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## 16. ACCOUNTANTS' REPORT

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*(Prepared for inclusion in this Prospectus)*



The Board of Directors  
SARAWAK PLANTATION BERHAD  
8<sup>th</sup> Floor, Wisma Naim  
2½ Mile Rock Road  
93200 Kuching  
Sarawak

PricewaterhouseCoopers  
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11 July 2007

PwC/TCK/ra/1665J(V2)

Dear Sirs

### INTRODUCTION

This Accountants' Report ('the Report') has been prepared by an approved company auditor for inclusion in the Prospectus to be dated 7 August 2007 in connection with the listing of Sarawak Plantation Berhad ("SPB" or "Company") on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

### A GENERAL INFORMATION

#### (i) Background information

Sarawak Plantation Berhad was incorporated on 28 October 1997 under the Companies Act, 1965 as a private limited liability company in Malaysia. It was converted into a public limited liability company on 1 February 2000 and retained its present name.

The number of employees employed in the Group at the end of the financial period 31 March 2007 is 3,963 (2006: 3,877, 2005: 3,245; 2004: 3,296). Other than the executive directors, the Company did not employ any person.

The registered office, business office and principal place of business of the Group are as follows:

#### Registered office

8<sup>th</sup> Floor, Wisma Naim, 2½ Mile Rock Road, 93200 Kuching, Sarawak

#### Business office and Group's principal place of business

Lot 1173 and 1174, Block 9, MCLD, Miri Waterfront, Jalan Permaisuri, P. O. Box 661, 98007 Miri, Sarawak

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## A GENERAL INFORMATION (CONTINUED)

## (i) Background information (continued)

As at 31 March 2007, SPB's subsidiaries are as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Effective equity interest</u> %	<u>Principal activities</u>
Sarawak Plantation Agriculture Development Sdn. Bhd.	Malaysia	100	Cultivation of oil palm and processing of FFB into CPO and PK
Sarawak Plantation Property Holding Sdn. Bhd.	Malaysia	100	Property investment
Sarawak Plantation Services Sdn. Bhd.	Malaysia	95	Provision of management, agronomic, consultancy and marketing services
Titian Tepat Sdn. Bhd. +	Malaysia	60	Cultivation of oil palm
Lionsun Timber Sdn. Bhd. +	Malaysia	100	Dormant
Azaria Sdn. Bhd. +	Malaysia	75	Dormant
Cayamas Sdn. Bhd. +	Malaysia	100	Dormant

**Subsidiary of Sarawak Plantation Services Sdn. Bhd.**

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Effective equity interest</u> %	<u>Principal activities</u>
SPS Trading Sdn. Bhd. +	Malaysia	95	Marketing agent and dealer in water tanks and farm machineries

+ Audited by a firm other than PricewaterhouseCoopers

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**A GENERAL INFORMATION (CONTINUED)****(i) Background information (continued)**

As at 31 March 2007, SPB's associate companies are as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Effective equity interest</u> %	<u>Principal activities</u>
<b>Associates of Sarawak Plantation Services Sdn. Bhd.</b>			
Wonderland Transport Services Sdn. Bhd.+	Malaysia	33	Provision of transportation services
Saratek Nurseries and General Trading Sdn. Bhd.+	Malaysia	29	Business of teak nurseries

+ Audited by a firm other than PricewaterhouseCoopers

Saratek Nurseries & General Trading Sdn. Bhd. was placed under members voluntary liquidation as at 31 December 2006.

**(ii) Principal activities**

SPB and its subsidiaries ("SPB Group" or "the Group") are principally involved in cultivating oil palm, processing of fresh fruit bunches, provision of management, agronomic and consultancy services and property investment. There have been no significant changes in these business activities during the three financial years ended 31 December 2004 to 31 December 2006 and the financial period ended 31 March 2007.

**(iii) Share capital**

As at 31 March 2007, the authorised and issued and fully paid up share capital of the Company are as follows:

	<b>RM'000</b>
Authorised:	
500,000,000 ordinary shares of RM1.00 each	500,000
Issued and fully paid up:	
135,000,000 ordinary shares of RM1.00 each	135,000

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## A GENERAL INFORMATION (CONTINUED)

## (iii) Share capital (continued)

The movements in the authorised share capital since incorporation are as follows:

	RM'000
At date of incorporation on 28 October 1997 100,000 ordinary shares of RM1.00 each	100
Created on 30 December 1999 499,900,000 ordinary shares of RM1.00 each	499,900
At 31 March 2007	<u>500,000</u>

The movements in issued and fully paid up share capital since incorporation are as follows:

	RM'000
At date of incorporation on 28 October 1997 2 ordinary shares of RM1.00 each at par for cash	0*
Issued on 5 November 1997 99,998 ordinary shares of RM1.00 each at par for cash	100
Issued on 30 December 1999 47,215,000 ordinary shares of RM1.00 each issued at RM1.16 for consideration other than cash	47,215
Issued on 30 December 1999 87,685,000 ordinary shares of RM1.00 each issued at RM1.75 for consideration other than cash	87,685
At 31 March 2007	<u>135,000</u>

\* Represents RM2.00

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**A GENERAL INFORMATION (CONTINUED)****(iv) Listing Scheme**

In conjunction with, and as an integral part of the listing of and quotation of the Company's entire issued and paid up share capital on the Main Board of Bursa Malaysia Securities Berhad, the listing exercise is as follows:

**Completed Transactions****(i) Employee Share Scheme**

Ceramat Ceria Sdn Bhd ("CCSB"), State Financial Secretary ("SFS") and Sarawak Land Development Board ("SLDB"), collectively known as the Offerors, together with the Company implemented a share scheme for the employees of the Company and its subsidiaries. The Employee Share Scheme ("ESS") involved the sale of 135,000 ordinary shares of RM1.00 each of the Company by the Offerors, on a proportionate basis to their then existing shareholdings in the Company to the eligible employees of the Company and its subsidiaries.

The Offerors offered a total of 135,000 ordinary shares of RM1.00 each to certain employees of the Company and its subsidiaries at the offer price of RM1.90 per ordinary share as part of a reward and incentive scheme for employees.

The ordinary shares under the ESS are entitled to the Bonus Issue as disclosed in Section A (iv) (iii).

The ESS was completed on 18 June 2007.

**(ii) State Financial Secretary Divestment (SFS Divestment)**

The Company's substantial shareholders, SFS, had on 19 June 2007 disposed of its 18,800,001 ordinary shares of RM1.00 each to the following persons at the price of RM2.00 per share:

	No. of ordinary shares of RM1.00 each
Dayak Cultural Foundation	6,266,667
Yayasan Budaya Melayu Sarawak	6,266,667
Yayasan Sarawak	6,266,667
	<u>18,800,001</u>

The ordinary shares under the SFS Divestment are entitled to the Bonus Issue as disclosed in Section A (iv) (iii). These shareholders will not participate in the Offer for Sale.

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A GENERAL INFORMATION (CONTINUED)

(iv) Listing Scheme (continued)

(iii) Bonus Issue

Subsequent to the ESS and SFS Divestment, the Company had implemented a Bonus Issue of 115,000,000 new ordinary shares of RM1.00 each to be issued to all the shareholders of the Company then on the basis of about 0.85 bonus share for every one (1) ordinary share held.

After the completion of the Bonus Issue, the issued and paid-up share capital of the Company increased from RM135,000,000 comprising 135,000,000 ordinary shares of RM1.00 each to RM250,000,000 comprising 250,000,000 ordinary shares of RM1.00 each.

The Bonus Issue was capitalised partly from the share premium and retained earnings of the Company.

The bonus shares rank equally in all respects with the existing ordinary shares of the Company.

The Bonus Issue was completed on 5 July 2007.

**Proposals**

(i) Initial Public Offering ("IPO")

(a) Offer for Sale

The Offerors are undertaking an offer for sale of a total of 39,750,000 ordinary shares of RM1.00 each in the Company at an offer price of RM3.00 per ordinary share

The Offer for Sale will be carried out concurrently with the Public Issue.

(b) Public Issue

The Public Issue comprises the issuance of 30,000,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM3.00 per ordinary share. The gross proceeds from the Public Issue of RM90,000,000, will be received on the date of listing of the Company's shares on the Main Board of Bursa Securities, expected to be on 28 August 2007.

(ii) Listing

Upon completion of the Dividend, ESS, SFS Divestment, Bonus Issue and Initial Public Offering, the entire enlarged issued and paid-up share capital of the Company of RM280,000,000 comprising 280,000,000 ordinary shares of RM1.00 each are to be listed and quoted on the Main Board of Bursa Securities.

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**B FINANCIAL STATEMENTS AND AUDITORS**

The financial statements of SPB and its subsidiaries for the financial years ended 31 December 2004 to 31 December 2006 and the financial period ended 31 March 2007 were prepared in accordance with Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities other than Private Entities and were audited in accordance with approved auditing standards in Malaysia.

The financial statements for all periods under review were authorised for issue by the Board of Directors in accordance with their resolutions dated, 29 August 2005, 30 June 2006, 27 April 2007 and 11 July 2007.

We are auditors of SPB and its subsidiaries for all periods relevant to this report except for the following subsidiaries which are audited by a firm other than PricewaterhouseCoopers:

<u>Companies</u>	<u>Auditors</u>
Azaria Sdn Bhd	Andy Chia & Co
Cayamas Sdn Bhd	Andy Chia & Co
Lionsun Timber Sdn Bhd	Andy Chia & Co
SPS Trading Sdn Bhd	Andy Chia & Co
Titian Tepat Sdn Bhd	Andy Chia & Co

The financial statements of SPB and its subsidiaries for all periods under review were audited and reported on without any qualification to the shareholders of the Group as a body in accordance with Section 174 of the Companies Act 1965 and for no other purpose. These financial statements have not been re-audited and the audit opinions have not been updated.

The audit opinions on the statutory financial statements of SPB are set out in the following appendices:

Appendix I:	Audit opinion on the statutory financial statements of SPB for the financial period ended 31 March 2007
Appendix II:	Audit opinion on the statutory financial statements of SPB for the financial year ended 31 December 2006
Appendix III:	Audit opinion on the statutory financial statements of SPB for the financial year ended 31 December 2005
Appendix IV:	Audit opinion on the statutory financial statements of SPB for the financial year ended 31 December 2004

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**C CHANGE IN ACCOUNTING POLICY****FRS 117: Leases**

Upon adoption of FRS 117: Leases the Group had changed its policy in reclassifying leasehold land as prepaid lease payments.

The change in accounting policy was accounted for retrospectively and the impact on the Group's financial statements for the current period and prior financial year are shown as follows:

**(a) Effect of change in accounting policy on financial statements for the financial period ended 31 March 2007**

The following table discloses the impact of the adjustment that has been made in accordance with the change in accounting policy on the Group's Balance Sheet for the financial period ended 31 March 2007.

## i. Effect on Balance Sheet as at 31 March 2007

	<b>FRS 117 Change in accounting policy RM'000</b>
Property, plant and equipment	(8,049)
Prepaid lease rental	8,049
	<u>          </u>

**(b) Restatement of balance sheet for the financial years ended 31 December 2004 to 31 December 2006**

The following tables disclose the adjustments that have been made in accordance with the changes in accounting policy to the Group's Balance Sheet for the financial years ended 31 December 2004 to 31 December 2006.

