000	-	-	300,000	70,575,894	1,820,900	2,200,000	70,196,794
Tiong Chiong Ong	878,400	-	400,000	478,400	-	1,000	-	1,000
Tiong Kiong King	948,500	-	134,900	813,600	3,027,300	-	-	3,027,300
Tiong Chiong Ie	300,000	-	-	300,000	2,466,200	-	-	2,466,200
Bong Wei Leong	-	-	-	-	-	-	-	-
Tiong Ing Ming	25,000	-	-	25,000	-	-	-	-

DIRECTORS' BENEFITS

Since the end of the previous financial year no director has received or become entitled to receive any benefit required to be disclosed by Section 169(8) of the Companies Act 1965.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and, the making of allowance for doubtful debts and that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors of the Company are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group and in the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Company and Group financial statements misleading or inappropriate.

RIMBUNAN SAWIT BERHAD

DIRECTORS' REPORT - CONTINUED

CHARGES AND CONTINGENT LIABILITIES

Since the end of the financial year:-

- i) no charge on the assets of the Company or any corporation in the Group has arisen which secures the liabilities of any other person,
- ii) no contingent liability of the Company or any corporation in the Group has arisen other than those disclosed in Note 29 to the financial statements.

ABILITY TO MEET OBLIGATIONS

No contingent liability or other liability of the Company or any corporation in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the respective financial statements misleading.

UNUSUAL ITEMS

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year were not, substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or of the Company for the year in which this report is made except as could arise from the proposed acquisitions as disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, **Hii & Lee**, Chartered Accountants, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors:

TAN SRI DATUK DIONG HIEW KING @ TIONG HIEW KING

Director

TIONG CHIONG ONG

Director

Sibu, Sarawak.

RIMBUNAN SAWIT BERHAD

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 6 to 36 are drawn up in accordance with the applicable Financial Reporting Standards so as to give a true and fair view of:-

- (i) the state of affairs of the Group and of the Company as at 31st August, 2007 and of its results for the year ended on that date; and
- (ii) the cash flows of the Group and of the Company for the year ended 31st August, 2007.

Signed on behalf of the Board in accordance with a resolution of the Directors:

TAN SRI DATUK DIONG HIEW KING @ TIONG HIEW KING

Director

TIONG CHIONG ONG

Director

Sibu, Sarawak.

STATUTORY DECLARATION

I, **LING TONG UNG** (I/C No. 610615-13-5031), the officer primarily responsible for the financial management of **RIMBUNAN SAWIT BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 6 to 36 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **LING TONG UNG** at **SIBU** on the day of _____, 2007.

LING TONG UNG

Before me



HII & LEE (AF0123)
Chartered Accountants
In association with BDO Binder



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**REPORT OF THE AUDITORS TO THE MEMBERS OF
RIMBUNAN SAWIT BERHAD (691393-U)**

We have audited the financial statements set out on pages 6 to 36 of **RIMBUNAN SAWIT BERHAD**.

The financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We have conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements which have been prepared under the historical cost convention are properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements of the Group and the Company; and
 - (ii) the state of affairs of the Group and the Company as at 31st August, 2007 and of the results of the Group and the Company and the cash flows of the Group and the Company for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments made under subsection (3) of Section 174 of the Act.

HII & LEE
NO.AF0123
Chartered Accountants

Sibu, Sarawak.

LAU KIING YIING
1326/9/08(J)
Partner of the firm

RIMBUNAN SAWIT BERHAD**CONSOLIDATED BALANCE SHEET AS AT 31ST AUGUST 2007**

	<u>Note</u>	<u>2007</u> RM	<u>2006</u> RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	50,880,448	51,694,231
Prepaid lease rentals	6	10,967,931	10,843,270
Biological assets	7	55,023,087	56,435,968
Deferred tax assets	9	<u>690,662</u>	<u>773,541</u>
		<u>117,562,128</u>	<u>119,747,010</u>
Current assets			
Inventories	10	8,012,854	10,273,186
Trade receivables	11	3,074,642	3,184,754
Other receivables, deposits and prepayments		1,746,523	2,966,629
Tax refundable		47,014	30,750
Fixed deposits with licensed banks	13	70,727,400	92,707,400
Islamic deposits	14	19,784,875	19,287,080
Cash and bank balances	15	<u>353,217</u>	<u>1,322,844</u>
		<u>103,746,525</u>	<u>129,772,643</u>
TOTAL ASSETS		<u>221,308,653</u> =====	<u>249,519,653</u> =====
EQUITY AND LIABILITIES			
Equity			
Share capital	16	64,133,400	64,133,400
Reserves	17	<u>36,446,712</u>	<u>20,824,651</u>
Total equity		<u>100,580,112</u>	<u>84,958,051</u>
Non-current liabilities			
Borrowings	18	88,000,000	93,000,000
Deferred tax liabilities	9	<u>10,242,143</u>	<u>8,260,811</u>
		<u>98,242,143</u>	<u>101,260,811</u>
Current liabilities			
Trade payables	19	9,075,250	8,839,293
Other payables and accruals	20	7,125,050	3,930,268
Borrowings	18	5,000,000	50,000,000
Dividends payable		4,708	-
Provision for taxation		<u>1,281,390</u>	<u>531,230</u>
		<u>22,486,398</u>	<u>63,300,791</u>
Total liabilities		<u>120,728,541</u>	<u>164,561,602</u>
TOTAL EQUITY AND LIABILITIES		<u>221,308,653</u> =====	<u>249,519,653</u> =====

The notes on pages 12 to 36 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD**CONSOLIDATED INCOME STATEMENT**
FOR THE YEAR ENDED 31ST AUGUST 2007

	<u>Note</u>	<u>2007</u> RM	<u>2006</u> RM
Revenue	21	147,394,078	59,322,066
Cost of sales		(101,774,108)	(42,828,302)
Gross profit		45,619,970	16,493,764
Other operating income		3,689,410	3,464,287
Distribution costs		(8,865,658)	(2,721,943)
Administrative and other expenses		(5,428,900)	(1,055,283)
Finance costs	22	(8,136,579)	(4,581,944)
Profit before taxation	23	26,878,243	11,598,881
Taxation	24	(7,408,178)	(3,517,345)
Profit after taxation		19,470,065	8,081,536
		=====	=====
Basic earnings per ordinary share (sen)	25	15.18	12.41
		=====	=====
Dividends per ordinary share (sen)	26	3.00	-
		=====	=====

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST AUGUST 2007

			<u>Non-distributable</u>	<u>Distributable</u>		
	<u>Note</u>	<u>Share Capital</u> RM	<u>Share Premium</u> RM	<u>Reserve on Consolidation</u> RM	<u>Retained Profits</u> RM	<u>Total</u> RM
<u>2007</u>						
At 1st September 2006						
As previously stated		64,133,400	6,865,850	5,952,177	8,006,624	84,958,051
Effects of adopting FRS 3		-	-	(5,952,177)	5,952,177	-
At 1st September 2006 (as restated)		64,133,400	6,865,850	-	13,958,801	84,958,051
Net profit for the year		-	-	-	19,470,065	19,470,065
Final dividend of 3 sen per share, tax exempt	26	-	-	-	(3,848,004)	(3,848,004)
At 31st August 2007		64,133,400	6,865,850	-	29,580,862	100,580,112
		=====	=====	=====	=====	=====
<u>2006</u>						
At 1st September 2005		53	-	-	(74,912)	(74,859)
Issue of ordinary shares						
- Acquisition of subsidiaries		55,133,347	-	-	-	55,133,347
- Public issue		9,000,000	9,000,000	-	-	18,000,000
Listing expenses written off		-	(2,134,150)	-	-	(2,134,150)
Arising from acquisition of subsidiaries		-	-	6,613,530	-	6,613,530
Amortisation for the year		-	-	(661,353)	-	(661,353)
Net profit for the year		-	-	-	8,081,536	8,081,536
At 31st August 2006		64,133,400	6,865,850	5,952,177	8,006,624	84,958,051
Effects of adopting FRS 3		-	-	(5,952,177)	5,952,177	-
At 31st August 2006 (as restated)		64,133,400	6,865,850	-	13,958,801	84,958,051
		=====	=====	=====	=====	=====

