

## RIMBUNAN SAWIT BERHAD

(Incorporated in Malaysia)

Company No: 691393 - U

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

#### 5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012 RM	2011 RM
Unquoted shares, at cost	435,149,648	433,649,646

The details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
Baram Trading Sdn Bhd	Malaysia	85	85	Cultivation of oil palm
Burung Tiong Helicopter Sdn Bhd	Malaysia	85	85	Aircraft operations and services
Formasi Abadi Sdn Bhd <sup>^</sup>	Malaysia	100	-	Cultivation of oil palm
Jayamax Plantation Sdn Bhd	Malaysia	100	100	Cultivation of oil palm
Lumiera Enterprise Sdn Bhd	Malaysia	100	100	Cultivation of oil palm
Midas Plantation Sdn Bhd <sup>*</sup>	Malaysia	100	100	Special purpose vehicle to facilitate the issuance of Islamic securities
Nescaya Palma Sdn Bhd	Malaysia	100	100	Cultivation of oil palm
Novelpac-Puncakdana Plantation Sdn Bhd	Malaysia	100	100	Cultivation of oil palm
Pelita-Splendid Plantation Sdn Bhd <sup>#</sup>	Malaysia	70	70	Cultivation of oil palm
PJP Pelita Biawak Plantation Sdn Bhd <sup>#</sup>	Malaysia	85	85	Cultivation of oil palm
PJP Pelita Ekang-Banyok Plantation Sdn Bhd	Malaysia	60	60	Cultivation of oil palm
PJP Pelita Lundu Plantation Sdn Bhd	Malaysia	60	60	Cultivation of oil palm

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#### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (cont'd):-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
PJP Pelita Selangau Plantation Sdn Bhd#	Malaysia	60	60	Cultivation of oil palm
PJP Pelita Ulu Teru Plantation Sdn Bhd#	Malaysia	60	60	Cultivation of oil palm
R.H. Plantation Sdn Bhd	Malaysia	100	100	Cultivation of oil palm and operation of palm oil mill
Rimbunan Sawit Holdings Berhad	Malaysia	100	100	Investment holding
RSB Palm Oil Mill Sdn Bhd	Malaysia	100	-	Dormant
Timrest Sdn Bhd	Malaysia	100	100	Cultivation of oil palm
Woodijaya Sdn Bhd	Malaysia	100	100	Cultivation of oil palm

^ *This subsidiary is held through Nescaya Palma Sdn Bhd.*

\* *This subsidiary is held through Rimbunan Sawit Holdings Berhad.*

# *These subsidiaries were audited by other firms of chartered accountants.*

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#### 6. INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unquoted shares, at cost	25,137,296	25,137,296	25,137,296	25,137,296
Share of post-acquisition profits	1,250,523	652,596	-	-
	<u>26,387,819</u>	<u>25,789,892</u>	<u>25,137,296</u>	<u>25,137,296</u>

(a) The details of the associate are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
Lubuk Tiara Sdn Bhd#	Malaysia	44	44	Cultivation of oil palm

# *The associate was audited by other firms of chartered accountants.*

(b) The summarised unaudited financial information of the associate, not adjusted for the percentage ownership held by the Group, is as follows:-

	The Group	
	2012 RM	2011 RM
<b>Assets and liabilities</b>		
Total assets	114,568,756	109,197,911
Total liabilities	<u>97,962,907</u>	<u>93,950,987</u>
<b>Results</b>		
Revenue	17,745,517	5,814,405
Profit after taxation	<u>1,358,925</u>	<u>1,483,172</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****7. PROPERTY, PLANT AND EQUIPMENT**

<b>The Group</b>	At 1.1.2012 RM	Acquisition of Subsidiaries (Note 32) RM	Additions RM	Disposals RM	Reclassifi- cations RM	Depreciation Charge RM	At 31.12.2012 RM
<i>Net Book Value</i>							
Land and buildings	2,962,128	-	20,280	-	-	(87,857)	2,894,551
Leasehold land	175,986,322	35,000,000	-	-	-	(3,684,496)	207,301,826
Buildings, drainage and roads	350,394,211	-	44,728,635	(5,757)	7,548,625	(17,035,379)	385,630,335
Nursery irrigation systems	59,265	-	-	(1,005)	-	(38,849)	19,411
Motor vehicles, plant and machinery	26,696,651	-	10,692,169	(344,402)	1,302,110	(9,638,027)	28,708,501
Equipment and furniture	4,990,807	-	2,262,597	(446,775)	(537,172)	(1,655,859)	4,613,598
Capital work-in-progress	8,639,485	-	17,744,814	-	(8,313,563)	-	18,070,736
	569,728,869	35,000,000	75,448,495	(797,939)	-	(32,140,467)	647,238,958

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>The Group</b>	At 1.1.2011 RM	Acquisition of a subsidiary (Note 32) RM	Disposal of a Subsidiary (Note 34) RM	Additions RM	Disposals RM	Reclassifi- cations RM	Depreciation Charge RM	At 31.12.2011 RM
<i>Net Book Value</i>								
Land and buildings	3,048,633	-	-	-	-	-	(86,505)	2,962,128
Leasehold land	135,882,164	-	(7,060,036)	50,338,767	-	-	(3,174,573)	175,986,322
Buildings, drainage and roads	321,820,381	-	(22,740,366)	63,838,912	-	2,961,562	(15,486,278)	350,394,211
Nursery irrigation systems	98,223	-	-	-	-	-	(38,958)	59,265
Motor vehicles, plant and machinery	16,713,494	-	(504,078)	17,907,959	(384,636)	466,998	(7,503,086)	26,696,651
Equipment and furniture	5,683,103	1,946	(447,526)	1,451,208	(211,441)	(2,488)	(1,483,995)	4,990,807
Capital work-in-progress	2,048,044	-	(92,721)	10,111,142	(908)	(3,426,072)	-	8,639,485
	485,294,042	1,946	(30,844,727)	143,647,988	(596,985)	-	(27,773,395)	569,728,869

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>The Group</b>	<b>At Cost RM</b>	<b>Accumulated Depreciation RM</b>	<b>Net Book Value RM</b>
At 31.12.2012			
Land and buildings	3,406,273	(511,722)	2,894,551
Leasehold land	220,999,483	(13,697,657)	207,301,826
Buildings, drainage and roads	476,237,553	(90,607,218)	385,630,335
Nursery irrigation systems	497,607	(478,196)	19,411
Motor vehicles, plant and machinery	90,066,881	(61,358,380)	28,708,501
Equipment and furniture	12,798,046	(8,184,448)	4,613,598
Capital work-in-progress	18,070,736	-	18,070,736
	<b>822,076,579</b>	<b>(174,837,621)</b>	<b>647,238,958</b>
At 31.12.2011			
Land and buildings	3,385,993	(423,865)	2,962,128
Leasehold land	185,992,275	(10,005,953)	175,986,322
Buildings, drainage and roads	425,232,811	(74,838,600)	350,394,211
Nursery irrigation systems	763,809	(704,544)	59,265
Motor vehicles, plant and machinery	81,448,406	(54,751,755)	26,696,651
Equipment and furniture	15,002,906	(10,012,099)	4,990,807
Capital work-in-progress	8,639,485	-	8,639,485
	<b>720,465,685</b>	<b>(150,736,816)</b>	<b>569,728,869</b>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>The Company</b>	At 1.1.2012 RM	Additions RM	Disposals RM	Depreciation Charge RM	At 31.12.2012 RM
<i>Net Book Value</i>					
Buildings	-	50,967	-	(2,973)	47,994
Motor vehicles	495,355	130,355	-	(209,944)	415,766
Equipment and furniture	93,769	697,900	(703)	(115,098)	675,868
	589,124	879,222	(703)	(328,015)	1,139,628

<b>The Company</b>	At 1.1.2011 RM	Additions RM	Disposals RM	Depreciation Charge RM	At 31.12.2011 RM
<i>Net Book Value</i>					
Motor vehicles	312,084	366,524	-	(183,253)	495,355
Equipment and furniture	54,010	72,379	(1,648)	(30,972)	93,769
	366,094	438,903	(1,648)	(214,225)	589,124

<b>The Company</b>	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
At 31.12.2012			
Buildings	50,967	(2,973)	47,994
Motor vehicles	1,290,716	(874,950)	415,766
Equipment and furniture	857,368	(181,500)	675,868
	2,199,051	(1,059,423)	1,139,628
At 31.12.2011			
Motor vehicles	1,160,361	(665,006)	495,355
Equipment and furniture	179,481	(85,712)	93,769
	1,339,842	(750,718)	589,124