## i. Restatement of Balance Sheet as at 31 December 2006

	<b>As previously reported RM'000</b>	<b>FRS 117 Change in accounting policy RM'000</b>	<b>As restated RM'000</b>
Property, plant and equipment	8,098	(8,098)	0
Prepaid lease rental	0	8,098	8,098
	<u>          </u>	<u>          </u>	<u>          </u>



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## C CHANGE IN ACCOUNTING POLICY (continued)

## (b) Restatement of balance sheet for the financial years ended 31 December 2004 to 31 December 2006 (continued)

## ii. Restatement of Balance Sheet as at 31 December 2005

	<b>As previously reported</b>	<b>FRS 117 Change in accounting policy</b>	<b>As restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	8,360	(8,360)	0
Prepaid lease rental	0	8,360	8,360
	<u>          </u>	<u>          </u>	<u>          </u>

## iii. Restatement of Balance Sheet as at 31 December 2004

	<b>As previously reported</b>	<b>FRS 117 Change in accounting policy</b>	<b>As restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	8,532	(8,532)	0
Prepaid lease rental	0	8,532	8,532
	<u>          </u>	<u>          </u>	<u>          </u>

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## D FINANCIAL PERFORMANCE

The following financial information are based on the audited financial statements and accounting records of the SPB Group and the Company for the three financial years ended 31 December 2006 and financial period ended 31 March 2007 after incorporating restatements set out in Section C:

		As at 31 December			Unaudited	Group
		2004	2005	2006	as at	Audited
					31 March	as at
<u>Financial position</u>					2006	31 March
Paid-up capital	(RM'000)	135,000	135,000	135,000	NA	135,000
Shareholders' funds	(RM'000)	391,670	402,077	340,835	NA	346,360
Total borrowings	(RM'000)	32,140	17,852	53,564	NA	50,000
Net Tangible						
Assets ("NTA")	(RM'000)	391,670	402,077	340,835	NA	346,360
NTA per share	(RM)	2.90	2.98	2.52	NA	2.57
Current ratio	(times)	3.6	3.3	0.9	NA	0.9
Gearing	(times)	0.1	*0	0.2	NA	0.1
Return on total assets	(times)	0.1	*0	0.1	NA	*0

		As at 31 December			Unaudited	Group
		2004	2005	2006	three months	Audited
					period ended	Three months
<u>Financial results</u>					31 March	period ended
Revenue	(RM'000)	162,231	149,686	142,372	29,217	32,937
Gross profit	(RM'000)	89,978	62,857	53,128	11,918	13,625
Finance cost	(RM'000)	748	1,663	788	285	314
Pre-tax profit after						
minority interests	(RM'000)	61,085	18,243	67,600	69,051	6,798
Profit after tax and after						
minority interests	(RM'000)	46,824	10,658	63,758	67,459	5,537
Earnings per share ("EPS")						
- Basic gross EPS	(sen)	**45	**14	**50	**51	**5
- Basic net EPS	(sen)	**35	**8	**47	**50	**4
Gross dividend rate	(%)	0	93	11	0	0
Effective tax rate	(%)	23	50	6	2	19
Gross profit margin	(%)	55	42	37	41	41
Pre-tax profit margin	(%)	38	12	47	236	21
Interest coverage ratio	(times)	30.6	10.7	86.4	242.7	23.2
After tax return on						
shareholders' funds	(%)	12	3	19	NA	2

\* Less than 0.1

\*\* Divided by RM135,000,000 being 135,000,000 ordinary shares of RM1.00 each in issue as at 31 December 2004 to 31 December 2006 and financial period ended 31 March 2007.

N/A Not applicable

The definition of financial ratios is as detailed in Appendix V to this Report.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## D FINANCIAL PERFORMANCE (CONTINUED)

		As at 31 December			Unaudited	Company
		2004	2005	2006	as at	Audited
					31 March	as at
<u>Financial position</u>					2006	31 March
Paid-up capital	(RM'000)	135,000	135,000	135,000	NA	135,000
Shareholders' funds	(RM'000)	265,581	267,360	273,815	NA	273,836
Total borrowings	(RM'000)	0	0	0	NA	0
Net Tangible						
Assets ("NTA")	(RM'000)	265,581	267,360	273,815	NA	273,836
NTA per share	(RM)	1.97	1.98	2.03	NA	2.03
Current ratio	(times)	168.8	260.7	2.6	NA	2.7
Gearing	(times)	0	0	0	NA	0
Return on total assets	(times)	0.1	*0	0.4	NA	*0

		As at 31 December			Unaudited	Company
		2004	2005	2006	three months	Audited
					period ended	Three months
<u>Financial results</u>					31 March	period ended
Revenue	(RM'000)	32,382	2,282	91,174	0	0
Gross profit	(RM'000)	32,382	2,282	91,174	0	0
Finance cost	(RM'000)	0	0	0	0	0
Pre-tax profit after						
minority interests	(RM'000)	32,244	2,288	153,670	61,878	52
Profit after tax and after						
minority interests	(RM'000)	28,862	1,779	131,455	61,858	21
Earnings per share ("EPS")						
- Basic gross EPS	(sen)	**24	**2	**114	**46	***0
- Basic net EPS	(sen)	**21	**1	**97	**46	***0
Gross dividend rate	(%)	0	93	11	0	0
Effective tax rate	(%)	11	22	14	*0	60
Gross profit margin	(%)	100	100	100	NA	NA
Pre-tax profit margin	(%)	100	100	169	NA	NA
Interest coverage ratio	(times)	0	0	0	0	0
After tax return on						
shareholders' funds	(%)	11	1	48	NA	*0

\* Less than 0.1

\*\* Divided by RM135,000,000 being 135,000,000 ordinary shares of RM1.00 each in issue as at 31 December 2004 to 31 December 2006 and financial period ended 31 March 2007.

\*\*\* Less than 1 sen

N/A Not applicable

The definition of financial ratios is as detailed in Appendix V to this Report.

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## E HISTORICAL FINANCIAL STATEMENTS

## Income Statements

The following income statements are based on the audited financial statements of the SPB Group and the Company for the financial years ended 31 December 2004 to 31 December 2006 and the financial period ended 31 March 2007 after incorporating restatements as set out in Section C:

	Note	Year ended 31 December			Group	
		2004	2005	2006	Unaudited three months period ended 31 March 2006	Audited Three months period ended 31 March 2007
		RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1	162,231	149,686	142,372	29,217	32,937
Cost of sales		(72,253)	(86,829)	(89,244)	(17,299)	(19,312)
Gross profit		89,978	62,857	53,128	11,918	13,625
Other operating income:						
- Net gain/(loss) on disposal of quoted investments		52	(1)	62,153	62,128	82
- Interest income		1,152	1,711	2,665	349	613
- Others		1,791	1,366	1,485	312	347
Distribution costs		(7,339)	(5,311)	(6,458)	(1,069)	(1,747)
Administrative expenses:						
- Impairment loss on property, plant and equipment		0	0	(3,669)	0	0
- Impairment loss on plantation development expenditure		0	0	(4,616)	0	0
- Allowance for deposits		0	(15,526)	(16,673)	0	0
- Others		(14,018)	(13,763)	(13,088)	(2,986)	(4,159)
Replanting expenditure	2	(9,853)	(11,410)	(6,588)	(1,475)	(1,465)
Profit from operations	3	61,763	19,923	68,339	69,177	7,296
Finance cost	6	(748)	(1,663)	(788)	(285)	(314)
Share of results of associates		(9)	(434)	(283)	0	0
Profit before tax		61,006	17,826	67,268	68,892	6,982
Tax expense	7	(14,261)	(7,585)	(3,842)	(1,592)	(1,261)
Profit for the financial year/period		46,745	10,241	63,426	67,300	5,721

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## E HISTORICAL FINANCIAL STATEMENTS

## Income Statements (continued)

	Note	Year ended 31 December			Unaudited	Group
		2004	2005	2006	three months	Audited
		RM'000	RM'000	RM'000	period ended	Three months
					31 March	period ended
					2006	31 March
					RM'000	2007
						RM'000
Attributable to:						
Equity holders of the Group		46,824	10,658	63,758	67,459	5,537
Minority interest		(79)	(417)	(332)	(159)	184
		<u>46,745</u>	<u>10,241</u>	<u>63,426</u>	<u>67,300</u>	<u>5,721</u>
Earnings per share attributable to equity holders of the Group (sen)						
- Basic	8	<u>34.68</u>	<u>7.89</u>	<u>47.23</u>	<u>49.96</u>	<u>4.10</u>

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## E HISTORICAL FINANCIAL STATEMENTS

## Income Statements (continued)

	Note	Company				
		Year ended 31 December			Unaudited three months period ended	Audited Three months period ended
		2004 RM'000	2005 RM'000	2006 RM'000	31 March 2006 RM'000	31 March 2007 RM'000
Revenue	1	32,382	2,282	91,174	0	0
Cost of sales		0	0	0	0	0
Gross profit		32,382	2,282	91,174	0	0
Other operating income:						
- Net gain on disposal of quoted investments		0	0	62,167	62,167	0
- Interest income		251	435	1,612	128	190
- Others		0	40	0	0	3
Administrative expenses:						
- Others		(389)	(469)	(1,283)	(417)	(141)
Profit before tax		32,244	2,288	153,670	61,878	52
Tax expense	7	(3,382)	(509)	(22,215)	(20)	(31)
Profit for the financial year/period		28,862	1,779	131,455	61,858	21

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## E HISTORICAL FINANCIAL STATEMENTS

## Balance Sheets

The following balance sheets are based on the audited financial statements of the SPB Group and the Company as at 31 December 2004 to 31 December 2006 and financial period ended 31 March 2007 after incorporating restatements as set out in Section C:

	Note	As at 31 December			Group
		2004	2005	2006	As at 31 March 2007
		RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>					
Property, plant and equipment	9	127,572	126,067	149,704	154,715
Prepaid lease rental	10	8,532	8,360	8,098	8,049
Plantation development expenditure	11	200,404	207,869	208,895	209,720
Investment in associates	13	742	308	25	25
Other investments	14	10,545	10,205	1,289	1,767
Amount due from a corporate shareholder	15	113	113	0	0
		<u>347,908</u>	<u>352,922</u>	<u>368,011</u>	<u>374,276</u>
<b>Current assets</b>					
Inventories	16	9,350	10,499	11,035	11,291
Trade and other receivables	17	41,778	27,186	14,627	14,162
Amount due from a corporate shareholder	15	11,053	11,053	11,166	11,166
Tax recoverable		5,187	9,226	454	327
Non-current assets classified as assets held for sale	19	0	0	40	40
Short term deposits	20	66,270	69,852	103,567	94,456
Cash and bank balances		3,785	3,913	2,075	2,102
		<u>137,423</u>	<u>131,729</u>	<u>142,964</u>	<u>133,544</u>
<b>Current liabilities</b>					
Trade and other payables	21	22,398	23,121	30,431	23,799
Amount due to a corporate shareholder	15	1,903	1,903	24,341	24,725
Borrowings	22	14,288	14,288	53,564	50,000
Taxation		26	53	840	1,448
Dividend payable		0	0	45,000	45,000
		<u>38,615</u>	<u>39,365</u>	<u>154,176</u>	<u>144,972</u>
<b>Net current assets/(liabilities)</b>		<u>98,808</u>	<u>92,364</u>	<u>(11,212)</u>	<u>(11,428)</u>
		<u>446,716</u>	<u>445,286</u>	<u>356,799</u>	<u>362,848</u>

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Balance Sheets (continued)

	Note	As at 31 December			Group
		2004	2005	2006	As at 31 March 2007
		RM'000	RM'000	RM'000	RM'000
<b>Capital and reserves</b>					
Share capital	23	135,000	135,000	135,000	135,000
Share premium		73,405	73,405	73,405	73,405
Reserve on consolidation		4,508	4,257	0	0
Retained earnings	24	178,757	189,415	132,430	137,967
		<u>391,670</u>	<u>402,077</u>	<u>340,835</u>	<u>346,372</u>
<b>Minority interests</b>		1,286	869	537	721
<b>Total equity</b>		<u>392,956</u>	<u>402,946</u>	<u>341,372</u>	<u>347,093</u>
<b>Non-current and deferred liabilities</b>					
Deferred tax	25	12,820	15,688	15,427	15,755
Amount due to a corporate shareholder	15	23,088	23,088	0	0
Borrowings	22	17,852	3,564	0	0
		<u>53,760</u>	<u>42,340</u>	<u>15,427</u>	<u>15,755</u>
		<u>446,716</u>	<u>445,286</u>	<u>356,799</u>	<u>362,848</u>



## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Balance Sheets (continued)

	Note	As at 31 December			Company
		2004	2005	2006	As at 31 March 2007
		RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>					
Property, plant and equipment	9	104	65	25	16
Investment in subsidiaries	12	198,686	198,686	198,686	198,686
Other investments	14	9,282	9,281	130	130
Amount due from a corporate shareholder	15	113	113	0	0
		<u>208,185</u>	<u>208,145</u>	<u>198,841</u>	<u>198,832</u>
<b>Current assets</b>					
Trade and other receivables	17	43	89	1,248	1,319
Amount due from a corporate shareholder	15	70	70	183	183
Amount due from subsidiaries	18	41,854	39,433	96,349	96,048
Short term deposits	20	15,700	19,752	23,044	22,663
Cash and bank balances		72	99	61	235
		<u>57,739</u>	<u>59,443</u>	<u>120,885</u>	<u>120,448</u>
<b>Current liabilities</b>					
Trade and other payables	21	317	182	799	416
Taxation		26	46	112	28
Dividend payable		0	0	45,000	45,000
		<u>343</u>	<u>228</u>	<u>45,911</u>	<u>45,444</u>
<b>Net current assets</b>		<u>57,396</u>	<u>59,215</u>	<u>74,974</u>	<u>75,004</u>
		<u>265,581</u>	<u>267,360</u>	<u>273,815</u>	<u>273,836</u>