The notes on pages 12 to 36 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD**CONSOLIDATED CASH FLOW STATEMENT**
FOR THE YEAR ENDED 31ST AUGUST 2007

	<u>Note</u>	<u>2007</u> RM	<u>2006</u> RM
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before taxation		26,878,243	11,598,881
Adjustments for:-			
Amortisation of biological assets		2,887,462	2,193,811
Amortisation of reserve on consolidation		-	(661,353)
Depreciation of property, plant and equipment		7,011,442	4,067,451
Goodwill on consolidation written off		-	21,756
Interest expenses		8,136,579	4,581,944
Interest income		(3,368,759)	(2,565,757)
Land lease rentals		168,847	92,196
Profit on disposal of property, plant and equipment		(133,560)	(58,130)
Property, plant and equipment written off		<u>3,907</u>	<u>-</u>
Operating profit before working capital changes		41,584,161	19,270,799
Decrease/(increase) in inventories		2,260,332	(6,825,223)
Decrease in receivables		1,400,109	38,514,465
Increase in payables		<u>3,433,139</u>	<u>3,898,996</u>
Cash generated from operations		48,677,741	54,859,037
Interest received		3,368,759	2,565,757
Interest paid		(36,922)	(117)
Tax paid		(5,575,363)	(2,855,766)
Tax refunded		<u>965,291</u>	<u>-</u>
Net cash provided by operating activities		<u>47,399,506</u>	<u>54,568,911</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of subsidiary companies		-	32,195,446
Additions to prepaid lease rentals		(293,508)	(67,247)
Cost incurred on biological assets		(1,310,473)	-
Proceeds from disposal of property, plant and equipment		285,940	58,130
Purchase of property, plant and equipment		<u>(6,590,344)</u>	<u>(3,735,781)</u>
Net cash (used in)/provided by investing activities		<u>(7,908,385)</u>	<u>28,450,548</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from public issue		-	18,000,000
Fixed deposits pledged for banking facilities		250,000	(88,500)
Islamic deposits held on trust for Islamic Securities Investors		(497,795)	(493,014)
Bank balances held on trust for Islamic Securities Investors		(114)	(145)
Payment of listing expenses		-	(2,134,150)
Return payments paid		(8,099,657)	(4,581,827)
Repayment of Islamic securities		(50,000,000)	-
Dividends paid		<u>(3,843,296)</u>	<u>-</u>
Net cash (used in)/provided by financing activities		<u>(62,190,862)</u>	<u>10,702,364</u>
Net (decrease)/increase in cash and cash equivalents		(22,699,741)	93,721,823
Cash and cash equivalents brought forward		<u>93,721,876</u>	<u>53</u>
Cash and cash equivalents carried forward	27	<u>71,022,135</u> =====	<u>93,721,876</u> =====

The notes on pages 12 to 36 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD**BALANCE SHEET AS AT 31ST AUGUST 2007**

	<u>Note</u>	<u>2007</u> RM	<u>2006</u> RM
ASSETS			
Non-current assets			
Plant and equipment	5	299,314	-
Investment in subsidiary companies	8	<u>55,133,349</u>	<u>55,133,349</u>
		<u>55,432,663</u>	<u>55,133,349</u>
Current assets			
Other receivables		36,993	101,117
Amount due from subsidiary companies	12	1,060,922	367
Tax refundable		47,014	-
Dividends receivable		13,138,686	4,499,550
Fixed deposits with licensed banks	13	16,650,000	17,700,000
Cash and bank balances		<u>51,995</u>	<u>4,143</u>
		<u>30,985,610</u>	<u>22,305,177</u>
TOTAL ASSETS		<u>86,418,273</u> =====	<u>77,438,526</u> =====
EQUITY AND LIABILITIES			
Equity			
Share capital	16	64,133,400	64,133,400
Reserves	17	<u>20,409,248</u>	<u>11,094,161</u>
Total equity		<u>84,542,648</u>	<u>75,227,561</u>
Non-current liabilities			
Deferred tax liabilities	9	<u>5,074</u>	<u>-</u>
Current liabilities			
Other payables and accruals	20	1,126,948	245,692
Amount due to subsidiary companies	12	738,895	1,965,273
Dividends payable		<u>4,708</u>	<u>-</u>
		<u>1,870,551</u>	<u>2,210,965</u>
Total liabilities		<u>1,875,625</u>	<u>2,210,965</u>
TOTAL EQUITY AND LIABILITIES		<u>86,418,273</u> =====	<u>77,438,526</u> =====

The notes on pages 12 to 36 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD
INCOME STATEMENT
FOR THE YEAR ENDED 31ST AUGUST 2007

	<u>Note</u>	<u>2007</u> RM	<u>2006</u> RM
Revenue	21	21,238,200	4,499,550
Other operating income		554,916	135,657
Administrative expenses		(3,619,520)	(249,527)
Finance costs	22	<u>-</u>	<u>(82,457)</u>
Profit before taxation	23	18,173,596	4,303,223
Taxation	24	<u>(5,010,505)</u>	<u>-</u>
Profit after taxation		13,163,091 =====	4,303,223 =====
Dividends per ordinary share (sen)	26	3.00 =====	- =====

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST AUGUST 2007

		<u>Share</u> <u>Capital</u> <u>RM</u>	<u>Non-</u> <u>Distributable</u> <u>Share</u> <u>Premium</u> <u>RM</u>	<u>Distributable</u> <u>Retained</u> <u>Profits</u> <u>RM</u>	<u>Total</u> <u>RM</u>
<u>2007</u>	<u>Note</u>				
At 1st September 2006		64,133,400	6,865,850	4,228,311	75,227,561
Net profit for the year		-	-	13,163,091	13,163,091
Final dividend of 3 sen per share, tax exempt	26	<u>-</u>	<u>-</u>	<u>(3,848,004)</u>	<u>(3,848,004)</u>
At 31st August 2007		64,133,400 =====	6,865,850 =====	13,543,398 =====	84,542,648 =====
<u>2006</u>					
At 1st September 2005		53	-	(74,912)	(74,859)
Issue of ordinary shares					
- Acquisition of subsidiaries		55,133,347	-	-	55,133,347
- Public issue		9,000,000	9,000,000	-	18,000,000
Listing expenses written off		-	(2,134,150)	-	(2,134,150)
Net profit for the year		<u>-</u>	<u>-</u>	<u>4,303,223</u>	<u>4,303,223</u>
At 31st August 2006		64,133,400 =====	6,865,850 =====	4,228,311 =====	75,227,561 =====

The notes on pages 12 to 36 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31ST AUGUST 2007**