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) Included in the depreciation charge of the Group for the financial year is an amount of RM4,848,514 (2011: RM4,752,962), which is capitalised under biological assets.
- (b) Included in the property, plant and equipment of the Group and of the Company at the end of the reporting period are motor vehicles, plant and machinery with a total net book value of RM7,228,698 (2011: RM4,973,516) and RM267,667 (2011: RM340,667) respectively, which are acquired under hire purchase terms.
- (c) Included in the property, plant and equipment of the Group at the end of the reporting period are land and buildings with a total net book value of RM2,894,551 (2011: RM2,962,128), of which the title deed of the buildings has yet to be registered under the name of the Group.
- (d) The net book value of property, plant and equipment pledged to licensed banks as security for banking facilities granted to the Group (Note 21) is as follows:-

	The Group	
	2012 RM	2011 RM
Leasehold land	123,518,078	119,181,691
Buildings, drainage and roads	216,023,834	147,089,070
Nursery irrigation systems	-	51,394
Capital work-in-progress	10,314,546	3,727,532
	<u>349,856,458</u>	<u>270,049,687</u>

- (e) The net book value of property, plant and equipment held under Ijarah arrangements (Note 23) is as follows:-

	The Group	
	2012 RM	2011 RM
Leasehold land	25,487,619	25,974,547
Buildings, drainage and roads	67,003,425	71,782,814
Nursery irrigation systems	6,539	7,871
Capital work-in-progress	5,891,857	3,427,229
	<u>98,389,440</u>	<u>101,192,461</u>



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#### 7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(f) The leasehold land of the Group at the end of the reporting period is analysed as follows:-

	The Group	
	2012 RM	2011 RM
Unexpired period of less than 50 years	108,136,299	67,204,574
Unexpired period of more than 50 years	99,165,527	108,781,748
	<u>207,301,826</u>	<u>175,986,322</u>

#### 8. INTANGIBLE ASSETS

The Group	At 1.1.2012 RM	Additions RM	Disposals RM	Amortisation Charge RM	At 31.12.2012 RM
<i>Net Book Value</i>					
Computer software	219,105	436,698	(21,308)	(122,463)	512,032
Commercial rights on LPF	23,042,982	-	-	(412,095)	22,630,887
	<u>23,262,087</u>	<u>436,698</u>	<u>(21,308)</u>	<u>(534,558)</u>	<u>23,142,919</u>

  

The Group	At 1.1.2011 RM	Disposal of a Subsidiary (Note 34) RM	Additions RM	Amortisation Charge RM	At 31.12.2011 RM
<i>Net Book Value</i>					
Computer software	353,970	(21,294)	22,350	(135,921)	219,105
Commercial rights on LPF	23,455,077	-	-	(412,095)	23,042,982
	<u>23,809,047</u>	<u>(21,294)</u>	<u>22,350</u>	<u>(548,016)</u>	<u>23,262,087</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****8. INTANGIBLE ASSETS (CONT'D)**

<b>The Group</b>	At Cost RM	Accumulated Amortisation RM	Net Book Value RM
At 31.12.2012			
Computer software	1,082,992	(570,960)	512,032
Commercial rights on LPF	23,592,442	(961,555)	22,630,887
	<b>24,675,434</b>	<b>(1,532,515)</b>	<b>23,142,919</b>
At 31.12.2011			
Computer software	694,395	(475,290)	219,105
Commercial rights on LPF	23,592,442	(549,460)	23,042,982
	<b>24,286,837</b>	<b>(1,024,750)</b>	<b>23,262,087</b>
	<b>The Company</b>		
	<b>2012</b>	<b>2011</b>	
	RM	RM	
Computer software, at cost:-			
At 1 January	45,738	45,738	
Additions during the financial year	436,698	-	
At 31 December	482,436	45,738	
Accumulated amortisation:-			
At 1 January	26,553	17,591	
Amortisation for the financial year	17,851	8,962	
At 31 December	44,404	26,553	
Net book value:-			
At 31 December	438,032	19,185	

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

#### 8. INTANGIBLE ASSETS (CONT'D)

- (a) Included in the amortisation charge of the Group for the financial year is an amount of RM405,979 (2011: RM415,459), which is capitalised under biological assets.
- (b) Commercial rights on LPF are rights conferred upon the Group to plant trees under the Tree Planting Plan. The licence will expire in March 2064.

The Tree Planting Plan has been approved and incorporated the planting of oil palm for a maximum period of 25 years (with 18 years remaining at the end of the reporting period). Upon expiry of the said period of 25 years, the licensed area where oil palm is permitted to be cultivated shall be planted with trees other than oil palm.

#### 9. BIOLOGICAL ASSETS

<b>The Group</b>	At 1.1.2012 RM	Additions RM	Amortisation Charge RM	At 31.12.2012 RM
<i>Net Book Value</i>				
Oil palm plantation	672,252,699	66,375,621	(25,940,650)	712,687,670
Gaharu plantation	396,196	1,520,573	-	1,916,769
Rubber plantation	136,559	1,263,234	-	1,399,793
	<u>672,785,454</u>	<u>69,159,428</u>	<u>(25,940,650)</u>	<u>716,004,232</u>

<b>The Group</b>	At 1.1.2011 RM	Disposal of a Subsidiary (Note 34) RM	Additions RM	Amortisation Charge RM	At 31.12.2011 RM
<i>Net Book Value</i>					
Oil palm plantation	683,248,353	(121,348,469)	132,465,265	(22,112,450)	672,252,699
Gaharu plantation	-	-	396,196	-	396,196
Rubber plantation	-	-	136,559	-	136,559
	<u>683,248,353</u>	<u>(121,348,469)</u>	<u>132,998,020</u>	<u>(22,112,450)</u>	<u>672,785,454</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****9. BIOLOGICAL ASSETS (CONT'D)**

<b>The Group</b>	<b>At Cost RM</b>	<b>Accumulated Amortisation RM</b>	<b>Net Book Value RM</b>
At 31.12.2012			
Oil palm plantation	834,936,354	(122,248,684)	712,687,670
Gaharu plantation	1,916,769	-	1,916,769
Rubber plantation	1,399,793	-	1,399,793
	<b>838,252,916</b>	<b>(122,248,684)</b>	<b>716,004,232</b>
At 31.12.2011			
Oil palm plantation	768,560,733	(96,308,034)	672,252,699
Gaharu plantation	396,196	-	396,196
Rubber plantation	136,559	-	136,559
	<b>769,093,488</b>	<b>(96,308,034)</b>	<b>672,785,454</b>

(a) The biological assets include the following expenses:-

	<b>The Group</b>	
	<b>2012 RM</b>	<b>2011 RM</b>
Amortisation of intangible assets	405,979	415,459
Depreciation of property, plant and equipment	4,848,514	4,752,962
Finance costs:-		
- bank overdrafts	684,939	338,957
- hire purchase obligations	84,592	44,381
- obligations under Ijarah arrangements	-	632,924
- term loans	4,453,648	4,160,475
- unsecured loans	762,025	1,111,674
- others	170,334	1,941,841
Hiring of equipment and machinery	31,455	118,228
Management fee	179,253	370,952
Rental of premises	60,113	170,848
Staff costs:-		
- short-term benefits	4,913,490	5,097,238
- defined contribution plans	586,732	602,009

(b) The net book value of biological assets pledged to licensed banks as security for banking facilities granted to the Group (Note 21) is RM441,389,930 (2011: RM327,986,780).

(c) The net book value of biological assets held under Ijarah arrangements (Note 23) is RM125,393,716 (2011: RM129,087,309).

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#### 10. GOODWILL

	The Group	
	2012 RM	2011 RM
At 1 January	54,044,698	53,912,569
Acquisition of subsidiaries (Note 32)	10,695,763	132,129
At 31 December	<u>64,740,461</u>	<u>54,044,698</u>

Goodwill acquired through business combination has been allocated to the Group's oil palm plantation cash-generating unit.

The Group has assessed the recoverable amount of goodwill allocated and determined that no impairment is required. The recoverable amount of the cash-generating unit is determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the cash-generating unit computed based on the projections of financial budgets approved by the management covering a period of 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-

- (a) Discount rate – an estimate of pre-tax rate that reflects specific risks relating to oil palm plantation, which is 10.50% (2011: 10.50%) per annum.
- (b) Growth rate – management's estimate of commodity prices, oil palm yields and oil extraction rates.
- (c) Selling prices of fresh fruit bunches – an estimate based on expectations of future changes in the market.
- (d) Development and direct costs – an estimate based on past practices and experience.