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
 SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Balance Sheets (continued)

	Note	As at 31 December			Company
		2004	2005	2006	As at
		RM'000	RM'000	RM'000	31 March
<b>Capital and reserves</b>				<b>2007</b>	
Share capital	23	135,000	135,000	135,000	
Share premium		73,405	73,405	73,405	
Retained earnings	24	57,176	58,955	65,431	
		<u>265,581</u>	<u>267,360</u>	<u>273,815</u>	
				<u>273,836</u>	

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Statements of Changes in Equity

	Attributable to equity holders of the Company							
	Number of shares '000	Nominal value RM'000	Reserve on consolidation RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
2004 Group								
At 1 January 2004	135,000	135,000	4,759	73,405	131,933	345,097	1,365	346,462
Reserve on consolidation credited during the financial year	0	0	(251)	0	0	(251)	0	(251)
Income recognised directly in equity	0	0	(251)	0	0	(251)	0	(251)
Net profit for the financial year	0	0	0	0	46,824	46,824	(79)	46,745
At 31 December 2004	135,000	135,000	4,508	73,405	178,757	391,670	1,286	392,956

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Statements of Changes in Equity (continued)

2005 Group	Attributable to equity holders of the Company							
	Number of shares '000	Issued and fully paid up ordinary shares of RM1.00 each Nominal value RM'000	Reserve on consolidation RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2005	135,000	135,000	4,508	73,405	178,757	391,670	1,286	392,956
Reserve on consolidation credited during the financial year	0	0	(251)	0	0	(251)	0	(251)
Income recognised directly in equity	0	0	(251)	0	0	(251)	0	(251)
Net profit for the financial year	0	0	0	0	10,658	10,658	(417)	10,241
At 31 December 2005	135,000	135,000	4,257	73,405	189,415	402,077	869	402,946

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
 SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Statements of Changes in Equity (continued)

	Attributable to equity holders of the Company						
	Number of shares '000	Issued and fully paid up nominal value RM'000	Reserve on consolidation RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000	Total equity RM'000
2006 Group							
At 1 January 2006	135,000	135,000	0	73,405	193,672	402,077	402,946
Net profit for the financial year	0	0	0	0	63,758	63,758	63,426
Less: Dividend for the year ended 31 December 2005	0	0	0	0	(125,000)	(125,000)	0
At 31 December 2006	135,000	135,000	0	73,405	132,430	340,835	341,372

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
 SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Statements of Changes in Equity (continued)

	Attributable to equity holders of the Company						
	Issued and fully paid up ordinary shares of RM1.00 each						
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
<b>31 March 2007</b>							
Group							
At 1 January 2007	135,000	135,000	73,405	132,430	340,835	537	341,372
Net profit for the financial period	0	0	0	5,537	5,537	184	5,721
At 31 March 2007	135,000	135,000	73,405	137,967	346,372	721	347,093
<b>Unaudited</b>							
<b>31 March 2006</b>							
Group							
At 1 January 2006	135,000	135,000	73,405	193,672	402,077	869	402,946
Net profit for the financial period	0	0	0	67,459	67,459	(159)	67,300
At 31 March 2006	135,000	135,000	73,405	261,131	469,536	710	470,246

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Statements of Changes in Equity (continued)

	Company				Total RM'000
	Issued and fully paid up ordinary shares of RM1.00 each Number of shares '000	Nominal value RM'000	Non- distributable Share premium RM'000	Distributable Retained earnings RM'000	
<u>2004</u>					
At 1 January 2004	135,000	135,000	73,405	28,314	236,719
Net profit for the financial year	0	0	0	28,862	28,862
At 31 December 2004	135,000	135,000	73,405	57,176	265,581
<u>2005</u>					
At 1 January 2005	135,000	135,000	73,405	57,176	265,581
Net profit for the financial year	0	0	0	1,779	1,779
At 31 December 2005	135,000	135,000	73,405	58,955	267,360
<u>2006</u>					
At 1 January 2006	135,000	135,000	73,405	58,955	267,360
Net profit for the financial year	0	0	0	131,455	131,455
Dividend for the financial year ended 31 December 2005	0	0	0	(125,000)	(125,000)
At 31 December 2006	135,000	135,000	73,405	65,410	273,815

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Statements of Changes in Equity (continued)

	<u>Company</u>				
	<u>Issued and fully paid up ordinary shares of RM1.00 each</u>	<u>Non- distributable</u>	<u>Distributable</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>Number of shares</u>	<u>Nominal value</u>	<u>Share premium</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31 March 2007</u>					
At 1 January 2007	135,000	135,000	73,405	65,410	273,815
Net profit for the financial period	0	0	0	21	21
At 31 March 2007	<u>135,000</u>	<u>135,000</u>	<u>73,405</u>	<u>65,431</u>	<u>273,836</u>
<u>Unaudited</u>					
<u>31 March 2006</u>					
At 1 January 2006	135,000	135,000	73,405	58,955	267,360
Net profit for the financial period	0	0	0	61,858	61,858
At 31 March 2006	<u>135,000</u>	<u>135,000</u>	<u>73,405</u>	<u>120,813</u>	<u>329,218</u>



## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Cash Flow Statements

The following cash flow statements are based on the audited financial statements of the SPB Group and the Company as at 31 December 2004 to 31 December 2006 and financial period ended 31 March 2007 after incorporating restatements as set out in Section C:

	2004 RM'000	2005 RM'000	2006 RM'000	Unaudited	Group
				three months period ended 31 March 2006 RM'000	Audited Three months period ended 31 March 2007 RM'000
<b>Operating activities</b>					
Net profit for the financial year/period	46,745	10,241	63,426	67,300	5,721
Adjustments for:					
Property, plant and equipment					
- depreciation	10,134	12,551	10,652	2,575	2,749
- written off	319	372	37	0	0
- gain on disposal	(28)	(85)	(35)	0	0
- impairment loss	0	0	3,669	0	0
Amortisation of prepaid lease rental	172	172	186	49	49
Plantation development expenditure					
- impairment loss	0	0	4,616	0	0
Allowance for:					
- deposits	0	15,526	16,673	0	0
- other receivables	0	421	127	0	0
Write down/(write back) of inventories	0	(13)	80	0	0
Net (gain)/loss on disposal of quoted investments	(52)	1	(62,153)	(62,128)	(82)
Interest income	(1,152)	(1,711)	(2,665)	(349)	(613)
Gross dividend income	(2,296)	(2,327)	(43)	(27)	(20)
Reserve on consolidation credited	(251)	(251)	0	0	0
Interest expense	748	1,663	788	285	314
(Write back of allowance)/allowance made for impairment in:					
- quoted investments	43	335	(377)	0	(309)
Share of results of associates	9	434	283	0	0
Tax	14,261	7,585	3,842	1,592	1,261
	68,652	44,914	39,106	9,297	9,070
Changes in working capital:					
Inventories	(2,435)	(1,136)	(617)	(862)	(256)
Receivables	1,816	4,765	(4,187)	1,119	757
Payables	(10,164)	(8,859)	(7,091)	(8,376)	(11,004)
Restricted bank balance and deposits	105	153	67	0	0
	57,974	39,837	27,278	1,178	(1,433)
Dividend received	1,883	1,883	43	27	19
Tax refund	146	2,235	9,077	0	209
Tax paid	(18,250)	(10,502)	(3,656)	(1,184)	(408)
Interest received	2,032	1,693	2,673	497	640
Interest paid	(2,898)	(1,816)	(788)	(285)	(633)
Net cash generated from/(used in) operating activities	40,887	33,330	34,627	233	(1,606)

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Cash Flow Statements (continued)

	Note	Group				
		2004	2005	2006	Unaudited three months period ended 31 March 2006	Audited Three months period ended 31 March 2007
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>Investing activities</b>						
Purchase of investments		(8)	0	0	0	0
Net (purchases)/proceeds on disposal of quoted investment		0	3	71,444	71,446	(86)
Purchase of property, plant and equipment		(14,295)	(7,166)	(24,611)	0	(3,106)
Plantation development expenditure (net of depreciation and interest capitalised)		(7,419)	(8,112)	(5,263)	(916)	(722)
Proceeds on disposal of property, plant and equipment		35	96	35	0	0
Net cash (used in)/generated from investing activities		(21,687)	(15,179)	41,605	70,530	(3,914)
<b>Financing activities</b>						
Repayment of term loan		(14,288)	(14,288)	(14,288)	(3,572)	(3,564)
Drawdown of revolving credit		0	0	50,000	0	0
Dividend paid		0	0	(80,000)	0	0
Net cash flow used in financing activities		(14,288)	(14,288)	(44,288)	(3,572)	(3,564)
Net change in cash and cash equivalents during the financial year/ period		4,912	3,863	31,944	67,191	(9,084)
Cash and cash equivalents at beginning of the financial year/ period		63,638	68,550	72,413	72,413	104,357
Cash and cash equivalents at end of the financial year/period	26	68,550	72,413	104,357	139,604	95,273
<b>Represented by:</b>						
Short term deposits		66,270	69,852	103,567	67,595	94,456
Cash and bank balances		3,785	3,913	2,075	73,361	2,102
		70,055	73,765	105,642	140,956	96,558
Less: Bank balance restricted		(758)	(581)	(490)	(581)	(490)
Deposit pledged		(747)	(771)	(795)	(771)	(795)
Cash and cash equivalents		68,550	72,413	104,357	139,604	95,273

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Cash Flow Statements (continued)

				Unaudited three months period ended 31 March 2006 RM'000	Company Audited Three months period ended 31 March 2007 RM'000
	2004 RM'000	2005 RM'000	2006 RM'000		
<b>Operating activities</b>					
Net profit for the financial year/period	28,862	1,779	131,455	61,858	21
Adjustments for:					
Property, plant and equipment - depreciation	38	39	40	10	10
Gain on disposal of quoted investments	0	0	(62,167)	(62,167)	0
Interest income	(251)	(435)	(1,612)	(128)	(190)
Gross dividend income	(32,382)	(2,282)	(91,174)	0	0
Tax	3,382	509	22,215	20	31
	(351)	(390)	(1,243)	(407)	(128)
Changes in working capital:					
Receivables	(15,492)	2,375	(17,804)	(359)	217
Payables	13	(130)	616	2	(385)
	(15,830)	1,855	(18,431)	(764)	(296)
Dividends received	29,442	1,883	29,130	0	0
Tax refund	0	29	0	0	0
Tax paid	(405)	(123)	(375)	(36)	(114)
Interest received	251	435	1,612	183	203
Net cash (used in)/generated from operating activities	(13,458)	4,079	11,936	(617)	(207)
<b>Investing activities</b>					
Purchase of property, plant and equipment	(5)	0	0	0	0
Proceeds on disposal of quoted investments	0	0	71,318	71,318	0
Net cash (used in)/generated from investing activities	(5)	0	71,318	71,318	0

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## Cash Flow Statements (continued)

	Note				Unaudited	Company
		2004	2005	2006	three months period ended 31 March 2006	Audited Three months period ended 31 March 2007
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financing activities</b>						
Dividend paid		0	0	(80,000)	0	0
Net cash used in financing activities		0	0	(80,000)	0	0
Net change in cash and cash equivalents during the financial year/ period		13,453	4,079	3,254	70,701	(207)
Cash and cash equivalents at beginning of the financial year/ period		2,319	15,772	19,851	19,851	23,105
Cash and cash equivalents at end of the financial year/ period	26	15,772	19,851	23,105	90,552	22,898
<b>Represented by:</b>						
Short term deposits		15,700	19,752	23,044	19,352	22,663
Cash and bank balances		72	99	61	71,200	235
Cash and cash equivalents		15,772	19,851	23,105	90,552	22,898

## (i) Basis of preparation of financial statements

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

The financial statements of the Group and Company have been prepared in accordance with Financial Reporting Standard (FRS), MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act 1965.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Section E (iv).

**16. ACCOUNTANTS' REPORT (Cont'd)**

The Board of Directors  
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**E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)****(i) Basis of preparation of financial statements (continued)****(a) Standards that are effective**

The new standards that are effective for the Group's and the Company's financial period beginning on 1 January 2007 are as follows:

- **FRS 117 Leases**

This standard requires the classification of leasehold land as prepaid lease payments. The change in accounting policy was accounted for retrospectively and the impact on the Group's financial statements for the current period and prior financial years are set out in Section C(a) and (b).

Consequently amortisation of prepaid lease rental of RM49,031 (2006: RM186,000; 2005: RM172,000; 2004: RM172,000) is recognised, separately from depreciation of property, plant and equipment.