	<u>Note</u>	<u>2007</u> RM	<u>2006</u> RM
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before taxation		18,173,596	4,303,223
Adjustments for:-			
Depreciation of plant and equipment		21,466	-
Dividend income		(17,998,200)	(4,499,550)
Interest expenses		-	82,457
Interest income		(554,816)	(135,657)
Operating loss before working capital changes		(357,954)	(249,527)
Increase in receivables		(1,068,652)	(667)
(Decrease)/increase in payables		(345,122)	<u>2,053,596</u>
Cash (absorbed by)/generated from operations		(1,771,728)	1,803,402
Interest received		627,037	34,840
Dividends received		4,499,550	-
Tax paid		(192,931)	<u>-</u>
Net cash provided by operating activities		<u>3,161,928</u>	<u>1,838,242</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of subsidiary companies		-	(2)
Purchase of plant and equipment		(320,780)	<u>-</u>
Net cash used in investing activities		(320,780)	(2)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from public issue		-	18,000,000
Payment of listing expenses		-	(2,134,150)
Dividends paid		(3,843,296)	<u>-</u>
Net cash (used in)/provided by financing activities		(3,843,296)	<u>15,865,850</u>
Net (decrease)/increase in cash and cash equivalents		(1,002,148)	17,704,090
Cash and cash equivalents brought forward		<u>17,704,143</u>	<u>53</u>
Cash and cash equivalents carried forward	27	<u>16,701,995</u> =====	<u>17,704,143</u> =====

The notes on pages 12 to 36 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2007

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of registered office and principal place of business of the Company is located at No. 85 & 86, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibu, Sarawak.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as "the Group"). The financial statements of the Company do not include other entities.

The number of employees (including executive directors) in the Group and in the Company as at the end of the financial year were 632 and 28 (2006: 621 and 2) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards (FRSs), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities. The financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

On 1 September 2006, the Group adopted the following new/revised FRSs which are relevant to its operations: -

- FRS 3 Business Combinations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events After the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effect of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets

In addition to the above, the Group has also taken the option of early adoption of FRS 117: Leases which is effective for accounting periods beginning on or after 1 October 2006.

The adoption of the above-mentioned FRSs does not have any significant financial impact on the results of the Group other than the effects as disclosed in Note 33 to the financial statements.

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEAR ENDED 31ST AUGUST 2007**2. BASIS OF PREPARATION (Cont'd)****2.1 Statement of compliance (Cont'd)**

The Group has not adopted the following new/revised FRSs and Interpretations that have been issued but not yet effective: -

		Effective for financial periods beginning on or after
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 124	Related Party Disclosures	1 October 2006
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139	Financial Instruments: Recognition and Measurement	Effective date deferred
Amendment to FRS 119 ₂₀₀₄	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (superseded by FRS 119 after 1 July 2007)	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The adoption of FRS 107, FRS 112, FRS 118 and FRS 137 does not have any significant financial impact on the results of the Group in the period of initial application.

The impact of applying FRS 124 and FRS 139 on the financial statements upon first adoption of these standards as required by FRS 108 is not disclosed by virtue of the exemption given in the respective standards.

The rest of the above-mentioned FRSs and Interpretations are not applicable to the Group and hence, no further disclosure is warranted.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST AUGUST 2007

2. **BASIS OF PREPARATION (Cont'd)**

2.2 **Basis of measurement**

The financial statements have been prepared on the historical cost basis.

2.3 **Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

2.4 **Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4 to the financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been consistently applied by the Group and are consistent with those used in the previous financial year, unless otherwise stated.

3.1 **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. It is tested for impairment annually and carried at cost less accumulated impairment losses.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST AUGUST 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Property, plant and equipment

- (i) All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.
- (ii) Capital work-in-progress is not depreciated until the property, plant and equipment are fully completed and brought into use. Depreciation of other property, plant and equipment is provided for on the straight-line basis to write off the cost of the assets over their estimated useful lives. The annual rates used are as follows:-

Land and buildings	Over the lease term of 60 years and 5%
Buildings, drainage and roads	4% - 10%
Nursery irrigation systems	10%
Motor vehicles, plant and machinery	10% - 20%
Equipment and furniture	10% - 20%

- (iii) The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.
- (iv) An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

3.3. Prepaid lease rentals

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease rentals and are amortised over the lease term, ranging from 53 to 85 years.

The Group had previously classified leases of land as finance leases and had recognised the amount of prepaid lease rentals as property within its property, plant and equipment. On early adoption of FRS 117: Leases, the Group treats such leases as operating leases, with the unamortised carrying amount classified as prepaid lease rentals in accordance with the transitional provision provided in FRS 117.

Where a lease payment cannot be allocated reliably between land and buildings, then the entire lease is classified as a finance lease, and the lease of land and buildings is included within property, plant and equipment.

3.4. Biological assets

Planting expenditure incurred on land clearing, upkeep of immature oil palms, administrative expenses and interest incurred during the pre-cropping period is capitalised at cost as biological assets. Upon maturity, all subsequent maintenance expenditure is charged to income statement. Pre-cropping cost is amortised on a straight-line basis over 25 years, the expected useful life of oil palm trees.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST AUGUST 2007

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.5. **Subsidiaries**

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

On disposal of the investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the Company's income statement.

3.6. **Inventories**

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows: -

Sundry stores and consumables - original cost of purchase, determined on a weighted average basis.

Processed inventories - cost of raw materials, direct labour and an appropriate proportion of production overheads, determined on a first-in first-out basis.

3.7. **Financial instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Interest-bearing borrowings

Interest-bearing borrowings are recorded at the fair value of the proceeds, net of transaction costs incurred.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST AUGUST 2007

3. **SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

3.7. **Financial instruments - (Cont'd)**

Equity instruments

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise they are charged to the income statement.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.8. **Impairment of assets**

The carrying amounts of the Group's assets, other than financial assets (except for investments), inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of the assets exceeds its recoverable amount. An impairment loss is charged to the income statement.

The recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the assets belong.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

3.9. **Provisions**

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

3.10. **Employee benefits**

(i) **Short-term employee benefits**

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year when employees have rendered their services to the Group.

(ii) **Defined contribution plan**

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST AUGUST 2007

3. **SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

3.11. **Revenue recognition**

Revenue is recognised on the following basis:-

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

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyers.

Revenue from services rendered is recognised net of discount as and when the services are performed.

Management fee is recognised when services are rendered.

3.12. **Borrowing costs**

Borrowing costs directly attributable to planting expenditure are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

3.13. **Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST AUGUST 2007

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS - (Cont'd)**

4.1. **Critical judgements made in applying accounting policies**

In the process of preparing the financial statements, there were no significant judgements made by management in applying the accounting policies that may have significant effects on the financial statements.

4.2. **Key sources of estimation uncertainty**

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

-

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is based on management's estimates of the future estimated useful lives and residual values of property, plant and equipment. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets and therefore, depreciation expenses could be changed.

During the financial year, the useful life of plantation infrastructure development expenditure which is included within buildings, drainage and roads was revised from 20 years to 25 years. The revision was accounted for prospectively as a change in accounting estimates and as a result, the depreciation charge for the Group for the current financial year has been reduced by RM326,368.

Amortisation of biological assets

Biological assets are amortised on a straight-line basis over the expected useful life of oil palm trees. Significant management judgement is required to determine the expected useful life of oil palm trees, based on such factor as soil condition.

During the financial year, the useful life of biological assets was revised from 20 years to 25 years, the current expected useful life of oil palm trees. The revision was accounted for prospectively as a change in accounting estimates and as a result, the amortisation charge for the Group for the current financial year has been reduced by RM1,042,665.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowance to the extent that it is probable that taxable profit will be available against which the Group can utilise the benefits derived therefrom. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Directors are in the opinion that there will be no substantial change in the shareholders before these tax benefits are utilised.

