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 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services.

FINANCIAL RESULTS	The Group	The Company
	RM	RM
Net profit for the year after taxation	8,081,536	4,303,223
	==========	==========

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period.

The Board of Directors proposed a tax-exempt final dividend of 3.0 sen per ordinary share totaling RM3,848,004 in respect of the financial year ended 31st August 2006. 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 2007 after approval by the members at the forthcoming Annual General Meeting.

ISSUE OF SHARES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM53 to RM64,133,400 by the allotment of 128,266,694 new ordinary shares of RM0.50 each pursuant to the floatation exercise as follows:-

(i) the allotment of 86,935,808 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration for the acquisition of R.H. Plantation Sdn Bhd.

(ii) the allotment of 23,330,886 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration for the acquisition of Timrest Sdn Bhd.

(iii) the public issue of 18,000,000 ordinary shares of RM0.50 each at an issue price of RM1.00 per share for cash, for purpose as approved by the Securities Commission.

The above new ordinary shares rank pari passu with the then existing ordinary shares of the Company.

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:-

Tang Tiong Kin	(Resigned on 14.2.2006)
Peter Ng Choong Joo @ Ng Chong Yu	(Resigned on 14.2.2006)
Tan Sri Datuk Diong Hiew King @ Tiong Hiew King	(Appointed on 14.2.2006)
Tiong Chiong Ong	(Appointed on 14.2.2006)
Tiong Kiong King	(Appointed on 14.2.2006)
Tiong Chiong Ie	(Appointed on 14.2.2006)
Bong Wei Leong	(Appointed on 14.2.2006)
Tiong Ing Ming	(Appointed on 14.2.2006)

RIMBUNAN SAWIT BERHAD

DIRECTORS' REPORT - CONTINUED

In accordance with Article 88 of the Company's Articles of Association, Tiong Chiong Ong, Tiong Kiong King, Tiong Chiong Ie, Bong Wei Leong and Tiong Ing Ming shall retire from the board at the forthcoming Annual General Meeting and being eligible, offers themselves for re-election.

Tan Sri Datuk Diong Hiew King @ Tiong Hiew King retires pursuant to Section 129(1) of the Companies Act 1965 and 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.

The directors holding office at 31st August, 2006 and their interests in the share capital of the Company, as recorded in the register of directors' shareholdings were as follows:-

	Holdings registered in the name of directors as at				Other holdings in which directors are deemed to have an interest as at			
	1.9.2005	Bought	Sold	31.8.2006	1.9.2005	Bought	Sold	31.8.2006
Tan Sri Datuk Diong Hiew King @ Tiong Hiew King	-	2,102,680	1,802,680	300,000	-	95,201,679	24,625,785	70,575,894
Tiong Chiong Ong	-	1,882,294	1,003,894	878,400	-	-	-	-
Tiong Kiong King	-	1,233,235	284,735	948,500	-	4,347,225	1,319,925	3,027,300
Tiong Chiong Ie	-	300,000	-	300,000	-	3,541,570	1,075,370	2,466,200
Bong Wei Leong	-	-	-	-	-	-	-	-
Tiong Ing Ming	-	25,000	-	25,000	-	-	-	-

DIRECTORS' BENEFITS

Since the end of the previous financial period 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.

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 in 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 current financial year.

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.
06 Dec 2006

RIMBUNAN SAWIT BERHAD

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 6 to 28 are drawn up in accordance with the applicable approved accounting 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, 2006 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, 2006.

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.
06 Dec 2006

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 28 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 6th day of December 2006.

LING TONG UNG

Before me

REPORT OF THE AUDITORS TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD

We have audited the financial statements set out on pages 6 to 28 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 approved accounting 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 Company; and

   (ii) the state of affairs of the Group and the Company as at 31st August, 2006 and of the results of the Group and the Company and the cash flows of the Group and of 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 subsidiary have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary 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 subsidiary were not subject to any qualification and did not include any comments made under subsection (3) of Section 174 of the Act.