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
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	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	139,732,282	138,327,832	(227,324)	8,521
Acquisition of subsidiaries (Note 32)	8,040,862	-	-	-
Disposal of a subsidiary (Note 34)	-	(14,085,516)	-	-
Recognised in profit or loss (Note 29)	2,596,095	15,489,966	(42,834)	(235,845)
At 31 December	<u>150,369,239</u>	<u>139,732,282</u>	<u>(270,158)</u>	<u>(227,324)</u>

The deferred tax is attributable to the following:-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Property, plant and equipment, intangible and biological assets	261,466,567	232,298,527	166,444	12,026
Unused tax losses	(38,989,617)	(37,150,310)	(354,189)	(225,774)
Unabsorbed agriculture/capital allowance	(72,107,711)	(55,415,935)	(82,413)	(13,576)
At 31 December	<u>150,369,239</u>	<u>139,732,282</u>	<u>(270,158)</u>	<u>(227,324)</u>

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same taxation authority. The amounts determined after appropriate offsetting are included in the statements of financial position as follows:-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deferred tax liabilities	155,301,141	144,480,428	-	-
Deferred tax assets	(4,931,902)	(4,748,146)	(270,158)	(227,324)
	<u>150,369,239</u>	<u>139,732,282</u>	<u>(270,158)</u>	<u>(227,324)</u>

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#### 11. DEFERRED TAX (CONT'D)

No deferred tax assets are recognised in respect of the following items as it is not probable that taxable profits of the subsidiaries will be available against which the carryforward tax losses and tax credits can be utilised:-

	The Group	
	2012 RM	2011 RM
Unused tax losses	45,362	45,362
Unabsorbed capital allowance	103,970	98,977
	<hr/>	<hr/>
	149,332	144,339
	<hr/>	<hr/>

#### 12. INVENTORIES

	The Group	
	2012 RM	2011 RM
At cost:-		
Processed inventories	10,908,008	2,617,653
Nursery inventories	12,870,431	11,969,195
Sundry stores and consumables	12,253,323	10,646,597
	<hr/>	<hr/>
	36,031,762	25,233,445
	<hr/>	<hr/>

#### 13. TRADE RECEIVABLES

	The Group	
	2012 RM	2011 RM
Trade receivables:-		
- third parties	4,401,634	8,395,648
- related parties	7,004,122	8,604,902
	<hr/>	<hr/>
	11,405,756	17,000,550
	<hr/>	<hr/>

The Group's normal trade credit term is 45 (2011: 45) days. Other credit terms are assessed and approved on a case-by-case basis.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other receivables:-				
- third parties	2,175,963	1,884,546	3,313	-
- related parties	4,153,142	3,389,830	98,722	61,103
	6,329,105	5,274,376	102,035	61,103
Deposits	534,836	123,671	205,340	29,000
Prepayments	5,916,793	3,879,739	367,432	867,563
	<u>12,780,734</u>	<u>9,277,786</u>	<u>674,807</u>	<u>957,666</u>

The amount owing by related parties of the Group includes:-

- an amount of RM1,797,586 (2011: RM2,463,949), which is retention amount receivable under Ijarah arrangements; and
- an amount of RM45,129 (2011: RM44,613), which is repo profits receivable on the retention amount.

All other amounts are unsecured, interest-free and repayable on demand.

**15. AMOUNT OWING BY/(TO) SUBSIDIARIES**

The amount owing represents unsecured interest-free advances and payments made on behalf, and is repayable on demand.

**16. SHORT-TERM INVESTMENTS**

	The Group/The Company	
	2012 RM	2011 RM
At fair value:-		
Unquoted money market fund unit trusts in Malaysia	17,573,451	118,214,526

Short-term investments are designated as available-for-sale financial assets and are measured at fair value.



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 17. FIXED DEPOSITS

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deposits with licensed banks	-	85,976,522	-	40,800,000
Islamic deposits	1,020,694	4,164,653	-	-
	<u>1,020,694</u>	<u>90,141,175</u>	<u>-</u>	<u>40,800,000</u>

- (a) The deposits with licensed banks of the Group and of the Company earn interest at rates ranging from 3.00% to 3.30% (2011: 3.00% to 3.30%) per annum. The deposits have maturity periods ranging from 11 to 74 (2011: 11 to 74) days. However, they are fully uplifted during the financial year.
- (b) The Islamic deposits of the Group at the end of the reporting period are held on trust for the benefits of the Islamic securities investors.

The deposits earn interest at rates ranging from 3.10% to 3.20% (2011: 2.60% to 3.10%) per annum and have maturity periods ranging from 183 to 188 (2011: 183) days.

#### 18. CASH AND BANK BALANCES

Included in the cash and bank balances of the Group at the end of the reporting period is an amount of RM1,937 (2011: RM1,259), which is held on trust for the benefits of the Islamic securities investors.

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****19. SHARE CAPITAL**

The movements in the authorised and paid-up share capital of the Company are as follows:-

	2012	The Group/The Company		2011
	Number of Shares	2011	2012	RM
			RM	RM
<b>Authorised</b>				
Ordinary shares of RM0.50 each	2,200,000,000	2,200,000,000	1,100,000,000	1,100,000,000
ICPS of RM0.50 each	300,000,000	300,000,000	150,000,000	150,000,000
	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>1,250,000,000</u>	<u>1,250,000,000</u>
<b>Issued and Fully Paid-up</b>				
<i>Ordinary shares of RM0.50 each</i>				
At 1 January	1,308,504,944	156,598,200	654,252,472	78,299,100
Issuance of shares	-	1,151,906,744	-	575,953,372
At 31 December	<u>1,308,504,944</u>	<u>1,308,504,944</u>	<u>654,252,472</u>	<u>654,252,472</u>
<i>ICPS of RM0.50 each</i>				
At 1 January/31 December	193,972,857	193,972,857	96,986,429	96,986,429
	<u>1,502,477,801</u>	<u>1,502,477,801</u>	<u>751,238,901</u>	<u>751,238,901</u>

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### **NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

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#### **19. SHARE CAPITAL (CONT'D)**

- (a) In the previous financial year, the Company increased its authorised share capital from RM500,000,000 comprising 700,000,000 ordinary shares and 300,000,000 ICPS of RM0.50 each to RM1,250,000,000 comprising 2,200,000,000 ordinary shares and 300,000,000 ICPS of RM0.50 each by the creation of 1,500,000,000 new ordinary shares of RM0.50 each.

The Company also increased its issued and paid-up share capital in the previous financial year from RM175,285,529 to RM751,238,901 by the allotment of 1,151,906,744 new ordinary shares of RM0.50 each, as detailed below:-

- (i) allotment of 6,964,918 new ordinary shares of RM0.50 each at an issue price of RM2.30 per ordinary share in satisfaction of the purchase consideration for the acquisition of remaining 15% equity interests in subsidiaries as disclosed in Note 33 to the financial statements;
- (ii) rights issue of 490,689,354 new ordinary shares of RM0.50 each on the basis of three (3) rights shares for every one (1) existing ordinary share of RM0.50 each held after the acquisition as mentioned in (i) above, at an issue price of RM0.80 per rights share; and
- (iii) bonus issue of 654,252,472 new ordinary shares of RM0.50 each on the basis of one (1) bonus share for every one (1) existing ordinary share of RM0.50 each held after the rights issue as mentioned in (ii) above.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 19. SHARE CAPITAL (CONT'D)

(b) The salient features of the ICPS are as follows:-

- |       |                       |   |
|-------|-----------------------|---|
| (i)   | Dividend              | The ICPS holders are entitled to any dividend declared or paid ranking pari passu with ordinary shares, payable on the date dividends are paid on the ordinary shares. The ICPS holders shall not be entitled to any other rights, allotments, and/or other distributions that may be declared by the Company.  |
| (ii)  | Maturity              | The maturity date is the tenth anniversary date of the issue date of the ICPS. The ICPS were issued on 1 October 2010.  |
| (iii) | Conversion            | The ICPS shall be converted at the option of the ICPS holders into ordinary shares of the Company at any time up to the maturity date. The ICPS are not redeemable for cash. All outstanding ICPS are mandatorily converted into new ordinary shares upon maturity. One ICPS shall be converted into 3.78 new ordinary shares.                                  |
| (iv)  | Ranking               | All new ordinary shares issued upon conversion of the ICPS shall rank pari passu with all existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, the entitlement date of which is prior to the date of allotment of the said new ordinary shares. |
| (v)   | Voting right          | The ICPS holders shall have no right to vote at any general meeting of the Company except on resolutions to amend the ICPS holders' rights, to commence dissolution of the Company, or when dividend on the ICPS is in arrears for more than six months.  |
| (vi)  | Further participation | The ICPS holders shall not be entitled to participate in the profit or surplus assets of the Company.   |