- **FRS 124 Related Party Disclosures**

This standard will affect the identification of related parties and some other related party disclosures resulting in additional disclosures in the Group's financial statement for the current period and prior financial years.

**(b) Standards and amendments to published standards that are not yet effective and have not been early adopted**

The new standards and amendments to published standards that are mandatory for financial periods beginning on or after 1 July 2007 or later periods that is applicable to the Group and the Company but have not been early adopted, are as follows:

- **FRS 139 Financial Instruments: Recognition and Measurement** (effective date yet to be determined by Malaysian Accounting Standards Board).

This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company will apply this standard when effective.

- **FRS 107: Cash Flow Statements**

The amendment to this standard provides the option of voluntary disclosure for reconciliation of cash flows from operations with net profit or loss for the period for an entity using direct method. This standard will not have an impact on the Group's and the Company's financial statements.

16. ACCOUNTANTS' REPORT (Cont'd)



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E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(i) **Basis of preparation of financial statements** (continued)

(b) **Standards and amendments to published standards that are not yet effective and have not been early adopted** (continued)

- FRS 112: Income Taxes

The amendments to this allows deferred tax asset on re-investment allowances to be recognised to the extent that future taxable profit allows the deferred tax asset to be recovered. This standard will not have an impact on the Group's and the Company's financial statements.

- FRS 118: Revenue

The amendments to this standard provides for additional guidance on the definition of "probable". This standard will not have an impact on the Group's and Company's financial statements.

- FRS 134: Interim Financial Reporting

The amendments to this standard provides for additional disclosure on;

- i) additional disclosure on the qualification and on current status of matters giving rise to the qualification where the audit report of preceding financial statements was qualified; and
- ii) additional disclosure on the fact that valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

- FRS 137: Provisions, Contingent Liabilities and Contingent Assets

The amendments to this standard removed editorial differences with IAS 37 and will not have an impact on the Group's and Company's financial statements.

16. ACCOUNTANTS' REPORT (Cont'd)



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E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(ii) **Financial risk management objectives and policies**

The Group seeks to ensure that adequate financial resources are available for the operation of the Group's business while managing its risks.

(a) **Interest rate risk**

Interest rate exposure arises from the Group's borrowings and deposits, and it's managed through periodic reviews. The Group and Company have no substantial long term interest bearing assets and liabilities as at 31 March 2007. The investment in financial assets are short term in nature and are not held for speculative purposes but mostly placed in fixed deposits. The Group's and Company's interest rate exposure is managed through a mix of fixed and floating rate borrowings.

(b) **Credit risk**

At the balance sheet date, there were no significant concentration of credit risk except for:

- (i) the trade receivables relating to a major customer for the Group's oil palm products amounting to RM4,051,796 (2006: RM4,785,497, 2005: RM4,735,000; 2004: RM4,540,000). However, the risk is foreseen to be at an acceptable level in view of prompt settlement made by the customer.
- (ii) the amounts due from a corporate shareholder of the Company. However, the Directors are of the view the risk is foreseen to be at an acceptable level in view that there are also amounts due to the corporate shareholder.
- (iii) a majority of the Group's deposits are placed with major financial institutions. The Directors are of the view that the possibility of non performance by these financial institutions is remote on the basis of their financial strength.

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

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and to mitigate the effects of fluctuations in cash flows.

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E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(iii) **Summary of significant accounting policies**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) **Basis of consolidation**

Subsidiaries are those corporations, partnerships or other entities (including special purposes entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the results of subsidiary companies acquired or disposed off are included from the date of acquisition up to the date of disposal. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus cost directly attributable to the acquisition. Identified assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference between the cost of acquisition over the fair value of the Group's share of the subsidiaries' identifiable net assets at the date of acquisition is reflected as goodwill or reserve on consolidation. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interest represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Intergroup transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless there is an impairment on asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those adopted by the Group.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary, and is recognised in the consolidated income statement.



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E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(iii) Summary of significant accounting policies (continued)

(b) Associates

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting. Associates are companies in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Equity accounting involves recognising in the income statement the Group's share of the post acquisition results of associates in the income statement and its share of post acquisition movements within reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero unless the Group has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and after eliminating sales within the Group.

Sales of palm oil is recognised upon delivery of products and acknowledgement by customers.

Management and agronomic services income is recognised upon performance of services.

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

Interest and rental income are recognised on an accrual basis.

**16. ACCOUNTANTS' REPORT (Cont'd)**

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**E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)****(iii) Summary of significant accounting policies (continued)****(d) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably.

Capital work-in-progress is not depreciated. Depreciation of capital work-in-progress commences when the assets are ready for their intended use.

All other property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets, to their residual values over their estimated useful lives at the following annual rates:

Commercial buildings	2%
Other buildings	5%
Office equipment, furniture and fittings	10% - 20%
Infrastructure works	5% - 12.5%
Plant and equipment	5% - 20%
Motor vehicles	16% - 20%

Commercial buildings comprise office buildings and shop lots held primarily to generate rental income.

Included in other buildings are estate buildings, staff quarters and laboratories.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The policy for the recognition and measurement of impairment losses is in accordance with Section E (iii)(f).

All items of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss from operations.

Repair and maintenance are charged to the income statement during the period in which they are incurred.

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E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(iii) Summary of significant accounting policies (continued)

(e) Leases

**Operating leases**

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on the straight line basis over the lease period.

Prepaid lease rental represents long term leasehold land and is amortised in equal instalments over the period of the respective leases that range from 57 to 99 years.

(f) Impairment of assets

Property, plant and equipment and other non-current assets, other than other investments, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(g) Non-current assets classified as asset held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable Financial Reporting Standards. Then, on initial classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell.

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**E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)**

**(iii) Summary of significant accounting policies (continued)**

**(h) Plantation development expenditure**

**(i) Oil palm and rubber plantation**

Plantation development expenditure comprise new planting expenditure incurred on land clearing and upkeep of trees to maturity. This expenditure is capitalised until such time when the plants attain maturity after a pre-determined period from the year of planting. No amortisation is considered necessary on plantation development expenditure as their value is maintained through replanting programmes. Replanting expenditure is charged to the income statement in the financial year/period in which the expenditure is incurred.

Interest cost on borrowings to finance the new planting expenditure are capitalised as part of plantation development expenditure during the period of time before the plants attain maturity. Interest income on the temporary investment of unutilised borrowings is deducted from the interest cost capitalised.

**(ii) Teak tree plantation**

Expenditure incurred on land clearing and upkeep of trees is capitalised under plantation development expenditure. The accumulated cost of planting will be amortised to the income statement in proportion to the teak extracted.

**(i) Investments**

Investments in subsidiaries and associates are shown at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Section E (iii)(f).

Investments in other non-current investments (other than club membership), are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Investment in club membership is stated at cost and is amortised on a straight-line basis over the tenure of the membership period of 99 years. Investment in club membership with no expiry period specified is not amortised.

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

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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (iii) Summary of significant accounting policies (continued)

## (j) Borrowing cost

## (i) Classification

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## (ii) Capitalisation of borrowing cost

Borrowing costs incurred to finance the construction of property, plant and equipment and development of new planting development expenditure are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

## (k) Inventories

Produce inventories are stated at the lower of cost and net realisable value. Cost includes, where relevant, appropriate proportions of overheads and is determined on a weighted average basis.

Nursery seedlings are the cost of seedlings remaining in the nursery for eventual field planting and are stated at cost.

Consumables are stated at cost which is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling applicable variable expenses.

## (l) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the financial period/year end.

## (m) Cash and cash equivalents

Cash and cash equivalents comprise short term deposits except for deposits pledged for banking facilities, cash and bank balances and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (iii) Summary of significant accounting policies (continued)

## (n) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by an associate or joint venture on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries are associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

## (o) Employee benefits

## (i) Short term employee benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

## (ii) Post-employment benefits

Defined contribution plan

The Group's contributions to defined contribution plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

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E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(iii) **Summary of significant accounting policies** (continued)

(o) **Employee benefits** (continued)

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(p) **Contingent liabilities and contingent assets**

The Group does not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

(q) **Foreign currencies**

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's and Company's functional and presentation currency.

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E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(iii) Summary of significant accounting policies (continued)

(r) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(ii) Fair value estimation for disclosure purposes

The fair value of financial assets and liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

All financial instruments are denominated in Ringgit Malaysia unless otherwise stated

(s) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.



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**E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)****(iv) Summary accounting estimates and judgements**

The following are the critical judgments made by management in the process of applying the Company's accounting estimates and assumptions, historical experience and expectations of future events that are believed to be reasonable under the circumstances which have the most significant effect on the amounts recognised in the financial statements.

Allowance for deposits

Sarawak Plantation Agriculture Development Sdn Bhd ("SPAD"), a subsidiary of the Company, entered into four separate Sale and Purchase Agreements ("SPA") during the financial year ended 31 December 1999 to acquire 30% equity interests in four plantation companies, namely:

- Kumpulan Kris Jati Sdn Bhd ("Kris Jati"),
- Empresa (M) Sdn Bhd ("Empresa")
- Sachiew Plantations Sdn Bhd ("Sachiew")
- Bahtera Bahagia Sdn Bhd ("Bahtera")

(collectively known as the four plantation companies) for a total purchase price of RM69.5 million.

SPAD paid an aggregated sum of RM32.2 million as deposits, for the acquisition of the four plantation companies, leaving an outstanding balance payable of RM37.3 million.

In 2005, the vendors to the SPA demanded that SPAD settle the balance of the purchase consideration for the acquisition of the four plantation companies, together with accrued interest per the SPA. However, the vendors had proposed to offset the deposit paid for Sachiew against the outstanding purchase consideration for Bahtera, as the Vendors had disposed the shares in Sachiew.

Resulting from the above demands by the vendors, the Board of Directors of the Company, in consultation with the company's lawyers, are of the view that SPAD has strong merits in all the four cases to recover the deposits paid as the Vendors of the four plantation companies had not fulfilled the conditions precedent as set out in the SPAs, which is to obtain the unconditional waiver of pre-emption rights from the other shareholder of the four plantation companies. Consequently, it is expected that the vendors will not have any recourse on the outstanding balance payable of RM37.3 million.

Notwithstanding the above, the Board of Directors have taken a view to make full allowance for the deposits paid to date of RM32.2 million as at 31 December 2006.

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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements

## 1 Revenue

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	three months	Audited
				period ended	Three months
	RM'000	RM'000	RM'000	31 March	period ended
			2006	31 March	2007
			RM'000	RM'000	RM'000
Sale of oil palm products	159,902	147,344	142,289	29,196	32,899
Agronomic services	47	60	83	21	38
Dividends from quoted investment	2,282	2,282	0	0	0
	<u>162,231</u>	<u>149,686</u>	<u>142,372</u>	<u>29,217</u>	<u>32,937</u>

	Year ended 31 December			Unaudited	Company
	2004	2005	2006	three months	Audited
				period ended	Three months
	RM'000	RM'000	RM'000	31 March	period ended
			2006	31 March	2007
			RM'000	RM'000	RM'000
Dividends from quoted investment	2,282	2,282	0	0	0
Dividends from a subsidiary	30,100	0	91,174	0	0
	<u>32,382</u>	<u>2,282</u>	<u>91,174</u>	<u>0</u>	<u>0</u>

## 2 Replanting expenditure

Replanting expenditure includes the following:

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	three months	Audited
				period ended	Three months
	RM'000	RM'000	RM'000	31 March	period ended
			2006	31 March	2007
			RM'000	RM'000	RM'000
Staff cost	1,323	1,861	1,914	447	454

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## EHISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 3 Profit from operations

The following items have been charged/(credited) in arriving at profit from operations:

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended 31 March 2006	Three months period ended 31 March 2007
Auditors' remuneration:					
- current year/period	89	129	129	0	120
- (over)/under accrual in prior years	(2)	1	3	0	0
Property, plant and equipment:					
- depreciation	10,134	12,551	10,652	2,575	2,749
- written off	319	372	37	0	0
- gain on disposal	(28)	(85)	(35)	0	0
- impairment	0	0	3,669	0	0
Amortisation of prepaid lease rental	172	172	186	49	49
Plantation development expenditure					
- impairment	0	0	4,616	0	0
Allowance/ (write back) for impairment in value of quoted investments	43	335	(377)	0	(309)
Allowance for:					
- other receivable	0	421	127	0	0
- deposits	0	15,526	16,673	0	0
(Write back)/write down for inventories	0	(13)	80	0	0
Staff cost (including executive directors' remuneration (Note 4)	32,183	33,460	33,811	7,316	8,780
Reserve on consolidation credited	(251)	(251)	0	0	0
Gross dividend income from quoted investments in Malaysia:					
- non-tax exempt	(1,426)	(1,468)	(24)	(10)	(6)
- tax exempt	(870)	(859)	(19)	(17)	(14)
Rental income	(918)	(800)	(848)	(196)	(205)
Interest income	(1,152)	(1,711)	(2,665)	(349)	(614)