HII & LEE	**LAU KIING YIING**
NO.AF0123	1326/9/08(J)
Chartered Accountants	Partner of the firm

Sibu, Sarawak.
06 Dec 2006

RIMBUNAN SAWIT BERHAD

CONSOLIDATED BALANCE SHEET AS AT 31ST AUGUST 2006

	Note	2006
ASSETS		RM
Non-current assets		
Property, plant and equipment	5	118,973,469
Deferred tax assets	7	1,337,347
		120,310,816
Current assets		
Inventories	8	10,273,186
Trade receivables	9	3,184,754
Other receivables, deposit and prepayments		2,997,379
Fixed deposits with licensed banks	11	92,707,400
Islamic deposits	12	19,287,080
Cash and bank balances	13	1,322,844
		129,772,643
TOTAL ASSETS		250,083,459
EQUITY AND LIABILITIES		
Equity		
Share capital	14	64,133,400
Reserves	15	20,824,651
Total equity		84,958,051
Non-current liabilities		
Borrowings	16	93,000,000
Deferred tax liabilities	17	8,824,617
		101,824,617
Current liabilities		
Trade payables	18	9,065,595
Other payables and accruals		3,703,966
Borrowings	16	50,000,000
Provision for taxation		531,230
		63,300,791
Total liabilities		165,125,408
TOTAL EQUITY AND LIABILITIES		250,083,459

The notes on pages 12 to 28 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST AUGUST 2006

	Note	2006 RM
Revenue	20	59,322,066
Cost of sales/operations		(42,828,302)
Gross profit		16,493,764
Other operating income		3,464,287
Distribution costs		(2,721,943)
Administrative and other expenses		(1,055,283)
Profit from operations		16,180,825
Finance costs	21	(4,581,944)
Profit before taxation	22	11,598,881
Taxation	23	(3,517,345)
Profit after taxation		8,081,536
Earnings per ordinary share (sen) – basic	24	12.41
Dividend per ordinary share (sen) – proposed	25	3.00

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST AUGUST 2006

		Non-distributable		Distributable	
2006	**Share Capital RM**	**Share Premium RM**	**Reserve On Consolidation RM**	**Retained Profits RM**	**Total RM**
Balance at 1st September 2005	53	-	-	(74,912)	(74,859)
Issue of ordinary shares					
- Acquisition of subsidiaries (Note 26)	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 (Note 15)	-	-	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
Balance at 31st August 2006	64,133,400	6,865,850	5,952,177	8,006,624	84,958,051

The notes on pages 12 to 28 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 2006

	Note	2006
CASH FLOWS FROM OPERATING ACTIVITIES		RM
Profit before taxation		11,598,881
Adjustments for:-		
Amortisation of leasehold land		92,196
Amortisation of plantation development expenditure		2,830,675
Amortisation of reserve on consolidation		(661,353)
Goodwill on consolidation written off		21,756
Depreciation of property, plant and equipment		3,430,587
Gain on disposal of property, plant and equipment		(58,130)
Interest expenses		4,581,944
Interest income		(2,565,757)
Operating profit before working capital changes		19,270,799
Increase in inventories		(6,825,223)
Decrease in receivables		38,514,465
Increase in payables		3,898,996
Cash generated from operations		54,859,037
Interest received		2,565,757
Interest paid		(117)
Tax paid		(2,855,766)
Net cash provided by operating activities		54,568,911
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary companies	26	32,195,446
Purchase of property, plant and equipment		(3,803,028)
Proceeds from disposal of property, plant and equipment		58,130
Net cash provided by investing activities		28,450,548
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from public issue		18,000,000
Fixed deposits pledged for banking facilities		(88,500)
Islamic deposits held on trust for Islamic Securities Investors		(493,014)
Bank balances held on trust for Islamic Securities Investors		(145)
Payment of listing expenses		(2,134,150)
Return payments paid		(4,581,827)
Net cash provided by financing activities		10,702,364
Net increase in cash and cash equivalents		93,721,823
Cash and cash equivalents brought forward		53
Cash and cash equivalents carried forward		93,721,876
Analysis of cash and cash equivalents:-		
Cash and bank balances		1,322,844
Islamic deposits		19,287,080
Fixed deposits with licensed banks		92,707,400
		113,317,324
Fixed deposits pledged for banking facilities	11	(307,400)
Islamic deposits held on trust for Islamic Securities Investors	12	(19,287,080)
Bank balances held on trust for Islamic Securities Investors	13	(968)
		93,721,876