Details of the carrying amounts of recognised deferred tax assets are contained in Note 9 to the financial statements.

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE YEAR ENDED 31ST AUGUST 2007**

5.	<u>PROPERTY, PLANT AND EQUIPMENT</u>	Land and buildings RM	Buildings, drainage and roads RM	Nursery irrigation systems RM	Motor vehicles, plant and machinery RM	Equipment and furniture RM	Capital work- in- progress RM	Total RM
	<u>Group</u>							
	<u>At 31st August 2007</u>							
	<u>Cost</u>							
	At 1st September 2006	2,465,194	49,085,717	248,120	39,534,417	5,479,294	1,701,066	98,513,808
	Reclassifications	-	-	-	125,300	-	(197,590)	(72,290)
	Additions	3,180	214,451	-	2,288,569	650,208	3,433,936	6,590,344
	Disposals	-	(142,844)	-	(1,184,187)	(1,350)	-	(1,328,381)
	Written off	-	(469,018)	-	-	-	-	(469,018)
	At 31st August 2007	<u>2,468,374</u>	<u>48,688,306</u>	<u>248,120</u>	<u>40,764,099</u>	<u>6,128,152</u>	<u>4,937,412</u>	<u>103,234,463</u>
	<u>Accumulated depreciation</u>							
	At 1st September 2006	30,867	20,167,535	248,119	23,236,267	3,136,789	-	46,819,577
	Charge for the year							
	- Charged to income statement	56,586	2,412,289	-	3,970,036	572,531	-	7,011,442
	- Capitalised under biological assets	-	164,108	-	-	-	-	164,108
	Retirements	-	(142,844)	-	(1,032,887)	(270)	-	(1,176,001)
	Written off	-	(465,111)	-	-	-	-	(465,111)
	At 31st August 2007	<u>87,453</u>	<u>22,135,977</u>	<u>248,119</u>	<u>26,173,416</u>	<u>3,709,050</u>	<u>-</u>	<u>52,354,015</u>
	<u>Net carrying amount</u>							
	At 31st August 2007	<u>2,380,921</u>	<u>26,552,329</u>	<u>1</u>	<u>14,590,683</u>	<u>2,419,102</u>	<u>4,937,412</u>	<u>50,880,448</u>
		=====	=====	=====	=====	=====	=====	=====

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE YEAR ENDED 31ST AUGUST 2007**

5.	<u>PROPERTY, PLANT AND EQUIPMENT (Cont'd) Group</u>	<u>Land and buildings</u>	<u>Plantation development expenditure</u>	<u>Buildings, drainage and roads</u>	<u>Nursery irrigation systems</u>	<u>Motor vehicles, plant and machinery</u>	<u>Equipment and furniture</u>	<u>Capital work- in- progress</u>	<u>Total</u>
		<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	<u>At 31st August 2006</u>								
	<u>Cost</u>								
	Acquisition of subsidiaries								
	As previously stated	13,685,458	101,420,873	24,747,034	248,120	39,354,217	4,863,635	364,534	184,683,871
	Effects of adopting - FRS 101	-	(101,420,873)	22,818,343	-	-	-	-	(78,602,530)
	- FRS 117	(11,220,264)	-	-	-	-	-	-	(11,220,264)
	As restated	2,465,194	-	47,565,377	248,120	39,354,217	4,863,635	364,534	94,861,077
	Additions	-	-	1,520,340	-	263,200	615,709	1,336,532	3,735,781
	Disposals	-	-	-	-	(83,000)	(50)	-	(83,050)
	At 31st August 2006	<u>2,465,194</u>	<u>-</u>	<u>49,085,717</u>	<u>248,120</u>	<u>39,534,417</u>	<u>5,479,294</u>	<u>1,701,066</u>	<u>98,513,808</u>
	<u>Accumulated depreciation</u>								
	Acquisition of subsidiaries								
	As previously stated	382,912	27,313,766	11,127,885	248,024	21,229,315	2,858,070	-	63,159,972
	Effects of adopting - FRS 101	-	(27,313,766)	7,341,015	-	-	-	-	(19,972,751)
	- FRS 117	(352,045)	-	-	-	-	-	-	(352,045)
	As restated	30,867	-	18,468,900	248,024	21,229,315	2,858,070	-	42,835,176
	Charge for the year	-	-	1,698,635	95	2,089,952	278,769	-	4,067,451
	Retirements	-	-	-	-	(83,000)	(50)	-	(83,050)
	At 31st August 2006	<u>30,867</u>	<u>-</u>	<u>20,167,535</u>	<u>248,119</u>	<u>23,236,267</u>	<u>3,136,789</u>	<u>-</u>	<u>46,819,577</u>
	<u>Net carrying amount</u>								
	At 31st August 2006	<u>2,434,327</u>	<u>-</u>	<u>28,918,182</u>	<u>1</u>	<u>16,298,150</u>	<u>2,342,505</u>	<u>1,701,066</u>	<u>51,694,231</u>

Included in net carrying amount of land and buildings is an amount of RM2,380,921 (2006: RM2,434,327) of which the title deed of the buildings has yet to be registered in the name of a subsidiary company.

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEAR ENDED 31ST AUGUST 2007

5. <u>PLANT AND EQUIPMENT – (Cont'd)</u>	<u>Company</u>	<u>Motor vehicles</u>	<u>Equipment and furniture</u>	<u>Total</u>
	<u>Cost</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Additions		<u>300,287</u>	<u>20,493</u>	<u>320,780</u>
At 31st August 2007		<u>300,287</u>	<u>20,493</u>	<u>320,780</u>
<u>Accumulated depreciation</u>				
Charge for the year		<u>20,019</u>	<u>1,447</u>	<u>21,466</u>
At 31st August 2007		<u>20,019</u>	<u>1,447</u>	<u>21,466</u>
<u>Net carrying amount</u>				
At 31st August 2007		<u>280,268</u> =====	<u>19,046</u> =====	<u>299,314</u> =====
6. <u>PREPAID LEASE RENTALS</u>		<u>Group</u>		
		<u>2007</u> <u>RM</u>		<u>2006</u> <u>RM</u>
At 1st September				
As previously stated			-	-
Effects of adopting FRS 117		<u>10,843,270</u>		<u>10,868,219</u>
At 1st September (as restated)		10,843,270		10,868,219
Additions		293,508		67,247
Lease rentals		<u>(168,847)</u>		<u>(92,196)</u>
At 31st August		<u>10,967,931</u> =====		<u>10,843,270</u> =====
<u>Analysed as:</u>				
- Long leasehold land		<u>10,967,931</u> =====		<u>10,843,270</u> =====

Prepaid lease rentals include:-

- an amount of RM1,738,691 (2006: RM1,772,127) which has been caveated by a company in which a director of the Company has substantial financial interest; and
- an amount of RM3,304,353 (2006: RM3,350,706) which has been caveated by a fellow subsidiary under Ijarah arrangement for the issuance of Islamic securities (Note 18).