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 3 Profit from operations (continued)

	Year ended 31 December			Unaudited	Company
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended	Three months
			31 March	period ended	31 March
			2006	2007	
			RM'000	RM'000	
Auditors' remuneration	15	35	35	0	35
Property, plant and equipment:					
- depreciation	38	39	40	10	10
Staff cost (including executive directors' remuneration (Note 4))	7	5	2	1	1
Gross dividend income from quoted investments in Malaysia:					
- non-tax exempt	(1,426)	(1,426)	0	0	0
- tax exempt	(856)	(856)	0	0	0
Gross dividend income from a subsidiary:					
- non-tax exempt	(10,500)	0	(77,763)	0	0
- tax exempt	(19,600)	0	(13,411)	0	0
Interest income	(251)	(435)	(1,612)	(128)	(190)

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 4 Staff costs (including executive directors' remuneration)

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended	Three months
				31 March	period ended
				2006	31 March
				RM'000	2007
					RM'000
Wages, salaries, allowances and bonus	28,775	29,303	30,123	6,525	7,893
Defined contribution plans (Employees Provident Fund)	2,041	2,215	2,185	480	509
Other employee benefits	645	960	881	112	155
Directors' remuneration (excluding fees and estimated money value of benefits-in-kind) (Note 5)	722	982	622	199	223
	<u>32,183</u>	<u>33,460</u>	<u>33,811</u>	<u>7,316</u>	<u>8,780</u>

	Year ended 31 December			Unaudited	Company
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended	Three months
				31 March	period ended
				2006	31 March
				RM'000	2007
					RM'000
Directors' remuneration (excluding fees and estimated money value of benefit in kind) (Note 5)	7	5	2	1	1
	<u>7</u>	<u>5</u>	<u>2</u>	<u>1</u>	<u>1</u>

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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 5 Directors' remuneration

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended 31 March 2006	Three months period ended 31 March 2007
Executive Directors					
- salaries, bonus, allowance and other emoluments	648	879	564	178	204
- fees	180	172	127	30	30
- defined contribution plan (Employees Provident Fund)	74	103	58	21	20
	<u>902</u>	<u>1,154</u>	<u>749</u>	<u>229</u>	<u>254</u>
Non-executive Directors					
- fees	144	168	216	78	78
- other allowances	24	14	7	4	4
- estimated monetary value of benefits-in-kind	10	7	6	3	3
	<u>178</u>	<u>189</u>	<u>229</u>	<u>85</u>	<u>85</u>
Total	<u>1,080</u>	<u>1,343</u>	<u>978</u>	<u>314</u>	<u>339</u>

	Year ended 31 December			Unaudited	Company
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended 31 March 2006	Three months period ended 31 March 2007
Executive Directors					
- salaries, bonus, allowance and other emoluments	7	5	2	1	1
- fees	48	40	24	6	6
	<u>55</u>	<u>45</u>	<u>26</u>	<u>7</u>	<u>7</u>
Non-executive Directors					
- fees	78	102	150	38	38
- other allowances	15	11	7	4	3
- estimated monetary value of benefits-in-kind	7	7	5	1	3
	<u>100</u>	<u>120</u>	<u>162</u>	<u>43</u>	<u>44</u>
Total	<u>155</u>	<u>165</u>	<u>188</u>	<u>50</u>	<u>51</u>

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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Financial Statements (continued)

## 6 Finance cost

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended 31 March 2006	Three months period ended 31 March 2007
Term loan interest	738	1,638	788	285	8
Interest charged by					
Sarawak State Government	10	25	0	0	0
Revolving credit interest	0	0	0	0	306
	<u>748</u>	<u>1,663</u>	<u>788</u>	<u>285</u>	<u>314</u>

Interest charged by the Sarawak State Government was in respect of land premiums payable arising from the acquisition of land.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 7 Tax

The tax charge for the financial year/period comprises:

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	Three months	Audited
	RM'000	RM'000	RM'000	period ended 31 March 2006	Three months period ended 31 March 2007
Malaysian income tax	11,715	4,717	4,103	1,592	933
Deferred tax (Note 25)	2,546	2,868	(261)	0	328
	<u>14,261</u>	<u>7,585</u>	<u>3,842</u>	<u>1,592</u>	<u>1,261</u>
<u>Malaysian income tax</u>					
Current year/period	11,735	6,176	4,347	1,592	933
Over accrual in prior years	(20)	(1,459)	(244)	0	0
	<u>11,715</u>	<u>4,717</u>	<u>4,103</u>	<u>1,592</u>	<u>933</u>
<u>Deferred tax (Note 25)</u>					
Origination and reversal of temporary differences (net)	2,546	2,868	928	0	328
Change in tax rate	0	0	(1,189)	0	0
	<u>2,546</u>	<u>2,868</u>	<u>(261)</u>	<u>0</u>	<u>328</u>
	<u>14,261</u>	<u>7,585</u>	<u>3,842</u>	<u>1,592</u>	<u>1,261</u>

	Year ended 31 December			Unaudited	Company
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended 31 March 2006	Three months period ended 31 March 2007
Malaysian income tax	3,382	509	22,215	20	31
<u>Malaysian income tax</u>					
Current year/period	3,399	511	22,216	20	31
Over accrual in prior years	(17)	(2)	(1)	0	0
	<u>3,382</u>	<u>509</u>	<u>22,215</u>	<u>20</u>	<u>31</u>



## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 7 Tax (continued)

The explanation of the relationship between tax expense and profit from ordinary activities before tax is as follows:

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended	Three months
			31 March	period ended	31 March
			2006	2007	
			RM'000	RM'000	
Profit before tax	61,006	17,826	67,268	68,892	6,982
Tax calculated at a tax rate of 27%(2006: 28%, 2005: 28%, 2004: 28%)	17,082	4,991	18,835	19,290	1,885
Tax effect of:					
- difference in tax rate for the first RM500,000 (2006: RM500,000, 2005: RM500,000, 2004: RM500,000) of chargeable income tax at 20%	(58)	(22)	(46)	(44)	(28)
- over recognition of temporary differences arising from change in tax rate	0	0	(1,189)	0	0
- expenses not deductible for tax purposes	1,447	6,513	5,364	506	234
- income not subject to tax	(397)	(253)	(17,477)	(17,414)	(31)
- temporary differences not recognised	468	309	531	127	18
- utilisation of tax incentive	(4,261)	(2,394)	(1,837)	(869)	(763)
- recognition of previously unrecognised temporary differences	0	(100)	(95)	(4)	(54)
- over accrual in prior years/period	(20)	(1,459)	(244)	0	0
Tax expense	14,261	7,585	3,842	1,592	1,261

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 7 Tax (continued)

	Year ended 31 December			Unaudited	Company
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended 31 March 2006	Three months period ended 31 March 2007
Profit before tax	32,244	2,288	153,670	61,878	52
Tax calculated at a tax rate of 27% (2006: 28%, 2005: 28%, 2004: 28%)	9,028	640	43,027	17,326	14
- expenses not deductible for tax purposes	99	122	351	101	17
- income not subject to tax	(5,728)	(251)	(21,162)	(17,407)	0
- over accrual in prior years/period	(17)	(2)	(1)	0	0
Tax expense	3,382	509	22,215	20	31

The amount of unutilised tax losses and deductible temporary differences, of which has no expiry date, for which no deferred tax asset is recognised in the balance sheet of the Group amounted to approximately RM5,581,000 (31.12.2006: RM5,516,000; 31.12.2005: RM4,991,000; 31.12.2004: RM4,376,000) and RM5,388,000 (31.12.2006: RM5,590,000; 31.12.2005: RM750,000; 31.12.2004: RM16,386,000) respectively.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 8 Earnings per share attributed to equity holders of the Group

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	Three months	Audited
	RM'000	RM'000	RM'000	period ended 31 March 2006	Three months period ended 31 March 2007
Profit attributable to equity holders of the Group (RM'000)	46,824	10,658	63,758	67,459	5,537
Weighted average number of ordinary shares in issue ('000)	135,000	135,000	135,000	135,000	135,000
Earnings per share attributed to equity holders of the Group (sen)					
- Basic	<u>34.68</u>	<u>7.89</u>	<u>47.23</u>	<u>49.96</u>	<u>4.10</u>

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment

Group - 2004	Long term leasehold land RM'000	Commercial buildings RM'000	Other buildings RM'000	Office equipment, furniture and fittings RM'000	Infra- structure works RM'000	Plant and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Net book value As at 1.1.2004	8,704	19,631	29,322	7,188	25,186	7,403	7,298	24,414	129,146
As previously reported	(8,704)	0	0	0	0	0	0	0	(8,704)
Change in accounting policy (Section C(b)(iii))	0	19,631	29,322	7,188	25,186	7,403	7,298	24,414	120,442
As restated	0	19,631	29,322	7,188	25,186	7,403	7,298	24,414	120,442
Additions	0	0	154	761	0	129	4,596	11,573	17,213
Disposals/written off	0	0	(223)	(10)	0	(89)	(4)	(195)	(521)
Depreciation	(172)	(452)	(2,535)	(1,835)	(1,966)	(1,618)	(2,262)	0	(10,840)
Reclassification of capital work-in- progress, now completed	0	0	9,098	0	0	13,715	0	(22,813)	0
Reclassification from plantation development expenditure (Note 11)	0	0	0	0	1,106	0	0	0	1,106
Change in accounting policy (Section C(b)(iii))	172	0	0	0	0	0	0	0	172
As at 31.12.2004	0	19,179	35,816	6,104	24,326	19,540	9,628	12,979	127,572
As at 31.12.2004	0	23,126	49,816	19,276	60,821	30,750	21,610	12,979	218,378
Cost	0	(3,947)	(14,000)	(13,172)	(36,495)	(11,210)	(1,982)	0	(90,806)
Accumulated depreciation and impairment loss	0	19,179	35,816	6,104	24,326	19,540	9,628	12,979	127,572
Net book value	0	19,179	35,816	6,104	24,326	19,540	9,628	12,979	127,572

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment (continued)

Group - 2005	Long term leasehold land RM'000	Commercial buildings RM'000	Other buildings RM'000	Office equipment, furniture and fittings RM'000	Infra-structure works RM'000	Plant and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Net book value									
As at 1.1.2005	8,532	19,179	35,816	6,104	24,326	19,540	9,628	12,979	136,104
As previously reported	(8,532)	0	0	0	0	0	0	0	(8,532)
Change in accounting policy (Section C(b)(ii))	0	19,179	35,816	6,104	24,326	19,540	9,628	12,979	127,572
As restated	0	19,179	35,816	6,104	24,326	19,540	9,628	12,979	127,572
Additions	0	0	70	1,283	5,348	681	2,144	1,107	10,633
Disposals	0	0	0*	(2)	0	(9)	0	0	(11)
Written off	0	0	(294)	(13)	(4)	(70)	(1)	(20)	(402)
Depreciation	(172)	(459)	(2,845)	(1,855)	(2,312)	(2,713)	(2,945)	0	(13,301)
Reclassification of capital work-in-progress, now completed	0	334	1,197	390	2,285	1,485	0	(5,691)	0
Reclassification to plantation development expenditure (Note 11)	0	0	0	0	(4,476)	0	0	0	(4,476)
Reclassification from plantation development expenditure (Note 11)	0	0	0	0	5,880	0	0	0	5,880
Change in accounting policy (Section C(b)(iii))	172	0	0	0	0	0	0	0	172
As at 31.12.2005	0	19,054	33,944	5,907	31,047	18,914	8,826	8,375	126,067

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment (continued)

Group - 2005 (continued)	Long term	Commercial	Other	Office	Infra-	Plant and	Motor	Capital	Total
	leasehold	buildings	buildings	equipment,	structure	equipment	vehicles	work-in-	
	land	buildings	buildings	furniture	works	equipment	vehicles	progress	Total
	RM'000	RM'000	RM'000	and fittings	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31.12.2005									
Cost	0	23,460	50,003	20,632	69,844	31,946	22,851	8,375	227,111
Accumulated depreciation and impairment loss	0	(4,406)	(16,059)	(14,725)	(38,797)	(13,032)	(14,025)	0	(101,044)
Net book value	0	19,054	33,944	5,907	31,047	18,914	8,826	8,375	126,067

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment (continued)