The notes on pages 12 to 28 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD

BALANCE SHEET AS AT 31ST AUGUST 2006

	Note	2006	2005
ASSETS		RM	RM
Non-current assets			
Investment in subsidiary companies	6	55,133,349	-
Current assets			
Other receivables		101,117	-
Amount due from related company	10	367	-
Dividends receivable		4,499,550	-
Fixed deposits with licensed banks	11	17,700,000	-
Cash and bank balances		4,143	53
		22,305,177	53
TOTAL ASSETS		77,438,526	53
EQUITY AND LIABILITIES			
Equity			
Share capital	14	64,133,400	53
Reserves	15	11,094,161	(74,912)
Total equity		75,227,561	(74,859)
Current liabilities			
Other payables and accruals		245,692	500
Amount due to subsidiary companies	19	1,965,273	74,412
Total liabilities		2,210,965	74,912
TOTAL EQUITY AND LIABILITIES		77,438,526	53

The notes on pages 12 to 28 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD

INCOME STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 2006

	Note	Y/E 31.8.2006 RM	12.5.2005- 31.8.2005 RM
Revenue	20	4,499,550	-
Other operating income		135,657	-
Administrative expenses		(249,527)	(74,912)
Profit/(loss) from operations		4,385,680	(74,912)
Finance costs	21	(82,457)	-
Profit/(loss) before taxation	22	4,303,223	(74,912)
Taxation	23	-	-
Profit/(loss) after taxation		4,303,223	(74,912)
Dividends per ordinary share (sen) – proposed	25	3.00	-

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST AUGUST 2006

		Non-distributable	Distributable	
2006	**Share Capital RM**	**Share Premium RM**	**Retained Profits/ (Accumulated Losses) RM**	**Total RM**
Balance at 1st September 2005	53	-	(74,912)	(74,859)
Issue of ordinary shares				
- Acquisition of subsidiaries (Note 26)	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	-	-	4,303,223	4,303,223
Balance at 31st August 2006	64,133,400	6,865,850	4,228,311	75,227,561
2005				
Balance at 12th May 2005	53	-	-	53
Net loss for the year	-	-	(74,912)	(74,912)
Balance at 31st August 2005	53	-	(74,912)	(74,859)

The notes on pages 12 to 28 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 2006

	Note	Y/E 31.8.2006 RM	12.5.2005- 31.8.2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		4,303,223	(74,912)
Adjustments for:-			
Dividend income		(4,499,550)	-
Interest income		(135,657)	-
Interest expenses		82,457	-
Operating loss before working capital changes		(249,527)	(74,912)
Increase in receivables		(667)	-
Increase in payables		2,053,596	74,912
Cash generated from operations		1,803,402	-
Interest received		34,840	-
Net cash provided by operating activities		1,838,242	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary companies	26	(2)	-
Net cash used in investing activities		(2)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from subscribers' shares		-	53
Proceeds from public issue		18,000,000	-
Payment of listing expenses		(2,134,150)	-
Net cash provided by financing activities		15,865,850	53
Net increase in cash and cash equivalents		17,704,090	53
Cash and cash equivalents brought forward		53	-
Cash and cash equivalents carried forward		17,704,143	53
		===========	==========
Analysis of cash and cash equivalents:-			
Cash and bank balances		4,143	53
Fixed deposits with licensed banks		17,700,000	-
		17,704,143	53
		===========	==========

The notes on pages 12 to 28 form an integral part of these financial statements.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

1. GENERAL INFORMATION

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

The address of the registered office of the Company is located at No. 66-78, Pusat Suria Permata, Upper Lanang Road, 96000 Sibu, Sarawak.

The address of the principal places of business of the Company is located at No. 85 & 86, Pusat Suria Permata, Upper Lanang Road, 96000 Sibu, Sarawak.