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

#### 20. RESERVES

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-distributable reserves:-				
- share premium	15,446,950	15,446,950	15,446,950	15,446,950
- merger reserve	(53,065,553)	(53,065,553)	-	-
- fair value reserve	-	714,526	-	714,526
	(37,618,603)	(36,904,077)	15,446,950	16,161,476
Distributable reserves:-				
- retained profits	168,749,896	169,960,353	101,642,120	104,434,790
	<u>131,131,293</u>	<u>133,056,276</u>	<u>117,089,070</u>	<u>120,596,266</u>

- (a) The movements in the share premium of the Group and of the Company are as follows:-

	The Group/The Company	
	2012 RM	2011 RM
At 1 January	15,446,950	183,907,590
Issue of new shares	-	12,536,853
Rights issue	-	147,206,806
Bonus issue	-	(327,126,236)
Share issuance expenses	-	(1,078,063)
At 31 December	<u>15,446,950</u>	<u>15,446,950</u>

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

- (b) The merger reserve arose from the difference between the fair value of the consideration paid for the purchase of subsidiaries under common control and the nominal value of shares of the subsidiaries upon consolidation using merger accounting principles.
- (c) The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.
- (d) As at the end of the reporting period, the Company will be able to distribute dividends out of its entire retained profits under the single tier tax system without incurring additional tax liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****21. BORROWINGS**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Long-term borrowings:-				
- hire purchase obligations (Note 22)	1,921,227	2,274,891	33,724	164,829
- Islamic securities and obligations under Ijarah arrangements (Note 23)	7,650,000	38,300,000	-	-
- term loans, secured	241,811,749	213,913,403	-	-
	<u>251,382,976</u>	<u>254,488,294</u>	<u>33,724</u>	<u>164,829</u>
Short-term borrowings:-				
- bank overdrafts, secured	12,587,981	5,466,508	-	-
- bank overdrafts, unsecured	11,571,057	2,066,039	1,984,798	-
- bankers' acceptance, unsecured	9,644,000	8,942,000	-	-
- hire purchase obligations (Note 22)	3,184,459	2,040,684	131,105	124,911
- Islamic securities and obligations under Ijarah arrangements (Note 23)	30,650,000	31,950,000	-	-
- revolving credit, unsecured	5,000,000	-	5,000,000	-
- term loans, secured	17,157,145	3,500,000	-	-
- unsecured loans	22,520,000	72,520,000	-	-
	<u>112,314,642</u>	<u>126,485,231</u>	<u>7,115,903</u>	<u>124,911</u>
Total borrowings	<u>363,697,618</u>	<u>380,973,525</u>	<u>7,149,627</u>	<u>289,740</u>

The term loans are repayable as follows:-

	The Group	
	2012 RM	2011 RM
Current portion:-		
- not later than one year	17,157,145	3,500,000
Non-current portion:-		
- later than one year and not later than two years	12,462,924	18,063,114
- later than two years and not later than five years	131,305,851	114,072,603
- later than five years	98,042,974	81,777,686
	<u>241,811,749</u>	<u>213,913,403</u>
	<u>258,968,894</u>	<u>217,413,403</u>

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 21. BORROWINGS (CONT'D)

The unsecured bank overdrafts, bankers' acceptance and revolving credit of the Group are supported by the corporate guarantee provided by the Company.

The secured bank overdrafts and term loans of the Group are supported by:-

- (a) fixed charges over certain subsidiaries' landed properties;
- (b) debenture over certain subsidiaries' fixed and floating assets, both present and in the future;
- (c) corporate guarantee provided by the Company; and
- (d) joint and several guarantee provided by certain directors of the Company.

The repayment terms of the term loans are as follows:-

Term loan 1 at COF + 0.50% per annum	Repayable in 96 monthly instalments, effective from January 2012, as follows:-  2012 – 12 monthly instalments of RM324,583 each 2013 onwards – 83 monthly instalments of RM1,302,914 each with a final payment of RM1,302,915
Term loan 2 at COF + 1.25% per annum	Repayable in 20 quarterly instalments, effective from March 2014, as follows:-  2014/2015 – 4 quarterly instalments of RM2.25 million each 2015/2016 – 4 quarterly instalments of RM3.375 million each 2016/2017 – 4 quarterly instalments of RM4.50 million each 2017/2018 – 4 quarterly instalments of RM5.625 million each 2018/2019 – 4 quarterly instalments of RM6.75 million each
Term loan 3 at COF + 1.00% per annum	Repayable in 24 quarterly instalments, effective from June 2014, as follows:-  2014/2015 – 4 quarterly instalments of RM0.50 million each 2015/2016 – 4 quarterly instalments of RM1.00 million each 2016/2017 – 4 quarterly instalments of RM1.50 million each 2017/2018 – 4 quarterly instalments of RM2.00 million each 2018/2019 – 4 quarterly instalments of RM2.00 million each 2019/2020 – 4 quarterly instalments of RM2.50 million each

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 21. BORROWINGS (CONT'D)

The repayment terms of the term loans are as follows (cont'd):-

Term loan 4 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from March 2015, as follows:-  2015/2016 – 4 quarterly instalments of RM0.20 million each 2016/2017 – 4 quarterly instalments of RM0.40 million each 2017/2018 – 4 quarterly instalments of RM0.60 million each 2018/2019 – 4 quarterly instalments of RM0.65 million each 2019/2020 – 4 quarterly instalments of RM0.70 million each 2020/2021 – 4 quarterly instalments of RM0.95 million each
Term loan 5 at COF + 1.25% per annum	Repayable in 23 quarterly instalments of RM833,000 each with a final payment of RM841,000, effective from June 2016
Term loan 6 at COF + 1.25% per annum	Repayable in 60 monthly instalments, effective from July 2016, as follows:-  2016/2017 – 12 monthly instalments of RM0.15 million each 2017/2018 – 12 monthly instalments of RM0.40 million each 2018/2019 – 12 monthly instalments of RM0.70 million each 2019/2020 – 12 monthly instalments of RM1.10 million each 2020/2021 – 12 monthly instalments of RM1.65 million each
Term loan 7 at COF + 1.00% per annum	Repayable in 60 monthly instalments, effective from August 2017, as follows:-  2017/2018 – 12 monthly instalments of RM0.10 million each 2018/2019 – 12 monthly instalments of RM0.15 million each 2019/2020 – 12 monthly instalments of RM0.40 million each 2020/2021 – 12 monthly instalments of RM0.55 million each 2021/2022 – 12 monthly instalments of RM0.675 million each

The unsecured loans are granted by a company in which certain directors of the Company have substantial financial interests. The loans bear interest at rate of 5.00% (2011: 3.00%) per annum and are repayable on demand.



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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****22. HIRE PURCHASE OBLIGATIONS**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Minimum hire purchase payments:-				
- not later than one year	3,377,392	2,223,687	136,008	136,008
- later than one year and not later than two years	1,744,088	1,988,847	33,982	136,008
- later than two years and not later than five years	231,181	359,640	-	33,982
	<u>5,352,661</u>	<u>4,572,174</u>	<u>169,990</u>	<u>305,998</u>
Less: future finance charges	(246,975)	(256,599)	(5,161)	(16,258)
Present value of hire purchase obligations	<u>5,105,686</u>	<u>4,315,575</u>	<u>164,829</u>	<u>289,740</u>
Current portion:-				
- not later than one year	3,184,459	2,040,684	131,105	124,911
Non-current portion:-				
- later than one year and not later than two years	1,692,623	1,919,012	33,724	131,105
- later than two years and not later than five years	228,604	355,879	-	33,724
	<u>1,921,227</u>	<u>2,274,891</u>	<u>33,724</u>	<u>164,829</u>
	<u>5,105,686</u>	<u>4,315,575</u>	<u>164,829</u>	<u>289,740</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****23. ISLAMIC SECURITIES AND OBLIGATIONS UNDER IJARAH ARRANGEMENTS**