Group - 2006	Long term	Commercial	Other	Office	Infra-	Plant and	Motor	Capital	Total
	leasehold	buildings	buildings	equipment,	structure	equipment	vehicles	work-in-	
	land	buildings	buildings	furniture	works	RM'000	RM'000	progress	RM'000
	RM'000	RM'000	RM'000	and fittings	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value									
As at 1.1.2006	8,360	19,054	33,944	5,907	31,047	18,914	8,826	8,375	134,427
As previously reported	(8,360)	0	0	0	0	0	0	0	(8,360)
Change in accounting policy (Section C(b)(i))	0	19,054	33,944	5,907	31,047	18,914	8,826	8,375	126,067
As restated	0	19,054	33,944	5,907	31,047	18,914	8,826	8,375	126,067
Additions	0	13	166	1,012	24	392	2,924	33,866	38,397
Disposals	0	0	(11)	(18)	0	0*	(33)	0	(62)
Written off	0	0	0*	0*	0	(37)	0	0	(37)
Impairment losses	(36)	0	(3,151)	0	(41)	0	0	(441)	(3,669)
Depreciation	(186)	(443)	(2,750)	(2,090)	(2,350)	(1,414)	(1,981)	0	(11,214)
Reclassification of capital work-in-progress, now completed	0	3,396	669	1,146	7,032	3,164	16	(15,423)	0
Reclassified to asset held for sale (Note 19)	(40)	0	0	0	0	0	0	0	(40)
Change in accounting policy (Section C(b)(ii))	262	0	0	0	0	0	0	0	262
As at 31.12.2006	0	22,020	28,867	5,957	35,712	21,019	9,752	26,377	149,704

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment (continued)

Group – 2006 (continued)	Long term	Commercial	Other	Office	Infra-	Plant and	Motor	Capital	Total
	leasehold	buildings	buildings	equipment,	structure	equipment	vehicles	work-in-	
	land			furniture	works			progress	
	RM'000	RM'000	RM'000	and fittings	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31.12.2006									
Cost	0	26,869	50,698	22,762	76,899	35,397	25,715	26,818	265,158
Accumulated depreciation and impairment loss	0	(4,849)	(21,831)	(16,805)	(41,187)	(14,378)	(15,963)	(441)	(115,454)
Net book value	0	22,020	28,867	5,957	35,712	21,019	9,752	26,377	149,704



## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment (continued)

	Long term leasehold land RM'000	Commercial buildings RM'000	Other buildings RM'000	Office equipment, furniture and fittings RM'000	infra- structure works RM'000	Plant and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Group – 31.3.2007</b>									
<b>Net book value</b>									
As at 1.1.2007	8,098	22,020	28,867	5,957	35,712	21,019	9,752	26,377	157,802
As previously reported	(8,098)	0	0	0	0	0	0	0	(8,098)
Change in accounting policy (Section C(a)(i))									
As restated	0	22,020	28,867	5,957	35,712	21,019	9,752	26,377	149,704
Additions	0	0	63	37	0	116	1,620	6,029	7,863
Depreciation	0	(125)	(654)	(555)	(676)	(343)	(498)	0	(2,852)
Reclassification of capital work-in-progress, now completed	0	0	4,804	0	2,234	0	0	(7,039)	0
As at 31.3.2007	0	21,895	33,080	5,439	37,270	20,792	10,874	25,367	154,715

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

(v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment (continued)

	Long term leasehold land RM'000	Commercial buildings RM'000	Other buildings RM'000	Office equipment, furniture and fittings RM'000	Infra- structure works RM'000	Plant and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Group – 31.3.2007 (continued)									
As at 31.3.2007									
Cost	0	26,869	55,564	22,801	79,133	35,513	27,335	25,808	273,022
Accumulated depreciation and impairment loss	0	(4,974)	(22,484)	(17,362)	(41,863)	(14,721)	(16,461)	(441)	(118,307)
Net book value	0	21,895	33,080	5,439	37,270	20,792	10,874	25,367	154,715

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment (continued)

	Company		
	Office equipment, furniture and fittings	Motor vehicles	Total
<b><u>31.12.2004</u></b>			
<b>Net book value</b>			
As at 1.1.2004	11	126	137
Additions	5	0	5
Depreciation	(1)	(37)	(38)
As at 31.12.2004	<u>15</u>	<u>89</u>	<u>104</u>
Cost	18	184	202
Accumulated depreciation	(3)	(95)	(98)
Net book value as at 31.12.2004	<u>15</u>	<u>89</u>	<u>104</u>
<b><u>31.12.2005</u></b>			
<b>Net book value</b>			
As at 1.1.2005	15	89	104
Depreciation	(2)	(37)	(39)
As at 31.12.2005	<u>13</u>	<u>52</u>	<u>65</u>
Cost	18	184	202
Accumulated depreciation	(5)	(132)	(137)
Net book value as at 31.12.2005	<u>13</u>	<u>52</u>	<u>65</u>

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment (continued)

	<b>Company</b>		
	<b>Office equipment, furniture and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b><u>31.12.2006</u></b>			
Net book value			
As at 1.1.2006	13	52	65
Depreciation	(3)	(37)	(40)
As at 31.12.2006	<u>10</u>	<u>15</u>	<u>25</u>
Cost	18	184	202
Accumulated depreciation	(8)	(169)	(177)
Net book value as at 31.12.2006	<u>10</u>	<u>15</u>	<u>25</u>
<b><u>31.3.2007</u></b>			
Net book value			
As at 1.1.2007	10	15	25
Depreciation	(0)*	(9)	(9)
As at 31.3.2007	<u>10</u>	<u>6</u>	<u>16</u>
Cost	18	184	202
Accumulated depreciation	(8)	(178)	(186)
Net book value as at 31.3.2007	<u>10</u>	<u>6</u>	<u>16</u>

\* Less than RM1,000

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 9 Property, plant and equipment (continued)

	As at 31 December			Group As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment acquired by means of:				
- cash	14,295	7,166	24,611	3,106
- payables	2,918	3,467	13,786	4,757
	17,213	10,633	38,397	7,863
				<b>Company</b>
				<b>As at</b>
				<b>31 March</b>
				<b>2007</b>
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment acquired by means of:				
- cash	5	0	0	0
	5	0	0	0

**Impairment loss**

In 2006, the Group had applied for the alienation of the Lambir and Melugu land from the Ministry of Planning and Resource Management ("MPRM"). An impairment loss was recognised on the staff quarters and other structures located at Lambir and Melugu pending the approval of alienation of land by MPRM as well as the occupational permits for the staff quarters from the respective local authorities.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 10 Prepaid lease rental

	As at 31 December			Group
	2004	2005	2006	As at
	RM'000	RM'000	RM'000	31 March 2007 RM'000
Prepaid lease rental	8,532	8,360	8,098	8,049

Prepaid lease rental represents long term leasehold land amortised in equal instalments over the period of the respective leases that range from 57 to 99 years.

Net book value of assets pledged as security for a term loan facility granted to a subsidiary as disclosed in Note 22 to this report are as follows:

	As at 31 December			Group
	2004	2005	2006	As at
	RM'000	RM'000	RM'000	31 March 2007 RM'000
Long term leasehold land	52	51	49	49

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 11 Plantation development expenditure

	<u>Oil palm plantation</u> RM'000	<u>Teak tree plantation</u> RM'000	<u>Group</u> <u>Total</u> RM'000
As at 1 January 2004	179,051	13,223	192,274
Additions during the financial year	8,260	976	9,236
Reclassification to Property, Plant and Equipment (Note 9)	(1,106)	0	(1,106)
As at 31 December 2004	<u>186,205</u>	<u>14,199</u>	<u>200,404</u>
As at 1 January 2005	186,205	14,199	200,404
Additions during the financial year	7,805	1,064	8,869
Reclassification to Property, Plant and Equipment (Note 9)	(5,880)	0	(5,880)
Reclassification from Property, Plant and Equipment (Note 9)	4,476	0	4,476
As at 31 December 2005	<u>192,606</u>	<u>15,263</u>	<u>207,869</u>

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 11 Plantation development expenditure (continued)

			Group
	Oil palm plantation RM'000	Teak tree plantation RM'000	Total RM'000
As at 1 January 2006	192,606	15,263	207,869
Additions during the financial year	5,001	641	5,642
Impairment loss	(4,616)	0	(4,616)
As at 31 December 2006	<u>192,991</u>	<u>15,904</u>	<u>208,895</u>
As at 1 January 2007	192,991	15,904	208,895
Additions during the financial period	746	79	825
As at 31 March 2007	<u>193,737</u>	<u>15,983</u>	<u>209,720</u>

Plantation development expenditure of the Group as at 31 March 2007 includes amounts of RM23,353,331 (2006: RM23,353,331; 2005: RM23,353,331; 2004: RM27,766,846) incurred on the land pledged to secure term loan facility of a subsidiary as disclosed in Note 22.

**Impairment loss**

In 2006, the Group had applied for the alienation of the Melugu land from the Ministry of Planning and Resource Management ("MPRM"). An impairment loss was recognised on the oil palm trees located at Melugu pending the approval of alienation of land by MPRM.



## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 12 Investment in subsidiaries

	<b>Company</b>			
	<b>As at 31 December</b>			<b>As at</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 March</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	198,686	198,686	198,686	198,686

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

<b>Name</b>	<b>Principal activities</b>	<b>Effective equity interest</b>			
		<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>As at</b>
		<b>%</b>	<b>%</b>	<b>%</b>	<b>31 March</b>
					<b>2007</b>
					<b>%</b>
Sarawak Plantation Agriculture Development Sdn. Bhd.	Cultivation of oil palm and processing of FFB into CPO and PK	100	100	100	100
Sarawak Plantation Property Holding Sdn. Bhd.	Property investment	100	100	100	100
Sarawak Plantation Services Sdn. Bhd.	Provision of management, agronomic, consultancy and marketing services	95	95	95	95
Titian Tepat Sdn. Bhd. +	Cultivation of oil palm	60	60	60	60
Lionsun Timber Sdn. Bhd.+	Forest timber licensee and operator ("Dormant")	100	100	100	100
Azaria Sdn. Bhd.+	Forest timber licensee and operator ("Dormant")	75	75	75	75
Cayamas Sdn. Bhd.+	Forest timber licensee and operator ("Dormant")	100	100	100	100
<b>Subsidiary of Sarawak Plantation Services Sdn. Bhd.</b>					
SPS Trading Sdn. Bhd.+	Marketing agent and dealer for water tanks and farm machineries	95	95	95	95

+ Audited by a firm other than PricewaterhouseCoopers.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 13 Investment in associate

	As at 31 December			Group As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	205	205	205	205
Share of post acquisition profits/ (losses)	537	103	(180)	(180)
	742	308	25	25

The Group's share of revenue, profit, assets and liabilities of associates are as follows:

	As at 31 December			Group As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Revenue	2,701	2,697	2,391	0
Profit after tax	(9)	(434)	(283)	0
Non-current assets	920	1,479	1,172	1,172
Current assets	609	732	694	694
Current liabilities	(624)	(1,366)	(1,554)	(1,554)
Non-current liabilities	(163)	(537)	(287)	(287)
Net assets	742	308	25	25

The details of the associates, all of which are incorporated in Malaysia, are as follows:

Name	Principal activities	Effective equity interest			
		2004	2005	2006	Group As at 31 March 2007
		%	%	%	%
<b>Associates of Sarawak Plantation Services Sdn. Bhd.</b>					
Wonderland Transport Services Sdn. Bhd.+	Provision of transportation services	33	33	33	33
Sarateak Nurseries and General Trading Sdn. Bhd.+	Business of teak nurseries	29	29	29	29

+ Audited by a firm other than PricewaterhouseCoopers.