The number of employees including executive directors in the Group and in the Company as at the end of the financial year were 621 and 2 (2005: NIL) respectively.

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

2. PRINCIPAL ACTIVITY

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

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies, and comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board (MASB).

4. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial period.

4.1. Basis of accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

4. **SIGNIFICANT ACCOUNTING POLICIES – Cont'd**

4.2. **Goodwill/(reserve) on consolidation**

Goodwill/(reserve on consolidation) represents excess/(deficit) of the cost of acquisition of subsidiary companies acquired over the Group's share of the fair values of their separable net assets at the date of acquisition.

The goodwill is written off in the income statement in the year it arises. The negative goodwill is amortised on a straight-line basis over ten years.

4.3. **Investments in subsidiaries**

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.7.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

4.4. **Property, plant and equipment and depreciation**

(i) Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.7.

(ii) Plantation development expenditure incurred on land clearing, upkeep of immature oil palms, administrative expenses and interest incurred during the pre-cropping period is capitalised under plantation development expenditure. Upon maturity, all subsequent maintenance expenditure is charged to income statement. Pre-cropping cost is amortised on a straight-line basis over 20 years, the expected useful life of oil palm.

(iii) Depreciation 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:-

Leasehold land	over the remaining leasehold period
Buildings, drainage and roads	5% - 20%
Motor vehicles, plant and machinery	10% - 20%
Equipment and furniture	10% - 20%
Nursery and irrigation systems	10%

(iv) Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(v) Capital work-in-progress is not depreciated until the property, plant and equipment are fully completed and brought into use.

4.5. **Inventories**

Fresh fruit bunches are valued at the lower of cost and net realisable value determined on a first-in, first out basis.

Cost of sundry stores and consumables is determined on a weighted average basis and comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Produced inventories comprising crude palm oil and palm kernel are valued at the net realisable value. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

4. SIGNIFICANT ACCOUNTING POLICIES – Cont'd

4.6. Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

4.7. Impairment of assets

The carrying amounts of all assets, other than financial 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.

An impairment loss 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.

4.8. 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.

4.9. Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when 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.

4.10. Islamic securities

The Islamic securities are recognised at cost, being the fair value of the consideration received.

4.11. Ordinary shares

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. Cost 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 to shareholders are recognised in equity in the period in which they are declared.

4. **SIGNIFICANT ACCOUNTING POLICIES – Cont'd**

4.12. 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.

4.13. 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, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited 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 negative goodwill.

4.14. 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 except those expenses relating to immature plantation areas, where they are capitalised under plantation development expenditure.

(ii) **Defined contribution plan**

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

4. SIGNIFICANT ACCOUNTING POLICIES – Cont'd

4.15. Borrowing costs

Interest-bearing financial liabilities are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to plantation development 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.

4.16. 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.

4.17. Financial instruments

Financial instruments carried on the balance sheets include cash and bank balances, deposits, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to 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.

RIMBUNAN SAWIT BERHAD

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31ST AUGUST 2006

5. PROPERTY, PLANT AND EQUIPMENT Group	Long leasehold land	Plantation development expenditure	Buildings, drainage and roads	Motor vehicles, plant and machinery	Equipment and furniture	Nursery & irrigation systems	Capital work- in-progress	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM
Acquisition of subsidiaries	11,220,264	101,420,873	27,212,228	39,354,217	4,863,635	248,120	364,534	184,683,871
Additions	67,247	-	1,520,340	263,200	615,709	-	1,336,532	3,803,028
Disposals	-	-	-	(83,000)	(50)	-	-	(83,050)
At 31st August 2006	11,287,511	101,420,873	28,732,568	39,534,417	5,479,294	248,120	1,701,066	188,403,849
Accumulated depreciation								
Acquisition of subsidiaries	352,045	27,313,766	11,158,752	21,229,315	2,858,070	248,024	-	63,159,972
Charge for the year	92,196	2,830,675	1,061,771	2,089,952	278,769	95	-	6,353,458
Disposals	-	-	-	(83,000)	(50)	-	-	(83,050)
At 31st August 2006	444,241	30,144,441	12,220,523	23,236,267	3,136,789	248,119	-	69,430,380
Net book value								
At 31st August 2006	10,843,270	71,276,432	16,512,045	16,298,150	2,342,505	1	1,701,066	118,973,469

Included in net book value of long leasehold land is an amount of RM3,350,706 which has been caveated by a subsidiary company under Ijarah arrangement for the issuance of Islamic Securities (Note 16).