	Class	Rating	Maturity Date	Effective Interest Rate % pa	Amount Outstanding	
					2012 RM	2011 RM
<b>Islamic Securities</b>						
<i>Sukuk Ijarah</i>	Class A	AAA	27 June 2013	6.40	23,736,000	25,208,000
	Class A	AAA	27 June 2012	6.20	-	20,620,000
	Class B	AA2	27 June 2012	6.60	-	10,330,000
					<hr/>	<hr/>
					23,736,000	56,158,000
Less: Future finance charges					(736,000)	(3,158,000)
					<hr/>	<hr/>
					23,000,000	53,000,000
					<hr/>	<hr/>
<b>Obligations under Ijarah Arrangements</b>						
<i>Sukuk Ijarah</i>	Class A	AAA	23 December 2014	6.70	8,152,100	9,187,300
	Class A	AAA	23 December 2013	6.40	8,662,300	8,629,400
	Class B	AA2	23 December 2012	6.60	-	2,078,600
					<hr/>	<hr/>
					16,814,400	19,895,300
Less: Future finance charges					(1,514,400)	(2,645,300)
					<hr/>	<hr/>
					15,300,000	17,250,000
					<hr/>	<hr/>
Total					38,300,000	70,250,000
					<hr/>	<hr/>

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 23. ISLAMIC SECURITIES AND OBLIGATIONS UNDER IJARAH ARRANGEMENTS (CONT'D)

The maturity structure of Islamic securities and obligations under Ijarah arrangements is as follows:-

	The Group	
	2012 RM	2011 RM
Current portion:-		
- not later than one year	30,650,000	31,950,000
Non-current portion:-		
- later than one year and not later than two years	7,650,000	30,650,000
- later than two years and not later than five years	-	7,650,000
	7,650,000	38,300,000
	<u>38,300,000</u>	<u>70,250,000</u>

The Sukuk issue was structured under the Islamic principle of Ijarah or sale and leaseback and was issued via special purpose vehicles, namely Midas Plantation Sdn Bhd, a subsidiary of the Company; and R.H. Capital Sdn Bhd, a company in which certain directors of the Company have substantial financial interests.

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

- 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.
- The proceeds from the Sukuk issue were used to refinance bank borrowings, part finance development costs and capital expenditure, defray issue expenses and part finance the working capital requirements of certain subsidiaries.
- The Sukuk issue is secured by the plantation lands (including buildings erected thereon) and palm oil mill owned by certain subsidiaries. The beneficial ownership of these assets are held on trust by the special purpose vehicles for the benefits of the Islamic securities investors and are redeemable at a nominal value of RM1 on maturity.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****24. TRADE PAYABLES**

	The Group	
	2012 RM	2011 RM
Trade payables:-		
- third parties	14,657,387	17,391,875
- related parties	31,610,891	42,789,511
	46,268,278	60,181,386

The normal trade credit terms granted to the Group range from 30 to 120 (2011: 30 to 120) days.

**25. OTHER PAYABLES, DEPOSITS AND ACCRUALS**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables:-				
- third parties	7,880,905	4,092,532	256,580	17,670
- related parties	21,595,814	39,969,714	161,788	34,201
	29,476,719	44,062,246	418,368	51,871
Deposits	156,400	156,400	-	-
Accruals	12,236,360	14,562,743	4,985,351	3,433,412
	41,869,479	58,781,389	5,403,719	3,485,283

Included in the amount owing to related parties of the Group is an amount of RM10,200,000 (2011: RM11,450,000), which is an unsecured advance granted to a subsidiary. The advance carries interest at rates ranging from 6.75% to 7.10% (2011: 6.25% to 7.10%) per annum and is repayable on demand. All other amounts are unsecured, interest-free and repayable on demand.

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****26. REVENUE**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Dividend income	-	-	19,198,500	18,953,892
Chartering income	20,000	-	-	-
Management fee	-	-	12,000,000	10,380,000
Sale of – crude palm oil	162,895,288	201,285,086	-	-
– fresh fruit bunches	126,191,511	124,443,875	-	-
– palm kernel	20,784,638	29,306,276	-	-
– palm kernel shell	448,598	599,519	-	-
– empty bunch ash	24,240	13,436	-	-
– sludge oil	873,570	1,191,278	-	-
Transportation income	2,628,677	2,728,662	-	-
	<b>313,866,522</b>	<b>359,568,132</b>	<b>31,198,500</b>	<b>29,333,892</b>

**27. FINANCE COSTS**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense on:-				
- bank overdrafts	1,430,388	1,104,968	-	-
- bankers' acceptance	460,605	456,728	-	-
- hire purchase obligations	243,021	114,403	11,097	3,742
- Islamic securities and obligations under Ijarah arrangements	3,540,609	7,407,588	-	-
- term loans	9,229,758	5,944,734	-	-
- unsecured loans	1,921,082	4,754,742	-	-
- Others	808,159	7,522,451	-	-
	<b>17,633,622</b>	<b>27,305,614</b>	<b>11,097</b>	<b>3,742</b>
Less: Amount capitalised under biological assets (Note 9)	(6,155,538)	(8,230,252)	-	-
	<b>11,478,084</b>	<b>19,075,362</b>	<b>11,097</b>	<b>3,742</b>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****28. PROFIT BEFORE TAXATION**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit after taxation is arrived at after charging/(crediting):-				
Amortisation of biological assets	25,940,650	22,112,450	-	-
Amortisation of intangible assets	128,579	132,557	17,851	8,962
Audit fee:-				
- current financial year	275,000	282,075	50,000	50,000
- (over)/under provision in the previous financial year	(26,375)	17,000	-	20,000
- other services	59,150	166,000	59,150	165,000
Depreciation of property, plant and equipment	27,291,953	23,020,433	328,015	214,225
Directors' fee:-				
- directors of the Company	253,200	246,766	165,000	160,000
- directors of subsidiaries	147,700	150,051	-	-
Directors' non-fee emoluments	3,963,620	3,428,220	3,963,620	3,428,220
Fair value gain on derivatives	179,525	-	179,525	-
Finance costs (Note 27)	11,478,084	19,075,362	11,097	3,742
Gain on disposal of a subsidiary	-	(4,742,242)	-	(3,374,378)
Gain on remeasurement of remaining stake in an associate	-	-	-	(4,758,287)
(Gain)/loss on disposal of property, plant and equipment	(92,207)	(379,227)	703	1,648
Hiring of equipment and machinery	46,612	747,416	-	-
Interest income	(3,548,015)	(1,802,360)	(3,126,375)	(1,204,981)
Management fee	5,018,903	3,892,020	-	-
Rental income	(218,582)	(531,564)	-	-
Rental of premises	247,301	361,738	59,075	21,600
Share of results in an associate	(597,927)	(652,596)	-	-
Staff costs (excluding directors):-				
- short-term benefits	20,038,819	16,378,921	6,928,552	6,011,423
- defined contribution plans	2,363,681	1,951,171	987,080	728,167

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****29. INCOME TAX EXPENSE**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax:-				
- current financial year	7,387,556	9,498,606	-	156,000
- real property gain tax	-	164,203	-	164,203
- under provision in the previous financial year	757,131	445,497	22,727	-
	<u>8,144,687</u>	<u>10,108,306</u>	<u>22,727</u>	<u>320,203</u>
Deferred tax (Note 11):-				
- origination and reversal of temporary differences	1,257,646	16,094,356	(47,717)	(8,085)
- under/(over) provision in the previous financial year	1,338,449	(604,390)	4,883	(227,760)
	<u>2,596,095</u>	<u>15,489,966</u>	<u>(42,834)</u>	<u>(235,845)</u>
	<u>10,740,782</u>	<u>25,598,272</u>	<u>(20,107)</u>	<u>84,358</u>

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

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before taxation	<u>30,722,474</u>	<u>95,310,580</u>	<u>19,724,390</u>	<u>25,365,096</u>
Tax at the statutory tax rate of 25%	7,680,619	23,827,645	4,931,098	6,341,274
Tax effects of:-				
Non-taxable income	(505,753)	(1,254,178)	(5,291,191)	(6,538,528)
Non-deductible expenses	1,874,671	5,048,657	312,376	509,169
Control transfers	(16,877)	(51,596)	-	-
Deferred tax assets not recognised during the financial year	4,993	144,339	-	-
Utilisation of deferred tax assets previously not recognised	-	(1,602,303)	-	-
Under/(over) provision in the previous financial year:-				
- income tax	757,131	445,497	22,727	-
- deferred tax	1,338,449	(604,390)	4,883	(227,760)
Others	(392,451)	(355,399)	-	203
Income tax expense for the financial year	<u>10,740,782</u>	<u>25,598,272</u>	<u>(20,107)</u>	<u>84,358</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****30. EARNINGS PER SHARE**