Sarateak Nurseries & General Trading Sdn. Bhd. was placed under members voluntary liquidation as at 31 December 2006.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 14 Other investments

	As at 31 December			Group
	2004	2005	2006	As at 31 March 2007
	RM'000	RM'000	RM'000	RM'000
Quoted corporations:				
In Malaysia, at cost	10,778	10,774	1,483	1,651
Less: Impairment loss	(705)	(966)	(631)	(362)
	<u>10,073*</u>	<u>9,808*</u>	<u>852*</u>	<u>1,289*</u>
Quoted unit trust				
In Malaysia, at cost	647	647	647	648
Less: Impairment loss	(307)	(381)	(340)	(300)
	<u>340*</u>	<u>266*</u>	<u>307*</u>	<u>348*</u>
	<u>10,413</u>	<u>10,074</u>	<u>1,159</u>	<u>1,637</u>
Unquoted corporation:				
Club memberships	136	136	136	136
Less: Amortisation	(4)	(5)	(6)	(6)
	<u>132</u>	<u>131</u>	<u>130</u>	<u>130</u>
	<u>10,545</u>	<u>10,205</u>	<u>1,289</u>	<u>1,767</u>
Market value as at 31 March and 31 December:				
- Shares in quoted corporations	48,848	67,411	852	1,289
- Quoted unit trust	340	266	307	348

\* The market values of these investments as at the balance sheet date approximated their fair values.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 14 Other investments (continued)

	As at 31 December			Company
	2004	2005	2006	As at 31 March 2007
	RM'000	RM'000	RM'000	RM'000
Quoted corporations:				
In Malaysia, at cost	9,150	9,150	0	0
Unquoted corporation:				
Club memberships	136	136	136	136
Less: Amortisation	(4)	(5)	(6)	(6)
	132	131	130	130
	9,282	9,281	130	130
Market value as at 31 March and 31 December:				
- Shares in quoted corporations	47,925	66,752	0	0



## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 15 Amount due from/(to) a corporate shareholder (continued)

The amount due from/(to) a corporate shareholder, Sarawak Land Development Board ("SLDB") is unsecured, interest free with no fixed terms of repayment.

On 11 October 2006, the Company and the corporate shareholder had agreed that the Group will settle on a net basis the amounts due from and due to a corporate shareholder. During the financial year ended 31 December 2006, the non-current amounts due from/ (to) a corporate shareholder have been reclassified from non-current to current assets/liabilities.

Fair value of the non-current due from/(to) a corporate shareholder as at 31 December 2004 and 31 December 2005 are disclosed in Note 32 to this report.

## 16 Inventories

	As at 31 December			Group As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Produce inventories	2,477	1,404	4,793	5,318
Consumable stores	5,043	7,263	4,461	3,792
Nursery seedlings	1,830	1,832	1,781	2,181
	9,350	10,499	11,035	11,291

	As at 31 December			Group As at 31 March
	2004	2005	2006	2007
Inventories turnover period (months)	*0	*0	*0	*0

\* Less than 1 month

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 17 Trade and other receivables

	As at 31 December			Group As at 31 March
	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Trade receivables	4,688	5,197	6,169	4,764
Less: Allowance for doubtful debts	(14)	(14)	(14)	(14)
	4,674	5,183	6,155	4,750
Other receivables	2,414	3,237	5,332	5,177
Less: Allowance for doubtful debts	(470)	(897)	(1,024)	(1,024)
	1,944	2,340	4,308	4,153
Deposits	34,776	34,796	34,747	35,225
Less: Allowance for deposits	0	(15,526)	(32,200)	(32,200)
	34,776	19,270	2,547	3,025
Prepayments	384	393	1,617	2,234
	41,778	27,186	14,627	14,162
Trade receivables turnover period (months)	0*	0*	1	2

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 17 Trade and other receivables (continued)

	As at 31 December			Company As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Other receivables	51	95	146	150
Less: Allowance for doubtful debts	(8)	(8)	(8)	(8)
	43	87	138	142
Prepayments	0	2	1,110	1,177
	43	89	1,248	1,319
Trade receivables turnover period (months)	0*	0*	0*	0*

\* less than 1 month

Concentration of credit risk of trade receivables is substantial as the major customer is the buyer of the Group's main products of palm oil. However, the risk is foreseen to be at an acceptable level in view of prompt settlement by the customer. Hence, the management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

Deposits include amounts of RM32,200,000 (2006: RM32,200,000; 2005: RM32,200,000; 2004: RM32,200,000) paid by a subsidiary of the Company to the vendors for the acquisition of 30% equity interest in four plantation companies as disclosed in Note E(iv). Full allowance for these deposits has been made as at 31 December 2006 (2005: RM15,526,433; 2004: RM Nil).

Deposits also include an amount of RM1,862,000 (2006: RM1,862,000; 2005: RM1,862,000; 2004: RM1,862,000) representing deposits paid by a subsidiary for the purchase of Native Customary Rights (NCR) land for which the trustee of the NCR owners is in the process of procuring the alienation of the land.



## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 17 Trade and other receivables (continued)

Details of the ageing analysis of trade receivables based on the SPB Group accounting records as at 31 December and 31 March are as follows:

Group	Within credit period	Exceeding credit period			Total RM'000
	0-30 days RM'000	31-60 days RM'000	61-90 days RM'000	>90 days RM'000	
<b>31.12.2004</b>					
Trade receivables	4,651	2	1	34	4,688
<b>31.12.2005</b>					
Trade receivables	5,009	163	*0	25	5,197
<b>31.12.2006</b>					
Trade receivables	5,949	185	3	32	6,169
<b>31.3.2007</b>					
Trade receivables	4,426	2	9	327	4,764

\* Less than RM1,000

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 18 Amounts due from subsidiaries - Company

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

## 19 Non-current assets classified as held for sale

On 22 June 2006, a subsidiary of the Company, Sarawak Plantation Property Holding Sdn. Bhd., entered into a Sales and Purchase Agreement (SPA) for sale of a parcel of land for a consideration of RM515,000. The SPA is conditional upon the Company and the Purchaser obtaining at their own cost and expense, the Director of Land and Surveys, Sarawak's consent for the sale. The subsidiary of the Company expects the sale to be completed within the financial year ending 31 December 2007.

## 20 Short term deposits

	As at 31 December			Group As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Short term deposits with:				
- licensed banks	53,654	62,615	103,284	94,260
- licensed finance companies	12,616	7,237	283	196
	66,270	69,852	103,567	94,456

	As at 31 December			Company As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Short term deposits with:				
- licensed banks	15,700	19,752	23,044	22,663
	15,700	19,752	23,044	22,663

Short term deposits of the SPB Group placed with a licensed bank, amounting to RM795,236 (2006: RM795,236; 2005: RM770,828; 2004: RM747,108) is pledged for bank guarantees.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 20 Short term deposits (continued)

The weighted average effective interest rate of short term deposits of the SPB Group are as follows:

	As at 31 December			Group
	2004	2005	2006	As at
	%	%	%	31 March
Deposits with:				2007
- licensed banks	2.88	2.58	3.19	%
- licensed finance companies	2.92	2.70	3.05	3.07
				3.08

	As at 31 December			Company
	2004	2005	2006	As at
	%	%	%	31 March
Deposits with:				2007
- licensed banks	2.79	2.64	3.45	%
				3.36

## 21 Trade and other payables

	As at 31 December			Group
	2004	2005	2006	As at
	RM'000	RM'000	RM'000	31 March
Trade payables	13,811	14,452	11,009	2007
Other payables	2,194	2,254	2,378	RM'000
Accruals	6,392	6,402	17,043	10,043
Amount due to Directors	1	13	1	1,892
				11,864
	22,398	23,121	30,431	0
				23,799
Trade payables turnover period (months)	4	4	3	4

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 21 Trade and other payables (continued)

	As at 31 December			Company
	2004	2005	2006	As at
	RM'000	RM'000	RM'000	31 March
Other payables	10	68	90	45
Accruals	307	114	709	371
	<u>317</u>	<u>182</u>	<u>799</u>	<u>416</u>
Trade payables turnover period (months)	0*	0*	0*	0*

\* Less than 1 month

Details of the ageing of trade payables based on the SPB Group accounting records as at 31 December and 31 March are as follows:

	Group				Total RM'000
	Within credit period		Exceeding credit period		
	0-30 days	31-60 days	61-90 days	>90 days	
<u>31.12.2004</u>					
Trade payables	<u>9,680</u>	<u>1,807</u>	<u>1,425</u>	<u>899</u>	<u>13,811</u>
<u>31.12.2005</u>					
Trade payables	<u>5,587</u>	<u>6,101</u>	<u>1,332</u>	<u>1,432</u>	<u>14,452</u>
<u>31.12.2006</u>					
Trade payables	<u>6,634</u>	<u>1,960</u>	<u>433</u>	<u>1,982</u>	<u>11,009</u>
<u>31.3.2007</u>					
Trade payables	<u>6,367</u>	<u>1,460</u>	<u>152</u>	<u>2,064</u>	<u>10,043</u>

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 22 Borrowings

Term loan is repayable over the following periods:

	<u>As at 31 December</u>			<u>Group</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>As at</u> <u>31 March</u> <u>2007</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current				
- Secured term loan	14,288	14,288	3,564	0
- Unsecured revolving credit	0	0	50,000	50,000
	<u>14,288</u>	<u>14,288</u>	<u>53,564</u>	<u>50,000</u>
Non-current				
- Secured term loan	17,852	3,564	0	0
	<u>32,140</u>	<u>17,852</u>	<u>53,564</u>	<u>50,000</u>

The Group has two loan facilities:

## (a) Revolving credit (unsecured and interest bearing)

The revolving credit facility is jointly secured by way of a first legal charge over land and buildings and a corporate guarantee by Sarawak Plantation Berhad. However, as at 31 March 2007 only the corporate guarantee has been executed.

The revolving credit facility is for a period of 12 months from the date of the bank's letter of offer. Effective interest rate of the revolving credit facility is 5.25% (2006: 5.25%) per annum.

## (b) Term loan (secured and interest bearing)

The term loan is secured by way of a first legal charge over certain plantations land. The loan tenure is for a period of five years from the date of full drawdown and is to be repaid by fourteen quarterly installments commencing October 2003. The effective interest rate of the term loan as at 31 December 2006 was 7.45% per annum.

As at 31 March 2007, the term loan had been fully repaid.

Fair value for the term loan as at 31 December 2004 and 31 December 2005 are disclosed in Note 32 to this report.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 23 Share capital

	Group and Company			
	As at 31 December			As at
	2004	2005	2006	31 March 2007
	RM'000	RM'000	RM'000	RM'000
Authorised:				
Ordinary shares of RM1 each	500,000	500,000	500,000	500,000
Issued and fully paid:				
Ordinary shares of RM1 each	135,000	135,000	135,000	135,000

## 24 Retained earnings - Company

Subject to agreement by the tax authorities, there are sufficient Section 108 tax credits available to frank RM2,095,000 (2006: RM1,966,000; 2005: RM20,136,000; 2004: RM18,869,000) of the retained earnings of the Company, if paid out as dividends. The extent of the retained earnings not covered at that date amounted to RM63,336,000 (2006: RM63,444,000; 2005: RM38,819,000; 2004: RM159,890,000).

Subject to agreement by the tax authorities, the Company has sufficient tax exempt account to frank approximately RM51,000 (2006: RM51,000; 2005: RM764,000; 2004: RM1,620,000) of its retained earnings if paid out as tax exempt dividends.

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 25 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	As at 31 December			Group As at 31 March
	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Deferred tax liabilities	12,820	15,688	15,427	15,755
At start of financial year/period	10,274	12,820	15,688	15,427
Charged/(credited) to income statement (Note 7):				
- property, plant and equipment	2,594	2,672	1,389	328
- receivables	0	(120)	(15)	0
- provisions	0	0	(1,651)	0
- others	(48)	316	16	0
	2,546	2,868	(261)	328
At end of the financial year/period	12,820	15,688	15,427	15,755
Subject to income tax				
Deferred tax assets (before offsetting)				
- receivables	(125)	(245)	(260)	(260)
- others	(422)	(106)	(90)	(90)
- provisions	(14)	(14)	(1,665)	(1,665)
	(561)	(365)	(2,015)	(2,015)
Offsetting	561	365	2,015	2,015
	0	0	0	0
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	13,381	16,053	17,442	17,770
- offsetting	(561)	(365)	(2,015)	(2,015)
Deferred tax liabilities (after offsetting)	12,820	15,688	15,427	15,755

## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 26 Cash and cash equivalents

	As at 31 December			Group As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Short term deposits (Note 20)	66,270	69,852	103,567	94,456
Cash and bank balances	3,785	3,913	2,075	2,102
	70,055	73,765	105,642	96,558
Less: Bank balance restricted*	(758)	(581)	(490)	(490)
Deposits pledged (Note 20)	(747)	(771)	(795)	(795)
Cash and cash equivalents	68,550	72,413	104,357	95,273

	As at 31 December			Company As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
Short term deposits (Note 20)	15,700	19,752	23,044	22,663
Cash and bank balances	72	99	61	235
Cash and cash equivalents	15,772	19,851	23,105	22,898

\* The bank balance is restricted as security for bank guarantees.



## 16. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 27 Significant related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, below are the other significant related party disclosures.