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEAR ENDED 31ST AUGUST 2007

7. <u>BIOLOGICAL ASSETS</u>	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
<u>Cost</u>	<u>RM</u>	<u>RM</u>
At 1st September		
As previously stated	-	-
Effects of adopting FRS 101	<u>78,602,530</u>	<u>78,602,530</u>
At 1st September (as restated)	78,602,530	78,602,530
Additions	<u>1,474,581</u>	<u>-</u>
At 31st August	<u>80,077,111</u>	<u>78,602,530</u>
<u>Accumulated amortisation</u>		
At 1st September		
As previously stated	-	-
Effects of adopting FRS 101	<u>22,166,562</u>	<u>19,972,751</u>
At 1st September (as restated)	22,166,562	19,972,751
Charge for the year	<u>2,887,462</u>	<u>2,193,811</u>
At 31st August	<u>25,054,024</u>	<u>22,166,562</u>
<u>Net carrying amount</u>		
At 31st August	<u>55,023,087</u>	<u>56,435,968</u>
Included in biological assets were the following costs which were incurred during the financial year:-		
Depreciation of property, plant and equipment	164,108	-
Staff costs - Salaries, wages and bonus	97,735	-
- Defined contribution retirement plan	9,673	-
- Social security costs	1,106	-
- Other staff related expenses	4,524	-
	<u>=====</u>	<u>=====</u>

8. <u>INVESTMENT IN SUBSIDIARY COMPANIES</u>	<u>Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>RM</u>	<u>RM</u>
Unquoted shares, at cost	<u>55,133,349</u>	<u>55,133,349</u>
	<u>=====</u>	<u>=====</u>

Details of the subsidiaries are as follows:-

<u>Name of subsidiaries</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Equity interest held (%)</u>	
			<u>2007</u>	<u>2006</u>
R.H. Plantation Sdn Bhd	Malaysia	Cultivation of oil palm and processing of palm oil	100	100
Timrest Sdn Bhd	Malaysia	Cultivation of oil palm	100	100
Rimbunan Sawit Holdings Berhad	Malaysia	Investment holding	100	100
<u>Subsidiary of Rimbunan Sawit Holdings Berhad</u>				
Midas Plantation Sdn Bhd	Malaysia	Special purpose vehicle to facilitate the issuance of Islamic securities	100	100

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEAR ENDED 31ST AUGUST 2007**9. DEFERRED TAXATION**

	<u>G r o u p</u>		<u>C o m p a n y</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
At 1st September	7,487,270	-	-	-
Acquisition of subsidiaries	-	7,340,045	-	-
Recognised in income statement	<u>2,064,211</u>	<u>147,225</u>	<u>5,074</u>	<u>-</u>
At 31st August	<u>9,551,481</u>	<u>7,487,270</u>	<u>5,074</u>	<u>-</u>
	=====	=====	=====	=====
Presented after appropriate offsetting as follows:-				
Deferred tax assets				
- Unused tax losses	(690,662)	(773,541)	-	-
Deferred tax liabilities				
- Excess of net book value over tax written down value of property, plant and equipment	18,127,065	22,141,060	5,074	-
- Unabsorbed agriculture and capital allowance	(7,884,922)	(13,880,249)	-	-
	<u>10,242,143</u>	<u>8,260,811</u>	<u>5,074</u>	<u>-</u>
	<u>9,551,481</u>	<u>7,487,270</u>	<u>5,074</u>	<u>-</u>
	=====	=====	=====	=====

10. INVENTORIES

	<u>G r o u p</u>	
	<u>2007</u>	<u>2006</u>
	<u>RM</u>	<u>RM</u>
Fresh fruit bunches	-	524,500
Processed inventories	6,413,677	7,127,759
Sundry stores and consumables	<u>1,599,177</u>	<u>2,620,927</u>
	<u>8,012,854</u>	<u>10,273,186</u>
	=====	=====

11. TRADE RECEIVABLES

The Group's normal trade credit terms range from 7 to 30 days. Other credit terms are assessed and approved on a case-to-case basis.

The Group has exposure to an individual customer. However, this does not pose any significant credit risk to the Group.

12. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

The amount due from/(to) subsidiary companies is unsecured, interest-free and has no fixed terms of repayment.

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEAR ENDED 31ST AUGUST 2007**13. FIXED DEPOSITS WITH LICENSED BANKS**

Included in fixed deposits of the Group is an amount of RM57,400 (2006: RM307,400) which is pledged to banks for banking facilities granted to certain subsidiary companies.

The interest rates for the Group during the financial year and maturities of fixed deposits as at balance sheet date are 2.55% to 3.70% (2006: 2.55% to 3.70%) per annum and 30 to 365 days (2006: 30 to 365 days) respectively.

The interest rates for the Company during the financial year and maturities of fixed deposits as at balance sheet date are 3.20% to 3.50% (2006: 3.30%) per annum and 30 to 90 days (2006: 90 days) respectively.

14. ISLAMIC DEPOSITS

Islamic deposits of the Group amounting to RM19,784,875 (2006: RM19,287,080) are held on trust for the benefits of the Islamic Securities Investors and therefore restricted from use in other operations. The rates of return on Islamic deposits range from 3.50% to 3.80% (2006: 2.73% to 3.80%) per annum; and the maturity dates range from 30 to 273 days (2006: 30 to 273 days).

15. CASH AND BANK BALANCES

Included in cash and bank balances of the Group is an amount of RM1,082 (2006: RM968) which is held on trust for the benefits of the Islamic Securities Investors and therefore restricted from use in other operations.

16. SHARE CAPITAL**Group / Company**

<u>Authorised</u>	<u>Number of Ordinary Shares of RM0.50 each</u>		<u>Amount</u>	
	<u>2007</u>	<u>2006</u>	<u>2007 RM</u>	<u>2006 RM</u>
At 1st September	1,000,000,000	1,000,000,000	500,000,000	500,000,000
At 31st August	1,000,000,000	1,000,000,000	500,000,000	500,000,000
<u>Issued and fully paid</u>				
At 1st September	128,266,800	106	64,133,400	53
Issued during the year:-				
- Acquisition of subsidiaries	-	110,266,694	-	55,133,347
- Public issue	-	18,000,000	-	9,000,000
At 31st August	128,266,800	128,266,800	64,133,400	64,133,400

17. RESERVES

	<u>Group</u>		<u>Company</u>	
	<u>2007 RM</u>	<u>2006 RM</u>	<u>2007 RM</u>	<u>2006 RM</u>
Distributable reserve:-				
- Retained profits	29,580,862	13,958,801	13,543,398	4,228,311
Non-distributable reserve:-				
- Share premium	6,865,850	6,865,850	6,865,850	6,865,850
	36,446,712	20,824,651	20,409,248	11,094,161

The share premium arose from the public issue and is presented net of share issue expenses.

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEAR ENDED 31ST AUGUST 200718. **BORROWINGS**

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
Islamic securities, secured		
Non-current	RM	RM
Sukuk Ijarah	<u>88,000,000</u>	<u>93,000,000</u>
Current		
Sukuk Ijarah	5,000,000	-
Sukuk Ijarah Commercial Papers ("CP")	-	15,000,000
Sukuk Ijarah Medium Term Notes ("MTN")	<u>-</u>	<u>35,000,000</u>
	<u>5,000,000</u>	<u>50,000,000</u>
Total	<u>93,000,000</u>	<u>143,000,000</u>
	=====	=====
Maturity of Islamic securities, net of Ijarah payments in suspense		
Within one year	5,000,000	50,000,000
More than one year and less than two years	5,000,000	5,000,000
More than two years and less than five years	60,000,000	35,000,000
Five years and more	<u>23,000,000</u>	<u>53,000,000</u>
	<u>93,000,000</u>	<u>143,000,000</u>
	=====	=====

The Group has entered into an arrangement for the issuance of RM143,000,000 Islamic securities under Sukuk Ijarah structure. The Sukuk Ijarah was structured under the Islamic principle of Ijarah or sale and leaseback and was issued via a special purpose vehicle, Midas Plantation Sdn Bhd, a subsidiary of the Company. However, the Group redeemed Sukuk Ijarah CP and MTN amounting to RM50,000,000 during the financial year.