Included in net book value of long leasehold land is an amount of RM1,772,127 which has been caveated by a directors' related company.

The title deed in respect of the shophouses with net book value of RM2,434,327 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 2006

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2006	2005
	RM	RM
Unquoted shares, at cost	55,133,349	-
	===========	===========

Details of the subsidiaries are as follows:-

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest held (%) 2006	2005
RH Plantation Sdn Bhd	Malaysia	Cultivation of oil palm and processing of palm oil	100	-
Timrest Sdn Bhd	Malaysia	Cultivation of oil palm	100	-
Rimbunan Sawit Holdings Berhad	Malaysia	Dormant	100	-
Midas Plantation Sdn Bhd	Malaysia	Special purpose vehicle to facilitate the issuance of Islamic securities	100	-

7. DEFERRED TAX ASSETS

	Group
	2006
	RM
Acquisition of subsidiaries (Note 26)	1,571,751
Recognised in income statement	(234,404)
At 31st August 2006	1,337,347
	==========
The balance comprises tax on the followings:-	
Unused tax losses and unabsorbed agriculture and capital allowance	1,337,347
	==========

8. INVENTORIES

	Group
	2006
At cost:	RM
Fresh fruit bunches	524,500
Sundry stores and consumables	2,620,927
	3,145,427
At net realisable value:	
Processed inventories	7,127,759
	10,273,186
	===========

9. TRADE RECEIVABLES

The Group's normal trade credit term ranges 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 significant credit risk to the Group.

10. AMOUNT DUE FROM RELATED COMPANY

The amount due from related company is unsecured, interest free and has no fixed terms of repayment.

11. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks of the Group amounting to RM307,400 are pledged to banks for bank guarantee 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% per annum and 30 to 365 days respectively.

The interest rate for the Company during the financial year and maturity of fixed deposits as at balance sheet date are 3.30% (2005: NIL) per annum and 90 days (2005: NIL) respectively.

12. ISLAMIC DEPOSITS

Islamic deposits of the Group amounting to 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 2.65% to 2.80% per annum; and the maturity dates range from 30 to 273 days.

13. CASH AND BANK BALANCES

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

14. SHARE CAPITAL

	Group/Company 2006		Company 2005	
Ordinary shares of RM0.50 each	Number of shares	RM	Number of shares	RM
Authorised				
At 1st September/12th May 2005	1,000,000,000	500,000,000	200,000	100,000
Created during the year	-	-	999,800,000	499,900,000
At 31st August	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid				
At 1st September/12th May 2005	106	53	2	1
Issued during the year:-				
- Issue for cash	-	-	104	52
- Acquisition of subsidiaries (Note 26)	110,266,694	55,133,347	-	-
- Public issue	18,000,000	9,000,000	-	-
At 31st August	128,266,800	64,133,400	106	53

14. **SHARE CAPITAL – Cont'd**

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM53 to RM64,133,400 by the allotment of 128,266,694 new ordinary shares of RM0.50 each pursuant to the floatation exercise as follows:-

(i) The allotment of 86,935,808 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration for the acquisition of RH Plantation Sdn Bhd.

(ii) The allotment of 23,330,886 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration for the acquisition of Timrest Sdn Bhd.

(iii) The public issue of 18,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per ordinary share for cash, for purposes as approved by the Securities Commission.

The above new ordinary shares rank pari passu with the then existing ordinary shares of the Company.