	The Group	
	2012	2011
Profit attributable to owners of the Company (RM)	21,326,710	68,146,541
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 January	1,308,504,944	156,598,200
Effect of new ordinary shares issued	-	4,217,115
Effect of conversion of ICPS	733,217,399	733,217,399
Effect of rights issue	-	192,516,537
Effect of bonus issue	-	385,033,075
Weighted average number of ordinary shares at 31 December	2,041,722,343	1,471,582,326
Basic earnings per share (sen)	1.04	4.63

The diluted earnings per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

**31. DIVIDENDS**

	The Group/The Company			
	2012		2011	
	Dividend per Share (Net of Tax) Sen	Amount of Dividend RM	Dividend per Share (Net of Tax) Sen	Amount of Dividend RM
Dividend paid in respect of the financial year ended 31 December 2012:-				
- first and final single tier dividend	1.50	22,537,167	-	-
Dividend paid in respect of the financial year ended 31 December 2011:-				
- first and final dividend:-				
- net of tax of 25%	-	-	0.45	1,608,912
- single tier	-	-	1.40	5,005,504
	1.50	22,537,167	1.85	6,614,416



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#### 31. DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, the following dividends in respect of the current financial year will be proposed for shareholders' approval:-

- (a) a final single tier dividend of 1.0 sen per ordinary share amounting to RM13,085,049; and
- (b) a final single tier dividend of 1.0 sen per irredeemable convertible preference share amounting to RM1,939,729.

#### 32. ACQUISITION OF SUBSIDIARIES

During the financial year, the Group acquired 100% equity interests in both RSB Palm Oil Mill Sdn Bhd and Formasi Abadi Sdn Bhd. In the previous financial year, the Group acquired an 85% equity interest in Burung Tiong Helicopter Sdn Bhd.

The fair values of the identifiable assets and liabilities of the above companies at the dates of acquisition were:-

	2012		2011	
	Carrying Amount RM	Fair Value Recognised RM	Carrying Amount RM	Fair Value Recognised RM
Property, plant and equipment	2,836,551	35,000,000	1,946	1,946
Trade and other receivables	-	-	2,380,170	2,380,170
Cash and bank balances	2	2	2,553	2,553
Deferred tax liabilities	-	(8,040,862)	-	-
Trade and other payables	(1,822,340)	(1,822,340)	(1,316,798)	(1,316,798)
Net identifiable assets and liabilities	<u>1,014,213</u>	<u>25,136,800</u>	<u>1,067,871</u>	<u>1,067,871</u>
Less: Non-controlling interests		-		(180,000)
Add: Goodwill on acquisition		10,695,763		132,129
Total purchase consideration		35,832,563		1,020,000
Less: Cash and cash equivalents of subsidiaries acquired		(2)		(2,553)
Net cash outflows for acquisition of subsidiaries		<u>35,832,561</u>		<u>1,017,447</u>

The non-controlling interests are measured at fair value.

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 32. ACQUISITION OF SUBSIDIARIES (CONT'D)

The acquired subsidiaries have contributed the following results to the Group:-

	2012 RM	2011 RM
Revenue	-	-
Loss after taxation	(1,442)	(577,340)

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#### 33. ACQUISITION FROM NON-CONTROLLING INTERESTS

In the previous financial year, the Company acquired an additional 15% equity interest in Nescaya Palma Sdn Bhd ("NPSB"), Woodijaya Sdn Bhd ("Woodijaya"), Novelpac-Puncakdana Plantation Sdn Bhd ("Novelpac") and PJP Pelita Biawak Plantation Sdn Bhd ("Biawak") from non-controlling interests for a total purchase consideration of RM28,719,638, which is analysed as follows:-

	2011 RM
Total purchase consideration is satisfied via:-	
- cash	12,700,326
- 6,964,918 ordinary shares issued at RM2.30 each	16,019,312
	<hr/> 28,719,638

As a result of the acquisition, NPSB, Woodijaya and Novelpac became wholly-owned subsidiaries of the Company; and Biawak became an 85%-owned subsidiary of the Company.

On the dates of acquisition, the carrying values of the additional interests acquired were RM16,192,795. The difference between the total purchase consideration, and the book values of the interests acquired plus the merger reserve arising from NPSB of RM8,434,988 is RM4,091,855, which is reflected in equity as premium paid on acquisition from non-controlling interests.

The effect of the acquisition on cash flows is as follows:-

	2011 RM
Total purchase consideration	28,719,638
Less: Non-cash consideration	(16,019,312)
Cash outflows for acquisition from non-controlling interests	<hr/> 12,700,326

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 34. DISPOSAL OF A SUBSIDIARY

In the previous financial year, the Group disposed its 21% equity interest in Lubuk Tiara Sdn Bhd ("LTSB") for a cash consideration of RM13,100,723. As a result of the disposal, LTSB ceased to be a subsidiary and became an associate of the Group.

The disposal had the following effects on the financial position of the Group at the end of the reporting period:-

	<b>2011</b> RM
Property, plant and equipment	30,844,727
Intangible assets	21,294
Biological assets	121,348,469
Inventories	1,690,319
Trade and other receivables	1,662,246
Cash and bank balances	9,964
Borrowings:-	
- other borrowings	(52,808,941)
Deferred tax liabilities	(14,085,516)
Trade and other payables	(37,150,598)
	<hr/>
Net assets disposed	51,531,964
Less: Non-controlling interests	(18,036,187)
Less: Fair value of the remaining stake	(25,137,296)
Add: Gain on disposal of a subsidiary	4,742,242
	<hr/>
Total disposal proceeds	13,100,723
	<hr/>

The effect of the disposal on cash flows is as follows:-

	<b>2011</b> RM
Total disposal proceeds received in cash	13,100,723
Less: Cash and cash equivalents of subsidiary disposed	(9,964)
	<hr/>
Net cash flows for disposal of a subsidiary	13,090,759
	<hr/>

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 35. PURCHASE OF PLANTATION ESTATE

In the previous financial year, the Group acquired from Sheba Resources Sdn Bhd a parcel of land (with oil palm plantation thereon) with a market value of RM118,000,000. The purchase consideration (after assumption of liabilities arising from the acquisition of RM95,888,431) was RM22,111,569 and satisfied in cash.

The cost of plantation estate at the date of acquisition was recognised in the financial statements as follows:-

	2011 RM
Property, plant and equipment	59,540,317
Biological assets	58,459,683
Cost of plantation estate	118,000,000
Less: Liabilities assumed on acquisition	(95,888,431)
Total purchase consideration, satisfied in cash	<u>22,111,569</u>

#### 36. COSTS INCURRED ON BIOLOGICAL ASSETS, AND PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

##### (a) Costs Incurred on Biological Assets

	The Group	
	2012 RM	2011 RM
Total additions of biological assets	69,159,428	132,998,020
Less: Acquisition of plantation estate (Note 35)	-	(58,459,683)
	<u>69,159,428</u>	<u>74,538,337</u>
Less: Non-cash items and finance costs capitalised under biological assets	(11,410,031)	(13,398,673)
	<u>57,749,397</u>	<u>61,139,664</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****36. COSTS INCURRED ON BIOLOGICAL ASSETS, AND PURCHASE OF PROPERTY, PLANT AND EQUIPMENT (CONT'D)****(b) Purchase of Property, Plant and Equipment**

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cost of property, plant and equipment purchased	75,448,495	143,647,988	879,222	438,903
Less: Acquisition of plantation estate (Note 35)	-	(59,540,317)	-	-
	<u>75,448,495</u>	<u>84,107,671</u>	<u>879,222</u>	<u>438,903</u>
Less:-				
Amount financed through hire purchase	(3,376,420)	(4,777,344)	-	(320,000)
Deposits paid in the previous financial year	-	(2,380,170)	-	-
	<u>-</u>	<u>(2,380,170)</u>	<u>-</u>	<u>-</u>
Cash disbursed for purchase of property, plant and equipment	<u>72,072,075</u>	<u>76,950,157</u>	<u>879,222</u>	<u>118,903</u>