Related parties and relationship

The related parties and their relationship with the Group are as follows:

Related parties

SGOS Assets Holdings Sdn Bhd ("SGOS")

ASSAR Assets Management Sdn Bhd

Sarawak Land Development Board ("SLDB")

Relationship

Dato' Sri Ahmad Tarmizi bin Haji Sulaiman, a Director of the Company is also a Director of SGOS

Haji Soedirman bin Haji Aini, a Director of the Company is also a Director of ASSAR Assets Management Sdn Bhd

Haji Chaiti @ Chaiti bin Haji Bolhassan and Dato' Sri Ahmad Tarmizi bin Haji Sulaiman, Directors of the Company, are members of the board of SLDB

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
PwC/TCK/ra/1665J(V2)  
11 July 2007

## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 27 Significant related party disclosures (continued)

The significant related party balances are as follows:

	As at 31 December			Group As at 31 March
	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000
<u>Amount due to companies in which certain Directors of the Company have financial interests</u>				
SGOS Assets Holdings Sdn Bhd	0	283	1,942	1,820
<u>Investments and short term deposits in which certain Directors of the Company have financial interests</u>				
ASSAR Assets Management Sdn Bhd	1,747	1,758	1,724	1,840

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
PwC/TCK/ra/1665J(V2)  
11 July 2007

## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 27 Significant related party disclosures (continued)

The significant related party transactions arising from normal course of business transactions during the financial period are as follows:

	Year ended 31 December			Unaudited	Group
	2004	2005	2006	three months	Audited
	RM'000	RM'000	RM'000	period ended	Three months
			31 March	period ended	31 March
			2006	2007	2007
			RM'000	RM'000	RM'000
(a) SGOS Assets Holdings Sdn Bhd					
- Proceeds from sales of FFB in relation to the management of the plantation of SGOS	0	466	1,039	166	269
- Payment of expenses on behalf of SGOS	0	(749)	(2,698)	(693)	(148)
(b) ASSAR Assets Management Sdn Bhd					
- Fund management services income/ (expenses)	60	11	1	(34)	81
(c) Sarawak Land Development Board					
- Proceeds from sales of FFB in relation to the management of the plantation of SLDB	1,587	876	792	131	189
- Payment of expenses on behalf of SLDB	(444)	(833)	(764)	(84)	(52)

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
PwC/TCK/ra/1665J(V2)  
11 July 2007

## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 28 Key management personnel and compensation

The key management personnel other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly:

<u>No.</u>	<u>Name</u>	<u>Designation</u>
i.	Bolhan Bin Berawi	Chief Financial Officer
ii.	Haji Yahya Bin Haji Daud	Visiting Engineer
iii.	Haji Abdul Hamid Bin Ibrahim	Operation Controller
iv.	Mohammad Tahir Bin Chie	Human Resource and Administration Manager
v.	Liew Men Khian	Marketing Manager

The key management personnel compensation is as follows:

	<u>Year ended 31 December</u>			<u>Unaudited</u>	<u>Group</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>three months</u>	<u>Audited</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>period ended</u>	<u>Three months</u>
				<u>31 March</u>	<u>period ended</u>
				<u>2006</u>	<u>31 March</u>
				<u>RM'000</u>	<u>2007</u>
					<u>RM'000</u>
Other key management personnel cost:					
- Salaries, bonus and other emoluments	685	1,163	831	257	246
- Defined contribution plans (Employees Provident Fund)	72	144	103	22	23
	<u>757</u>	<u>1,307</u>	<u>934</u>	<u>279</u>	<u>269</u>

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
PwC/TCK/ra/1665J(V2)  
11 July 2007

## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 29 Dividends

	<u>Total amount</u> RM'000	<u>Total paid</u> RM'000	<u>Company</u> <u>Payment</u> <u>Date</u>
<u>31.12.2006:</u>			
- In respect of the financial year ended 31 December 2005, final gross dividend of 94 sen per share on 135,000,000 ordinary shares less income tax of 28%	91,700	58,688	8 August 2006
- In respect of the financial year ended 31 December 2005, final tax exempt dividend of 25 sen per share on 135,000,000 ordinary shares	33,300	21,312	8 August 2006
	<u>125,000</u>	<u>80,000</u>	
Dividend per share (sen)	<u>92.59</u>		

At the Annual General Meeting held on 27 April 2007, a final gross dividend in respect of the financial year ended 31 December 2006 of approximately 15 sen per share less income tax of 28%, amounting to RM15,000,000 had been approved by shareholders and paid on 31 May 2007. This liability will be accrued for when approved by the shareholder of the Company.

The Directors do not recommend the payment of any dividend for the financial period ended 31 March 2007.

## 16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
PwC/TCK/ra/1665J(V2)  
11 July 2007

## E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## 30 Future capital expenditure

	As at 31 December			Group As at 31 March
	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Capital expenditure:				
Authorised and contracted for	12,596	4,883	22,420	56,127
Authorised and not contracted for	62,226	85,631	118,430	57,304
	74,822	90,514	140,850	113,431
Analysed as follows:				
- property, plant and equipment	34,972	77,042	96,452	105,622
- plantation development expenditure	39,850	13,472	44,398	7,809
	74,822	90,514	140,850	113,431

## 31 Contingent liabilities

	As at 31 December			Company As at 31 March
	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Corporate guarantees to a subsidiary for unsecured revolving credit granted by a bank	0	0	50,000	50,000



16. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
SARAWAK PLANTATION BERHAD  
PwC/TCK/ra/1665J(V2)  
11 July 2007

**E HISTORICAL FINANCIAL STATEMENTS (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**33 Segmental reporting**

There is no segmental reporting as the Group's activities are predominately engaged in the operation of oil palm plantations and milling, and all of its operations are carried out in Malaysia.

**34 Financial statements**

No financial statements of the Group and Company in respect of any period subsequent to 31 March 2007 have been prepared or audited.

**F SIGNIFICANT POST BALANCE SHEET DATE EVENTS**

Save for the listing scheme as set out in Section A(iv) of this Report, there are no significant events which have occurred subsequent to the last balance sheet date of SPB Group until the date of this Report which require adjustments to or disclosures in this Report.

A handwritten signature in black ink, appearing to be 'P. M. S. S. S.', written in a cursive style.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Jayarajan A/L U. Rathinasamy', written in a cursive style.

JAYARAJAN A/L U. RATHINASAMY  
(No. 2059/06/08 (J))  
Partner of the firm





PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SARAWAK PLANTATION BERHAD**

(Company No. 451377-P)

We have audited the financial statements set out on pages 3 to 50. These financial statements are the responsibility of the Group's and Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and Company as at 31 March 2007 and of the results and cash flows of the Group and Company for the three months period ended on that date in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act 1965.

A handwritten signature in black ink, appearing to be 'D. Minichello'.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuching

11 July 2007



**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SARAWAK PLANTATION BERHAD**

(Company No. 451377-P)

PricewaterhouseCoopers  
(AF 1146)  
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Telephone +60 82 413 957/413 958  
Facsimile +60 82 412 644  
[www.pwc.com/my](http://www.pwc.com/my)

We have audited the financial statements set out on pages 9 to 60. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these 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 to any other person for the content of this report.

We 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965 and MASB Approved Accounting Standards for Entities Other than Private Entities 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; and
  - (ii) the state of affairs of the Group and Company as at 31 December 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 16 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

16. ACCOUNTANTS' REPORT (Cont'd)



APPENDIX II

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SARAWAK PLANTATION BERHAD (CONTINUED)**  
(Company No. 451377-P)

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
9th Floor Bangunan BINAMAS  
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93756 Kuching, Sarawak, Malaysia  
Telephone +60 82 413 957/413 958  
Facsimile +60 82 412 644  
[www.pwc.com/my](http://www.pwc.com/my)

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

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuching

JAYARAJAN a/l U. RATHINASAMY  
(No. 2059/06/08 (J))  
Partner of the firm

27 APR 2007



**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SARAWAK PLANTATION BERHAD**

(Company No. 451377-P)

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
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[www.pwc.com/my](http://www.pwc.com/my)

We have audited the financial statements set out on pages 8 to 46. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these 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 to any other person for the content of this report.

We 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965 and MASB 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; and
  - (ii) the state of affairs of the Group and Company as at 31 December 2005 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 15 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.



**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SARAWAK PLANTATION BERHAD (CONTINUED)**

(Company No. 451377-P)

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
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We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

JAYARAJAN a/l U. RATHINASAMY  
(No. 2059/06/06 (J))  
Partner of the firm

Kuching

30 June 2006



PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
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**REPORT OF THE AUDITORS  
TO THE MEMBERS OF SARAWAK PLANTATION BERHAD**  
(Company No. 451377-P)

We have audited the financial statements set out on pages 8 to 40. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these 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 to any other person for the content of this report.

We 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965 and MASB 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; and
  - (ii) the state of affairs of the Group and Company as at 31 December 2004 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 15 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.



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**REPORT OF THE AUDITORS  
TO THE MEMBERS OF SARAWAK PLANTATION BERHAD (CONTINUED)**  
(Company No. 451377-P)

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

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuching

29 AUG 2005

THAYAPARAN A/L S. SANGARAPILLAI  
(No. 2085/09/06 (J))  
Partner of the firm

**16. ACCOUNTANTS' REPORT (Cont'd)****APPENDIX V****SARAWAK PLANTATION BERHAD  
ACCOUNTANTS' REPORT**

11 July 2007

**DEFINITION OF FINANCIAL RATIOS**

<b>Financial Position</b>	
Paid up capital	The amount of share capital paid to date
Shareholders' funds	Share capital + Reserves
Net tangible assets ("NTA")	Total assets – Intangible assets – Total liabilities – Minority Interest
NTA per share	$\frac{\text{Net tangible assets}}{\text{Number of ordinary shares in issue}}$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Gearing	$\frac{\text{All interest-bearing debts}}{\text{Shareholders' funds}}$

<b>Financial Results</b>	
Earnings per share (basic)	$\frac{\text{Profit for the financial year attributable to equity holders of the entity}}{\text{Weighted average number of ordinary shares in issue}}$
Gross dividend rate	$\frac{\text{Gross dividend}}{\text{Paid up capital}}$
Effective tax rate	$\frac{\text{Income tax charge (current tax + deferred tax in respect of current year)}}{\text{Profit before tax}}$
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}}$
Pre-tax profit margin	$\frac{\text{Profit before tax}}{\text{Revenue}}$
Interest cover ratio	$\frac{\text{Profit before interest and tax}}{\text{Interest expense and interest capitalised}}$
After tax return on shareholders funds'	$\frac{\text{Profit for the financial year attributable to equity holders of the entity}}{\text{Shareholders' funds}}$

<b>Turnover period</b>	
Trade receivables turnover period	$\frac{\text{Trade receivables (net of allowance) x 365 days}}{\text{Revenue}}$
Trade payables turnover period	$\frac{\text{Trade payables x 365 days}}{\text{Cost of sales}}$

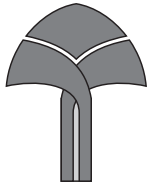


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**17. DIRECTORS' REPORT**

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*(Prepared for inclusion in this Prospectus)*



**SARAWAK PLANTATION BERHAD (451377-P)**

---

Date: 1<sup>st</sup> August 2007

The Shareholders  
**Sarawak Plantation Berhad**

Dear Sirs / Madam,

On behalf of the Directors of Sarawak Plantation Berhad ("SPB"), I report after due inquiry that during the period from 31 March 2007 (being the date to which the last audited financial statements of SPB and its subsidiaries have been made up) to 1 August 2007 (being the date not earlier than Fourteen (14) days before the issue of this Prospectus):

- (a) the business of SPB and its subsidiaries has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of SPB and its subsidiaries which have adversely affected the trading or the value of the assets of SPB and its subsidiaries;
- (c) the current assets of SPB and its subsidiaries appear in the books at values that are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 14.4.3 of this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by SPB and its subsidiaries;
- (e) there have been, since the last audited financial statements of SPB and its subsidiaries, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in respect of any borrowings; and
- (f) save as disclosed in this Prospectus, there have been, since the last audited financial statements of SPB and its subsidiaries, no material changes in the published reserves or any unusual factors affecting the profit of SPB and its subsidiaries.

Yours faithfully,  
For and on behalf of the Board of Directors  
of Sarawak Plantation Berhad

**HAJI MOHAMAD BOLHAIR REDUAN**  
Group Managing Director  
C:SPB-Directors' Report.doc

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Tel : (082)233550, 233560, 233570 Fax : (082)256560, 233670 E-mail : spbhd@po.jaring.my, mrbol@po.jaring.my

Miri Office : Lot 1174, Block 9, MCLD, Miri Waterfront, Jalan Permaisuri, P.O. Box 661, 98008 Miri, Sarawak.  
Tel : (085)413814 (12 Lines) Fax : (085)414703, 416192 E-mail : spssb@po.jaring.my