15. **RESERVES**

	Group	Company	
	2006	2006	2005
Distributable reserve:-	RM	RM	RM
-Retained profits/(accumulated losses)	8,006,624	4,228,311	(74,912)
Non-distributable reserves:-			
- Share premium	6,865,850	6,865,850	-
- Reserve on consolidation	5,952,177	-	-
	20,824,651	11,094,161	(74,912)

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

Reserve on consolidation represents the excess of the fair value attributable to the related net assets of subsidiary companies at date of acquisition over the Company's cost of investment.

The movements in reserve on consolidation are as follows:-

	Group
	2006
	RM
Acquisition of subsidiaries (Note 26)	6,613,530
Less: Amortisation recognised in income statement	(661,353)
At 31st August 2006	5,952,177

16. **BORROWINGS**

	Group
	2006
Current	RM
Islamic securities, secured	
- Sukuk Ijarah Commercial Papers ("CP")	15,000,000
- Sukuk Ijarah Medium Term Notes ("MTN")	35,000,000
	50,000,000
Non-current	
Islamic securities, secured	
- Sukuk Ijarah	93,000,000
Total	143,000,000

16. **BORROWINGS – Cont'd**

Maturity of Islamic securities:-	Group 2006 RM
Within one year	57,824,500
More than one year and less than two years	11,337,000
More than two years and less than five years	51,336,000
Five years and more	57,844,000
	178,341,500
Less: Return payments	(35,341,500)
	143,000,000

The Group 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.

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.

Details of the Sukuk Issue are as follows:-

(i) Sukuk Ijarah

Class	**Rating**	**Amount** RM	**Maturity Date**	**Sukuk Ijarah Return** % 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	5,000,000	27 June 2008	7.50
		93,000,000		

(ii) Sukuk Ijarah CP/MTN

Class	**Rating**	**Amount** RM	**Maturity Date**	**Sukuk Ijarah Return** % pa
CP	P1(s)	15,000,000	27 Dec. 2006	4.55
MTN	AA1(s)	35,000,000	27 June 2007	4.25
		50,000,000		

The Sukuk Ijarah Payments are payable semi-annually in arrears from the date of issue of each series of the Sukuk Ijarah.

The payment of the full nominal value of the Sukuk Ijarah CP is to be made on the maturity date.

The Sukuk Ijarah MTN Payments are payable semi-annually in arrears from the date of issue of the Sukuk Ijarah MTN.

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.

17. DEFERRED TAX LIABILITIES

	Group 2006 RM
Acquisition of subsidiaries (Note 26)	8,911,796
Recognised in income statement	(87,179)
At 31st August 2006	8,824,617
The balance comprises tax on the followings:-	
Excess of net book value of property, plant and equipment over tax written down value	8,824,617

18. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 120 days.

Included in the trade payables of the Group is an amount of RM1,914,659 due to companies in which the directors and their close family members have substantial financial interests.

19. AMOUNT DUE TO SUBSIDIARY COMPANIES

The amount due to subsidiary companies is unsecured and has no fixed terms of repayment. The interest rate during the financial year is 6.80% (2005: NIL) per annum.

20. REVENUE

	Group	Company	
	2006 RM	2006 RM	2005 RM
Tax exempt dividend income	-	4,499,550	-
Sale of crude palm oil	51,669,279	-	-
Sale of palm kernel	6,620,359	-	-
Transportation income	1,032,428	-	-
	59,322,066	4,499,550	-

21. FINANCE COSTS

	Group	Company	
	2006 RM	2006 RM	2005 RM
Bank overdraft interest	117	-	-
Return payment	4,581,827	-	-
Other interest expenses	-	82,457	-
	4,581,944	82,457	-

22. PROFIT/(LOSS) BEFORE TAXATION

	Group	Company	
Profit /(loss) before taxation is arrived at after charging:-	2006 RM	2006 RM	2005 RM
Auditors' remuneration:-			
- Current year	33,000	2,000	500
- Special audit	5,500	500	-
Preliminary expenses	-	-	2,350
Goodwill on consolidation written off	21,756	-	-