The salient features of the Sukuk Issue are as follows:-

(i) Sukuk Ijarah				Sukuk Ijarah
<u>Class</u>	<u>Rating</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Return</u>
		RM		% pa
Class A	AAA	23,000,000	27 June 2013	6.40
Class A	AAA	20,000,000	27 June 2012	6.20
Class B	AA2	10,000,000	27 June 2012	6.60
Class B	AA2	10,000,000	27 June 2011	6.40
Class C	A2	10,000,000	27 June 2011	7.90
Class C	A2	10,000,000	27 June 2010	7.70
Class D	A3	5,000,000	27 June 2009	7.80
Class D	A3	<u>5,000,000</u>	27 June 2008	7.50
		<u>93,000,000</u>		
		=====		

- (ii) The Sukuk Ijarah payments are payable semi-annually in arrears from the date of issue of each series of the Sukuk Ijarah. The full nominal value of the respective series of the Sukuk Ijarah is made on the respective maturity dates.
- (iii) The proceeds from the issuance of Islamic securities was used to refinance bank borrowings, part finance development costs and capital expenditure, defray issue expenses and part finance the working capital requirements of the Group.
- (iv) The Islamic securities are secured by the plantation lands and oil mill currently owned and/or operated by the subsidiary companies. These assets are held on trust by Midas Plantation Sdn Bhd for the benefits of the Islamic Securities Investors and are redeemable at a nominal value of RM1 on maturity.

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE YEAR ENDED 31ST AUGUST 2007****19. TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 30 to 120 days.

Included in trade payables of the Group is an amount of RM2,116,739 (2006: RM2,642,179) which is due to companies in which the directors and their close family members have substantial financial interests.

20. <u>OTHER PAYABLES AND ACCRUALS</u>	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Included in other payables and accruals are the followings:-	RM	RM	RM	RM
Amount due to companies in which the directors and their close family members have substantial financial interest	681,296	345,540	34,471	16,072
Other payables	951,168	340,020	674	8,020
Accruals	<u>5,492,586</u>	<u>3,244,708</u>	<u>1,091,803</u>	<u>221,600</u>
	<u>7,125,050</u>	<u>3,930,268</u>	<u>1,126,948</u>	<u>245,692</u>
	=====	=====	=====	=====

21. <u>REVENUE</u>	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	RM	RM	RM	RM
Dividend income - gross	-	-	17,998,200	-
- tax exempt	-	-	-	4,499,550
Management income	-	-	3,240,000	-
Sales of - fresh fruit bunches	2,314,535	-	-	-
- crude palm oil	127,464,818	51,669,279	-	-
- palm kernel	15,250,716	6,620,359	-	-
- palm kernel shell	51,385	-	-	-
- sludge oil	296,451	-	-	-
Transportation income	<u>2,016,173</u>	<u>1,032,428</u>	<u>-</u>	<u>-</u>
	<u>147,394,078</u>	<u>59,322,066</u>	<u>21,238,200</u>	<u>4,499,550</u>
	=====	=====	=====	=====

22. <u>FINANCE COSTS</u>	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	RM	RM	RM	RM
Bank overdraft interest	592	117	-	-
Return payments	8,099,657	4,581,827	-	-
Others	<u>36,330</u>	<u>-</u>	<u>-</u>	<u>82,457</u>
	<u>8,136,579</u>	<u>4,581,944</u>	<u>-</u>	<u>82,457</u>
	=====	=====	=====	=====

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE YEAR ENDED 31ST AUGUST 2007**

23. <u>PROFIT BEFORE TAXATION</u>	<u>G r o u p</u>		<u>C o m p a n y</u>	
Profit before taxation is arrived at after charging:-	<u>2007</u> RM	<u>2006</u> RM	<u>2007</u> RM	<u>2006</u> RM
Amortisation of biological assets	2,887,462	2,193,811	-	-
Auditors' remuneration:-				
- Statutory audit	45,500	33,000	5,000	2,000
- Other services	15,500	5,500	15,500	500
Depreciation of property, plant and equipment	7,011,442	4,067,451	21,466	-
Directors' remuneration:-				
- Fees	125,000	51,883	114,000	19,000
- Other emoluments	2,246,400	292,811	2,246,400	201,600
Goodwill on consolidation written off	-	21,756	-	-
Interest expenses (Note 22)	8,136,579	4,581,944	-	82,457
Land lease rentals	168,847	92,196	-	-
Property, plant and equipment written off	3,907	-	-	-
Rental of premises	31,200	15,600	15,200	-
	=====	=====	=====	=====
and crediting:-				
Amortisation of reserve on consolidation	-	661,353	-	-
Interest income:-				
- Fixed deposits/Repo	3,368,759	1,348,118	554,816	135,657
- Others	-	1,217,639	-	-
Profit on disposal of property, plant and equipment	133,560	58,130	-	-
	=====	=====	=====	=====

The remuneration paid to the directors for the financial year ended 31st August 2007 is categorised as follows:-

	<u>G r o u p</u>		<u>C o m p a n y</u>	
	<u>2007</u> RM	<u>2006</u> RM	<u>2007</u> RM	<u>2006</u> RM
Executive Directors				
Salaries	1,200,000	247,397	1,200,000	180,000
Allowance	1,900	-	1,900	-
Fees	4,000	-	-	-
Bonus	800,000	14,041	800,000	-
Defined contribution retirement plan	<u>240,000</u>	<u>31,373</u>	<u>240,000</u>	<u>21,600</u>
	<u>2,245,900</u>	<u>292,811</u>	<u>2,241,900</u>	<u>201,600</u>
Non-Executive Directors				
Allowance	4,500	-	4,500	-
Fees	<u>121,000</u>	<u>51,883</u>	<u>114,000</u>	<u>19,000</u>
	<u>125,500</u>	<u>51,883</u>	<u>118,500</u>	<u>19,000</u>
Total	<u>2,371,400</u>	<u>344,694</u>	<u>2,360,400</u>	<u>220,600</u>
	=====	=====	=====	=====

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE YEAR ENDED 31ST AUGUST 2007****23. PROFIT BEFORE TAXATION – (Cont'd)**

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:-

	<u>Number of directors</u>	
	<u>2007</u>	<u>2006</u>
Executive Directors		
RM1,100,001 to RM1,150,000	2	-
RM150,001 to RM200,000	-	1
RM100,001 to RM150,000	-	1
Non-Executive Directors		
RM50,001 to RM100,000	1	-
RM50,000 and below	3	4

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Staff costs</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Salaries, wages and bonus	6,187,344	2,103,428	2,759,178	180,000
Defined contribution retirement plan	648,205	216,458	331,868	21,600
Social security costs	48,719	22,438	7,097	-
Other staff related expenses	<u>140,141</u>	<u>59,324</u>	<u>12,681</u>	<u>-</u>
	<u>7,024,409</u>	<u>2,401,648</u>	<u>3,110,824</u>	<u>201,600</u>
	=====	=====	=====	=====

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM2,241,900 and RM2,241,900 (2006: RM292,811 and RM201,600) respectively.