**37. CASH AND CASH EQUIVALENTS**

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash and bank balances	2,540,087	409,588	939,558	108,792
Deposits with licensed banks	-	85,976,522	-	40,800,000
Islamic deposits	1,020,694	4,164,653	-	-
Short-term investments	17,573,451	118,214,526	17,573,451	118,214,526
Bank overdrafts	(24,159,038)	(7,532,547)	(1,984,798)	-
	<u>(3,024,806)</u>	<u>201,232,742</u>	<u>16,528,211</u>	<u>159,123,318</u>
Less:-				
Bank balances held on trust for Islamic securities investors (Note 18)	(1,937)	(1,259)	-	-
Islamic deposits held on trust for Islamic securities investors (Note 17)	(1,020,694)	(4,164,653)	-	-
	<u>(4,047,437)</u>	<u>197,066,830</u>	<u>16,528,211</u>	<u>159,123,318</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****38. DIRECTORS' REMUNERATION**

- (a) The aggregate amounts of emoluments received and receivable by directors of the Group and of the Company during the financial year are as follows:-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive directors:-				
- fee	47,600	47,383	-	-
- non-fee emoluments	3,957,420	3,421,620	3,957,420	3,421,620
	<u>4,005,020</u>	<u>3,469,003</u>	<u>3,957,420</u>	<u>3,421,620</u>
Non-executive directors:-				
- fee	205,600	199,383	165,000	160,000
- allowance	6,200	6,600	6,200	6,600
	<u>211,800</u>	<u>205,983</u>	<u>171,200</u>	<u>166,600</u>
	<u>4,216,820</u>	<u>3,674,986</u>	<u>4,128,620</u>	<u>3,588,220</u>
Benefits-in-kind	<u>12,971</u>	<u>11,189</u>	<u>12,971</u>	<u>11,189</u>

- (b) Details of directors' emoluments of the Group and of the Company received/receivable for the financial year in bands of RM50,000 are as follows:-

	The Group/The Company	
	2012 RM	2011 RM
Executive directors:-		
RM1,500,001 to RM1,550,000	-	1
RM1,900,001 to RM1,950,000	1	1
RM2,000,001 to RM2,050,000	1	-
Non-executive directors		
RM50,000 and below	3	3
RM50,001 to RM100,000	1	1
	<u>6</u>	<u>6</u>

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 39. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Subsidiaries:-				
- dividend income	-	-	19,198,500	18,953,892
- management fee	-	-	12,000,000	10,380,000
- purchase of property, plant and equipment	-	-	356,457	-
	<hr/>	<hr/>	<hr/>	<hr/>
Companies in which the directors and their close family members have substantial financial interests:-				
- computer software, printing and stationery	515,367	323,593	259,133	52,266
- consultation fee	50,600	-	30,000	-
- contract charges	38,495,732	35,471,801	-	-
- fertiliser testing charges	145,909	151,439	-	-
- insurance paid	1,634,410	897,443	34,633	30,879
- Interest paid	3,871,861	9,747,155	-	-
- Interest received	23,961	91,663	-	-
- management fee	3,601,434	2,162,500	-	-
- purchase of fertilisers and chemicals	72,775,845	50,151,347	-	-
- purchase of fresh fruit bunches	20,473,328	7,417,835	-	-
- purchase of property, plant and equipment	4,167,255	3,253,632	113,350	5,516
- purchase of seedlings	1,663,388	1,339,032	-	-
- purchase of sundry stores and consumables	10,590,912	25,611,835	21,038	42,594
	<hr/>	<hr/>	<hr/>	<hr/>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)**

- (b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year (cont'd):-

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Companies in which the directors and their close family members have substantial financial interests (cont'd):-				
- recruitment charges	1,488,755	1,336,673	-	-
- rental paid	1,592,925	2,720,586	43,360	21,600
- rental received	36,000	66,100	-	-
- Repairs and maintenance	1,175,304	818,500	136,388	18,690
- road maintenance	834,450	1,986,235	-	-
- sale of fresh fruit bunches	64,323,436	103,327,680	-	-
- sale of property, plant and equipment	55,000	247,400	-	-
- sale of seedlings	1,594,502	91,200	-	-
- secretarial services	10,362	9,270	1,092	-
- staff training expenses	125,434	76,600	40,684	13,600
- staff welfare	35,358	741	35,358	29,458
- store issues	2,731,103	911,982	-	-
- transportation and accommodation charges	7,350,258	6,097,149	115,482	179,977
Key management personnel compensation (excluding directors):-				
- short-term benefits	4,927,259	4,766,159	2,039,779	2,045,986
- defined contribution plans	545,958	590,854	206,273	268,142



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 40. OPERATING SEGMENTS

##### (a) Operating Segments

Information about operating segment is not reported separately as the Group's profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the oil palm plantation and operation of palm oil mill.

##### (b) Major Customers

The following are major customers with revenue equal to or more than 10% of the Group's revenue:-

	Revenue	
	2012 RM	2011 RM
Customer A*	52,254,573	108,127,205
Customer B*	130,151,628	125,192,818
Customer C*	50,654,567	59,506,788
Customer D*	41,704,185	43,792,993

\* *The identities of the major customers are not disclosed as permitted by FRS 8 Operating Segments.*

#### 41. CAPITAL COMMITMENTS

	The Group	
	2012 RM	2011 RM
Property, plant and equipment:-		
- approved and contracted for	15,294,752	8,186,941
- approved but not contracted for	1,454,496	1,005,804
	<u>16,749,248</u>	<u>9,192,745</u>

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 42. CONTINGENT LIABILITIES

	The Company	
	2012	2011
	RM	RM
Unsecured:-		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	564,750,000	464,950,000

#### 43. CONTINGENT ASSETS

During the financial year ended 31 August 2008, a subsidiary of the Company was awarded a compensation of RM756,350 by the Superintendent of Lands & Surveys, Miri Division, for the resumption of land by the Government for the Petronas Gas Pipeline Project. The compensation was accepted under protest and a further claim was lodged on 5 July 2008 by the subsidiary. The High Court allowed the application and awarded a further sum of RM270,647. The Superintendent of Lands & Surveys was dissatisfied with the decision and appealed the matter to the Court of Appeal, notice of which was filed on 8 February 2012. Based on the advice from its legal counsel, the Group is confident that the dispute will be settled in its favour.

The claim has not been recognised in the financial statements as the economic benefits arising from the lawsuit are not virtually certain at the end of the reporting period.

#### 44. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### 44.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

##### (a) Market Risk

##### (i) Foreign Currency Risk

The Group does not have any transactions or balances denominated in foreign currencies and hence is not exposed to foreign currency risk.

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 44. FINANCIAL INSTRUMENTS (CONT'D)

##### 44.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (a) Market Risk (Cont'd)

###### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 44.1(c) to the financial statements.

###### *Interest rate risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM
<b>Effects on profit after taxation</b>				
Increase of 50 basis points	(739,000)	(1,105,000)	(9,600)	-
Decrease of 50 basis points	739,000	1,105,000	9,600	-
<b>Effects on equity</b>				
Increase of 50 basis points	(739,000)	(514,000)	(9,600)	591,000
Decrease of 50 basis points	739,000	514,000	9,600	(591,000)

###### (iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 44. FINANCIAL INSTRUMENTS (CONT'D)

##### 44.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from its trade and other receivables. The Group manages its exposure to credit risk by the application of monitoring procedures on an ongoing basis. For other financial assets (including short-term investments, fixed deposits, and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

###### (i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by four (4) customers which constituted approximately 80% of its trade receivables at the end of the reporting period, due to the Group's limited number of customers. Based on the Group's historical collection of these receivables, management believes that they are fully recoverable.

###### (ii) Exposure to credit risk

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of the financial assets in the statements of financial position.

###### (iii) Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
<b>The Group</b>				
<b>2012</b>				
Not past due	9,472,274	-	-	9,472,274
Past due:-				
- less than 3 months	1,933,482	-	-	1,933,482
	11,405,756	-	-	11,405,756

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 44. FINANCIAL INSTRUMENTS (CONT'D)

##### 44.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

###### (b) Credit Risk (Cont'd)

###### (iii) Ageing analysis (cont'd)

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows (cont'd):-

<b>The Group</b>	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
<b>2011</b>				
Not past due	16,996,961	-	-	16,996,961
Past due:- - less than 3 months	3,589	-	-	3,589
	<u>17,000,550</u>	<u>-</u>	<u>-</u>	<u>17,000,550</u>

###### *Trade receivables that are past due but not impaired*

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

###### *Trade receivables that are neither past due nor impaired*

These trade receivables are regular customers who have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

###### (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group manages its debt maturity profile, operating cash flows and availability of funding 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.