22. **PROFIT/(LOSS) BEFORE TAXATION - Cont'd**

	Group	Company	
	2006	2006	2005
	RM	RM	RM
Amortisation of leasehold land	92,196	-	-
Amortisation of plantation development expenditure	2,830,675	-	-
Depreciation of property, plant and equipment	3,430,587	-	-
Directors' remuneration:-			
- Fees	61,383	19,000	-
- Other emoluments	292,811	201,600	-
Interest expenses (Note 21)	4,581,944	82,457	
Rental of premises	15,600	-	-
	==========	==========	==========
and after crediting:-			
Interest income:-			
- Fixed deposits	1,082,735	135,657	-
- Repo	265,383	-	-
- Others	1,217,639	-	-
Gain on disposal of property, plant and equipment	58,130	-	-
Amortisation of reserve on consolidation	661,353	-	-
	==========	==========	==========

The remuneration paid to the Directors of the Company for the financial year ended 31st August 2006 is categorised as follows:-

	Group	Company	
	2006	**2006**	**2005**
Executive Directors	**RM**	**RM**	**RM**
Salaries	247,397	180,000	-
Bonus	14,041	-	
Defined contribution retirement plan	31,373	21,600	-
	292,811	201,600	-
Non-executive Directors			
Fees	61,383	19,000	-
Total	354,194	220,600	-
	==========	==========	==========

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

	Number of directors	
Executive Directors	**2006**	**2005**
RM150,001 to RM200,000	1	-
RM100,001 to RM150,000	1	-
Non-Executive Directors		
RM50,000 and below	4	-

	Group	Company	
	2006	**2006**	**2005**
Staff cost	**RM**	**RM**	**RM**
Salaries, wages and allowances	2,103,428	180,000	-
Defined contribution retirement plan	216,458	21,600	-
Social security costs	22,438	-	-
Other staff related expenses	59,324	-	-
	2,401,648	201,600	-

22. PROFIT/(LOSS) BEFORE TAXATION – Cont'd

Included in staff cost of the Group and of the Company are executive directors' remuneration amounting to RM292,811 and RM201,600 (2005: NIL) respectively.

23. TAXATION

	Group	Company	
	2006	2006	2005
	RM	RM	RM
Current tax	3,370,120	-	-
Deferred tax	147,225	-	-
	3,517,345	-	-

The reconciliation of income tax expenses applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:-

	Group	Company	
	2006	2006	2005
	RM	RM	RM
Profit/(loss) before taxation	11,598,881	4,303,223	(74,912)
Tax calculated at statutory tax rate of 28%	3,247,687	1,204,902	(20,975)
Tax effect in respect of:-			
- Depreciation of non qualifying property, plant and equipment	76,679		
- Non deductible expenses	93,384	52,172	20,975
- Tax exempted income	-	(1,257,074)	-
- Others	99,595	-	-
	3,517,345	-	-

24. EARNINGS PER ORDINARY SHARE - BASIC

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.

	Group
	2006
	RM
Consolidated profit after taxation	8,081,536
Weighted average number of ordinary shares in issue	65,136,194
Basic earnings per ordinary share (sen)	12.41

25. DIVIDENDS

The Board of Directors proposed a tax-exempt final dividend of 3.0 sen per ordinary share totaling RM3,848,004 in respect of the financial year ended 31st August 2006. 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 2007 after approval by the members at the forthcoming Annual General Meeting.

26. **ACQUISITION OF SUBSIDIARY COMPANIES**

During the financial year, the Company acquired 100% equity interest in its subsidiaries as disclosed in Note 6 for a total purchase consideration of RM55,133,347 satisfied by the issuance of 110,266,694 ordinary shares of RM0.50 each of the Company at an issue price of RM0.50 each and cash consideration of RM2.