24. TAXATION

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Current tax				
- Current year	5,319,645	3,370,120	4,970,000	-
- Under provision in prior year	<u>24,322</u>	<u>-</u>	<u>35,431</u>	<u>-</u>
	<u>5,343,967</u>	<u>3,370,120</u>	<u>5,005,431</u>	<u>-</u>
Deferred tax				
- Origination and reversal of temporary differences	2,557,030	147,225	5,276	-
- Changes in tax rates	(991,242)	-	(202)	-
- Under provision in prior year	<u>498,423</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,064,211</u>	<u>147,225</u>	<u>5,074</u>	<u>-</u>
	<u>7,408,178</u>	<u>3,517,345</u>	<u>5,010,505</u>	<u>-</u>
	=====	=====	=====	=====

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE YEAR ENDED 31ST AUGUST 2007****24. TAXATION – (Cont'd)**

Current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31st August 2007 has reflected these changes.

The numerical reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

	<u>G r o u p</u>		<u>C o m p a n y</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Profit before taxation	26,878,243	11,598,881	18,173,596	4,303,223
	=====	=====	=====	=====
Tax calculated at statutory tax rate of 27% (2006: 28%)	7,257,126	3,247,687	4,906,871	1,204,902
Effect of changes in statutory tax rate on opening balance of deferred tax	(802,208)	-	-	-
Deferred tax recognised at different tax rate	(189,034)	-	(202)	-
Income not subject to tax	(264,177)	-	-	(1,257,074)
Amortisation/depreciation of non-qualifying assets	69,980	75,123	4,505	-
Expenses not deductible for tax purposes	820,541	94,940	63,900	52,172
Tax effect on control transfers	(6,804)	-	-	-
Under provision of current tax in prior year	24,322	-	35,431	-
Under provision of deferred tax in prior year	498,432	-	-	-
Others	-	99,595	-	-
	=====	=====	=====	=====
	7,408,178	3,517,345	5,010,505	-

The Company has approximately RM651,000 in its tax exempt account for the distribution of tax exempt dividends.

The Company has sufficient tax credit under section 108 of the Income Tax Act 1967 to frank the payment of dividends out of all its retained profits at 31st August, 2007.

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEAR ENDED 31ST AUGUST 2007**25. BASIC EARNINGS PER ORDINARY SHARE**

Basic earnings per ordinary share is calculated by dividing the consolidated profit after taxation by the weighted average number of ordinary shares in issue during the financial year.

	<u>Group</u>	
	<u>2007</u> <u>RM</u>	<u>2006</u> <u>RM</u>
Consolidated profit after taxation	19,470,065	8,081,536
Weighted average number of ordinary shares in issue	128,266,800	65,136,194
Basic earnings per ordinary share (sen)	15.18	12.41
	=====	=====

26. DIVIDENDS

A tax-exempt final dividend of 3.0 sen per ordinary share amounting to RM3,848,004 for the financial year ended 31st August 2006 was paid on 19th March 2007.

The Board of Directors proposed a final dividend of 5.0 sen per ordinary share less tax at 27% totaling RM4,681,738 in respect of the financial year ended 31st August 2007. The dividend is not recognised as a liability at the balance sheet date and will be accounted for as an appropriation of retained profits in the financial year ending 31st August 2008 after approval by the members at the forthcoming Annual General Meeting.

27. CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	<u>2007</u> <u>RM</u>	<u>2006</u> <u>RM</u>	<u>2007</u> <u>RM</u>	<u>2006</u> <u>RM</u>
Cash and bank balances	353,217	1,322,844	51,995	4,143
Fixed deposits with licensed banks	70,727,400	92,707,400	16,650,000	17,700,000
Islamic deposits	<u>19,784,875</u>	<u>19,287,080</u>	<u>-</u>	<u>-</u>
	90,865,492	113,317,324	16,701,995	17,704,143
<u>Less:-</u>				
Fixed deposits pledged for banking facilities (Note 13)	(57,400)	(307,400)	-	-
Islamic deposits held on trust for Islamic Securities Investors (Note 14)	(19,784,875)	(19,287,080)	-	-
Bank balances held on trust for Islamic Securities Investors (Note 15)	<u>(1,082)</u>	<u>(968)</u>	<u>-</u>	<u>-</u>
	<u>71,022,135</u>	<u>93,721,876</u>	<u>16,701,995</u>	<u>17,704,143</u>
	=====	=====	=====	=====

28. CAPITAL COMMITMENT

	<u>Group</u>	
	<u>2007</u> <u>RM</u>	<u>2006</u> <u>RM</u>
Property, plant and equipment		
Approved and contracted for	3,570,020	3,870,826
	=====	=====

29. CONTINGENT LIABILITIES

	<u>Company</u>	
	<u>2007</u> <u>RM</u>	<u>2006</u> <u>RM</u>
Corporate guarantees given to banks for banking facilities granted to subsidiary companies	14,200,000	-
	=====	=====

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE YEAR ENDED 31ST AUGUST 2007****30. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	<u>G r o u p</u>		<u>C o m p a n y</u>	
Transactions with subsidiary companies	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	RM	RM	RM	RM
Interest expense				
RH Plantation Sdn Bhd	-	-	-	82,457
Management fee received				
RH Plantation Sdn Bhd	-	-	2,160,000	-
Timrest Sdn Bhd	-	-	1,080,000	-
Transactions with companies in which directors and their family members have substantial interest				
Interest income				
Baram Trading Sdn Bhd	-	522,947	-	-
Jayamax Plantation Sdn Bhd	-	1,807,761	-	-
RH Mortgage & Loan Sdn Bhd	-	392,048	-	-
Tiong Toh Siong Holdings Sdn Bhd	-	243,142	-	-
Purchase of fresh fruit bunches				
Baram Trading Sdn Bhd	1,984,426	6,038,628	-	-
Jayamax Plantation Sdn Bhd	8,510,737	3,609,968	-	-
Lubuk Tiara Sdn Bhd	1,833,504	309,070	-	-
Pelita-Splendid Plantation Sdn Bhd	316,639	687,073	-	-
Simalau Plantation Sdn Bhd	15,899,657	4,507,844	-	-
Purchase of fertilisers and chemicals				
Rejang Green Agriculture Supplies Sdn Bhd	6,327,626	7,819,271	-	-
Purchase of diesoline				
Tiong Toh Siong & Sons Sdn Bhd	3,782,197	3,951,320	-	-
Purchase of spare parts				
Rimbunan Hijau General Trading Sdn Bhd	3,038,867	2,690,121	-	-
Sin Hong Guan Co Sdn Bhd	63,121	145,825	-	-
Insurance premium charged				
Harmony Agencies Sdn Bhd	97,375	85,375	-	-
Evershine Agency Sdn Bhd	223,357	157,473	-	-
Richtrade Sdn Bhd	8,997	32,530	-	-
Rental of premises				
Tiong Toh Siong Holdings Sdn Bhd	15,600	15,600	-	-
Pemandangan Jauh Plantation Sdn Bhd	20,800	-	20,800	-
Transportation and accommodation				
RH Tours & Travel Agency Sdn Bhd	35,490	38,485	12,561	-
Vital Focus Transportation Sdn Bhd	1,710	-	-	-
Jaya Tiasa Aviation Sdn Bhd	48,573	-	-	-
Interlink Transport Sdn Bhd	861,019	-	-	-

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE YEAR ENDED 31ST AUGUST 2007**