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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

#### 44. FINANCIAL INSTRUMENTS (CONT'D)

##### 44.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Within 1 – 2 Years RM	Within 2 – 5 Years RM	More Than 5 Years RM
<b>2012</b>							
Trade and other payables:-							
- interest bearing	6.75	10,200,000	10,200,000	10,200,000	-	-	-
- non-interest bearing	-	77,937,757	77,937,757	77,937,757	-	-	-
Borrowings:-							
- bank overdrafts	7.51	24,159,038	24,159,038	24,159,038	-	-	-
- bankers' acceptance	4.04	9,644,000	9,644,000	9,644,000	-	-	-
- hire purchase obligations	5.43	5,105,686	5,352,661	3,377,392	1,744,088	231,181	-
- Islamic securities and obligations under Ijarah arrangements	6.47	38,300,000	40,550,400	32,387,300	8,163,100	-	-
- revolving credit	4.61	5,000,000	5,000,000	5,000,000	-	-	-
- term loans	4.51	258,968,894	321,016,000	28,618,000	30,950,000	150,032,000	111,416,000
- unsecured loans	5.00	22,520,000	22,520,000	22,520,000	-	-	-
		451,835,375	516,379,856	213,843,487	40,857,188	150,263,181	111,416,000

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## 44.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(c) Liquidity Risk (Cont'd)**

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (cont'd):-

<b>The Group</b>	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Within 1 – 2 Years RM	Within 2 – 5 Years RM	More Than 5 Years RM
<b>2011</b>							
Trade and other payables:-							
- interest bearing	6.80	11,450,000	11,450,000	11,450,000	-	-	-
- non-interest bearing	-	107,512,775	107,512,775	107,512,775	-	-	-
Borrowings:-							
- bank overdrafts	7.40	7,532,547	7,532,547	7,532,547	-	-	-
- bankers' acceptance	4.24	8,942,000	8,942,000	8,942,000	-	-	-
- hire purchase obligations	5.41	4,315,575	4,572,174	2,223,687	1,988,847	359,640	-
- Islamic securities and obligations under Ijarah arrangements	6.41	70,250,000	76,053,300	35,503,900	32,387,300	8,162,100	-
- term loans	4.48	217,413,403	265,802,000	13,188,000	27,301,000	138,951,000	86,362,000
- unsecured loans	3.00	72,520,000	72,520,000	72,520,000	-	-	-
		499,936,300	554,384,796	258,872,909	61,677,147	147,472,740	86,362,000

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## 44.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(c) Liquidity Risk (Cont'd)**

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (cont'd):-

	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Within 1 – 2 Years RM	Within 2 – 5 Years RM
<b>The Company</b>						
<b>2012</b>						
Trade and other payables	-	18,564,237	18,564,237	18,564,237	-	-
Borrowings:-						
- bank overdrafts	7.60	1,984,798	1,984,798	1,984,798	-	-
- hire purchase obligations	5.43	164,829	169,990	136,008	33,982	-
- revolving credit	4.61	5,000,000	5,000,000	5,000,000	-	-
		25,713,864	25,719,025	25,685,043	33,982	-
<b>2011</b>						
Trade and other payables	-	4,452,791	4,452,791	4,452,791	-	-
Borrowings:-						
- hire purchase obligations	4.75	289,740	305,998	136,008	136,008	33,982
		4,742,531	4,758,789	4,588,799	136,008	33,982



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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#### 44. FINANCIAL INSTRUMENTS (CONT'D)

##### 44.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2012 RM	2011 RM
Borrowings:-		
- bank overdrafts	24,159,038	7,532,547
- other borrowings	339,538,580	373,440,978
	<hr/>	<hr/>
Less: Short-term investments	363,697,618	380,973,525
Less: Fixed deposits	(17,573,451)	(118,214,526)
Less: Cash and bank balances	(1,020,694)	(90,141,175)
	<hr/>	<hr/>
Net debts	342,563,386	172,208,236
	<hr/>	<hr/>
Total equity	882,370,194	884,295,177
	<hr/>	<hr/>
Debt-to-equity ratio	0.39	0.19
	<hr/>	<hr/>

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

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## 44.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Financial assets</b>				
<u>Available-for-sale financial assets</u>				
Short-term investments	17,573,451	118,214,526	17,573,451	118,214,526
<u>Loans and receivables financial assets</u>				
Trade receivables	11,405,756	17,000,550	-	-
Other receivables and deposits	6,863,941	5,398,047	307,375	90,103
Amount owing by subsidiaries	-	-	412,519,907	256,830,789
Fixed deposits	1,020,694	90,141,175	-	40,800,000
Cash and bank balances	2,540,087	409,588	939,558	108,792
	<u>21,830,478</u>	<u>112,949,360</u>	<u>413,766,840</u>	<u>297,829,684</u>
<b>Financial liabilities</b>				
<u>Other financial liabilities</u>				
Trade payables	46,268,278	60,181,386	-	-
Other payables, deposits and accruals	41,869,479	58,781,389	5,403,719	3,485,283
Amount owing to subsidiaries	-	-	13,160,518	967,508
Borrowings:-				
- bank overdrafts	24,159,038	7,532,547	1,984,798	-
- other borrowings	339,538,580	373,440,978	5,164,829	289,740
	<u>451,835,375</u>	<u>499,936,300</u>	<u>25,713,864</u>	<u>4,742,531</u>

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The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for the following:-

	<b>2012</b>		<b>2011</b>	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>The Group</b>				
Hire purchase obligations	5,105,686	5,036,000	4,315,575	4,158,000
Islamic securities and obligations under Ijarah arrangements	38,300,000	38,115,000	70,250,000	69,801,000
	<u>43,405,686</u>	<u>43,151,000</u>	<u>74,565,575</u>	<u>73,959,000</u>
<b>The Company</b>				
Hire purchase obligations	<u>164,829</u>	<u>165,000</u>	<u>289,740</u>	<u>194,000</u>

The following summarises the methods used to determine the fair values of the financial instruments:-

- The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- The fair value of short-term investments is based on banker's quotes at the end of the reporting period.

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#### 44. FINANCIAL INSTRUMENTS (CONT'D)

##### 44.4 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

The following summarises the methods used to determine the fair values of the financial instruments (cont'd):-

- (c) The fair values of hire purchase obligations, and Islamic securities and obligations under Ijarah arrangements are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period.

The interest rates used to discount estimated cash flows, where applicable, are as follows:-

	The Group		The Company	
	2012 %	2011 %	2012 %	2011 %
Hire purchase obligations	7.00	6.50	4.50	6.70
Islamic securities and obligations under Ijarah arrangements	6.60	6.60	-	-

- (d) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.

##### 44.5 FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:-

Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

##### *Fair value hierarchy analysis*

The Group has carried its short-term investments that are classified as available-for-sale financial assets at their fair values. These financial assets belong to level 2 of the fair value hierarchy.

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### **NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

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#### **45. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events occurring during the financial year are as follows:-

- (a) On 2 July 2012, the Company acquired 2 ordinary shares of RM1.00 each in the share capital of RSB Palm Oil Mill Sdn Bhd, representing 100% of its total issued and paid-up share capital, for a total cash consideration of RM2.
- (b) On 16 April 2012, NPSB, a subsidiary of the Company, entered into a Share Sale Agreement with Bong Hon Voo and Yaw Chee Weng to acquire 2,400 ordinary shares of RM1.00 each in Formasi Abadi Sdn Bhd, representing 100% of its total issued and paid-up share capital, for a total cash consideration of RM35,832,561.

The transaction was completed on 9 November 2012.

Details of the above transactions are disclosed in Note 32 to the financial statements.

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The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits of the Company and its subsidiaries:-				
- realised	216,834,260	202,674,627	101,371,962	104,207,466
- unrealised	(46,954,466)	(42,491,972)	270,158	227,324
	<u>169,879,794</u>	<u>160,182,655</u>	<u>101,642,120</u>	<u>104,434,790</u>
Total share of retained profits of associate:-				
- realised	1,774,976	893,963	-	-
- unrealised	(524,453)	(241,367)	-	-
	<u>171,130,317</u>	<u>160,835,251</u>	<u>101,642,120</u>	<u>104,434,790</u>
Less/add: Consolidation adjustments	(2,380,421)	9,125,102	-	-
At 31 December	<u>168,749,896</u>	<u>169,960,353</u>	<u>101,642,120</u>	<u>104,434,790</u>