	Group
The acquisition had the following effect on the Group's financial results for the year	RM
Revenue	59,322,066
Profit from operations	16,075,954
Net profit for the year	7,976,665
	============
The acquisition had the following effect on the financial position of the Group as at the end of the year:-	
Property, plant and equipment	118,973,469
Deferred tax assets	1,337,347
Inventories	10,273,186
Receivables	6,081,016
Fixed deposits with licensed banks	75,007,400
Islamic deposits	19,287,080
Cash and bank balances	1,318,701
Payables	(12,523,869)
Borrowings	(143,000,000)
Provision for taxation	(531,230)
Deferred tax liabilities	(8,824,617)
Reserve on acquisition	(5,952,177)
	61,446,306
	============
The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:-	
Property, plant and equipment (Note 5)	121,523,899
Deferred tax assets (Note 7)	1,571,751
Inventories	3,447,963
Receivables	44,696,598
Fixed deposits with licensed banks	51,051,466
Cash and bank balances	157,771
Payables	(8,795,653)
Borrowings	(143,000,000)
Provision for taxation	(16,876)
Deferred tax liabilities (Note 17)	(8,911,796)
Goodwill on acquisition	21,756
Reserve on acquisition (Note 15)	(6,613,530)
Total purchase price	55,133,349
Less: Portion discharged by share issued	(55,133,347)
Total cash outflow of the Company	2
Less: Cash and cash equivalents of subsidiaries acquired	(32,195,448)
Net cash inflow of the Group	(32,195,446)
	============

27. SIGNIFICANT RELATED PARTY TRANSACTIONS	Group 2006	Company 2006	Company 2005
Transaction with subsidiary company	RM	RM	RM
Interest expense			
RH Plantation Sdn Bhd	-	82,457	-
Transaction 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	6,038,628	-	-
Jayamax Plantation Sdn Bhd	3,609,968	-	-
Lubuk Tiara Sdn Bhd	309,070	-	-
Pelita-Splendid Plantation Sdn Bhd	687,073	-	-
Simalau Plantation Sdn Bhd	4,507,844	-	-
Purchase of fertilizer and chemical			
Rejang Green Agriculture Supplies Sdn Bhd	7,819,271	-	-
Purchase of diesoline			
Tiong Toh Siong & Sons Sdn Bhd	3,951,320	-	-
Purchase of spare parts			
Rimbunan Hijau General Trading Sdn Bhd	2,690,121	-	-
Sin Hong Guan Co Sdn Bhd	145,825	-	-
Insurance premium charged			
Harmony Agencies Sdn Bhd	85,375	-	-
Evershine Agency Sdn Bhd	157,473	-	-
Richtrade Sdn Bhd	32,530	-	-
Rental of premises			
Tiong Toh Siong Holdings Sdn Bhd	15,600	-	-
Fertilizer testing charges			
RH Biotech Sdn Bhd	18,878	-	-
Transportation and accommodation charges			
RH Tours & Travel Agency Sdn Bhd	38,485	-	-
Purchase, repair & maintenance of office equipment			
Rimbunan Hijau Holdings Sdn Bhd	74,925	-	-
Staff training expenses			
Rimbunan Hijau Academy Sdn Bhd	18,960	-	-

27. SIGNIFICANT RELATED PARTY TRANSACTIONS – Cont'd	Group 2006	Company 2006	Company 2005
	RM	RM	RM
Purchase of general goods			
Maximum Resources Sdn Bhd	4,219	-	-
Rakantama Sdn Bhd	5,447	-	-
Secretarial services			
RH Corporate Services Sdn Bhd	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 transaction with unrelated parties.

28. 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.

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 2006. 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.

28. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - (Continued)**

(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 and 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 value

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:

Borrowings	**Carrying amount**	**Fair value**
	RM	RM
Sukuk Ijarah	93,000,000	87,962,000
Sukuk Ijarah CP	15,000,000	14,613,000
Sukui Ijarah MTN	35,000,000	33,962,000
	===========	===========

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

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

(ii) It is not practical to estimate the fair values of amount owing to/from the subsidiary and related companies due to the lack of fixed repayment terms and the inability to estimate fair values without incurring excessive costs. However, the Group's and the Company 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 the borrowings are estimated by discounting the future contractual cash flows at the current interest rate available to the Group for similar financial instruments.

29. **CAPITAL COMMITMENT**

	G r o u p
	2006
Property, plant and equipment	RM
Approved and contracted for	3,870,826
	===========

30. **COMPARATIVE FIGURES**

No comparative figures have been presented for the Group as this is the first set of consolidated financial statements being presented for the Group.