30.	SIGNIFICANT RELATED PARTY TRANSACTIONS – (Cont'd)	G r o u p		C o m p a n y	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
		RM	RM	RM	RM
	Agronomist consultancy fee				
	Pemandangan Jauh Plantation Sdn Bhd	20,346	-	-	-
	General expenses				
	Cityvine Media Sdn Bhd	3,579	-	3,579	-
	Sibu Garden and Leisure	14,220	-	14,220	-
	Computer, software, printing and stationery				
	Cityvine Systems Sdn Bhd	36,832	-	4,332	-
	Food and beverage				
	Shimizu Sakura Sdn Bhd	6,353	-	6,353	-
	Fertiliser testing charges				
	RH Biotech Sdn Bhd	23,909	18,878	-	-
	Repair & maintenance of office equipment				
	Rimbunan Hijau Holdings Sdn Bhd	12,209	74,925	4,991	-
	Rental of motor vehicle				
	Pemandangan Jauh Plantation Sdn Bhd	27,916	-	-	-
	Staff training expenses				
	Rimbunan Hijau Academy Sdn Bhd	12,793	18,960	-	-
	PM Academy Sdn Bhd	2,856	-	-	-
	Purchase of general goods and fixed assets				
	Maximum Resources Sdn Bhd	-	4,219	-	-
	Rakantama Sdn Bhd	20,275	5,447	-	-
	Cityvine Superstore Sdn Bhd	170,388	-	2,282	-
	Secretarial services				
	RH Corporate Services Sdn Bhd	6,400	12,000	-	-
	Purchase of shophouse				
	Suria Permata Sdn Bhd	-	2,005,000	-	-
		=====	=====	=====	=====

The directors are of the opinion that the above transactions were entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

31. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's overall financial risk management objective is to optimise the value creation for shareholders. In addition, the Group seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST AUGUST 2007

31. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (Cont'd)**

The main areas of financial risks faced by the Group and the policies for the controlling and management of these risks are set out below: -

(a) **Market risk**

The Group, in the normal course of business, is exposed to market risks in respect of volatility in market prices of oil palm products.

(b) **Interest rate risk**

The Group's primary interest rate risk relates to interest-bearing debts, as the Group had no substantial long-term interest-earning assets as at 31 August 2007. The investments in financial assets are mainly short-term in nature and they are not held for speculative purposes but have been mostly placed as short-term deposits with licensed financial institutions.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

(c) **Credit risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis.

(d) **Liquidity and cash flow risk**

The Group manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

Fair values

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date approximate their fair values except as set out below:

	<u>Carrying amount</u>	<u>Fair value</u>
	RM	RM
Borrowings - Sukuk Ijarah	93,000,000	88,679,000
	=====	=====

The following methods and assumptions are used to determine the fair values of financial instruments:

- (i) The carrying amounts of financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31ST AUGUST 2007

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (Cont'd)

Fair values – (Cont'd)

- (ii) It is not practical to estimate the fair values of amount owing to/from the subsidiaries due to the lack of fixed repayment terms and the inability to estimate fair values without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.
- (iii) The fair values of borrowings are estimated by discounting the future contractual cash flows at the current interest rate available to the Group for similar financial instruments.

32. SIGNIFICANT SUBSEQUENT EVENTS

On 12th October 2007, the Company announced the following proposed acquisitions:-

- (i) acquisition of 85% equity interest in Baram Trading Sdn Bhd comprising 4,250,000 ordinary shares of RM1.00 each for an indicative purchase consideration of RM18,417,000 to be satisfied in cash; and
- (ii) acquisition of 85% equity interest in Nescaya Palma Sdn Bhd comprising 2,125,000 ordinary shares of RM1.00 each for an indicative purchase consideration of RM32,250,000 to be satisfied in cash.

The above proposed acquisitions have been approved by Foreign Investment Committee vide its letter dated 23 November 2007 and are now pending the approval of the shareholders of the Company at an extraordinary general meeting.

33. CHANGES IN ACCOUNTING POLICIES

The principal changes in accounting policies and their effects resulting from the adoption of the new/revised FRSs are discussed below:-

(a) FRS 3: Business Combinations

Prior to 1st September 2006, goodwill was written off in the financial year it arose. The adoption of FRS 3 has resulted in the Group ceasing annual goodwill amortisation. Goodwill, which is carried at cost less accumulated impairment losses, is now tested for annual impairment. Any impairment loss is recognised in profit and loss and subsequent reversal is not allowed.

The change in accounting policy had no effect on the financial statements as the goodwill had been fully written off as at 31st August 2007.

In addition, under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in profit or loss. Prior to 1st September 2006, the Group reflected the negative goodwill as reserve on consolidation and was amortised over 10 years.

The change in accounting policy has been accounted for prospectively and as such there is no restatement of comparatives. In accordance with the transitional provisions of FRS 3, the reserve on consolidation as at 1st September 2006 of RM5,952,177 was derecognised with a corresponding increase in retained earnings.

RIMBUNAN SAWIT BERHAD**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE YEAR ENDED 31ST AUGUST 2007****33. CHANGES IN ACCOUNTING POLICIES – (Cont'd)****(b) FRS 101: Presentation of Financial Statements**

Prior to 1st September 2006, plantation development expenditure comprising oil palm planting expenditure and plantation infrastructure development expenditure was classified under property, plant and equipment.

The oil palm planting expenditure is now disclosed as a separate item on the balance sheet as biological assets. Roads and bridges previously included in plantation development expenditure have been separately categorised as buildings, drainage and roads under property, plant and equipment.

The change in presentation has been applied retrospectively and as disclosed in Note 34, certain comparatives have been restated. The effects on the balance sheet as at 31st August 2007 are disclosed in the respective notes to the financial statements.

There were no effects on the income statement for the year ended 31st August 2007.

(c) FRS 117: Leases

Prior to 1st September 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. A lease of land and buildings is assessed separately. The minimum lease payments or the up-front payments made are split into two elements, a lease of land and a lease of buildings, in proportion to their relative fair values. The land element is now classified as an operating lease; whereas the buildings element is classified as a finance lease and is included within property, plant and equipment. The up-front payments represent prepaid lease rentals and are amortised on a straight-line basis over the lease term. In accordance with the transitional provisions of FRS 117, the unamortised amount of leasehold land as at 1st September 2006 is retained as the surrogate carrying amount of prepaid lease rentals.

The reclassification of leasehold land as prepaid lease rentals has been accounted for retrospectively and as disclosed in Note 34, certain comparatives have been restated. The effects on the balance sheet as at 31st August 2007 are disclosed in the respective notes to the financial statements.

There were no effects on the income statement for the year ended 31st August 2007.

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

Group	Previously stated RM	< ----- Increase/(decrease) ----- >			Restated RM
<u>Non-current assets</u>		FRS 101 RM	FRS 117 RM	Other RM	
Property, plant and equipment	118,973,469	(56,435,968)	(10,843,270)	-	51,694,231
Prepaid lease rentals	-	-	10,843,270	-	10,843,270
Biological assets	-	56,435,968	-	-	56,435,968
Deferred tax assets	1,337,347	-	-	(563,806)	773,541
<u>Current assets</u>					
Other receivables, deposits and prepayments	2,997,379	-	-	(30,750)	2,966,629
Tax refundable	-	-	-	30,750	30,750
<u>Non-current liabilities</u>					
Deferred tax liabilities	(8,824,617)	-	-	563,806	(8,260,811)
<u>Current liabilities</u>					
Trade payables	(9,065,595)	-	-	226,302	(8,839,293)
Other payables and accruals	(3,703,966)	-	-	(226,302)	(3,930,268)
	=====	=====	=====	=====	=====