TRADEWINDS PLANTATION BERHAD
(Company No. 650234 - A)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2012
(In Ringgit Malaysia)

Company No. 650234 - A

TRADEWINDS PLANTATION BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

CONTENTS **PAGE(S)**

TRADEWINDS PLANTATION BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS

The Directors of **TRADEWINDS PLANTATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

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

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Profit for the financial year	161,905	11,074
Attributable to:		
Owners of the parent	142,321	11,074
Non-controlling interests	19,584	-
	161,905	11,074

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the exceptional items and acquisition of a subsidiary as disclosed in Notes 7, 41 and 48 to the financial statements.

DIVIDENDS

Final dividend and special dividend of 5.00 sen per ordinary share each, less tax at 25%, amounting to RM19,843,253 and RM19,843,253 respectively, proposed in the previous financial year and dealt with in the previous financial year Directors’ Report were paid on 26 July 2012.

An interim dividend of 5.00 sen per ordinary share, less tax at 25%, amounting to RM19,843,253, in respect of the financial year ended 31 December 2012 was paid on 8 January 2013.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2012.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year other than those disclosed in Note 49 to the financial statements.

DIRECTORS

The Directors who held office since the date of the last report are:

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Datuk Wira Ismail bin Saleh (appointed on 3 October 2012)
Ooi Teik Huat
Pakhruddin bin Sulaiman
Mohd Nazri bin Md. Shariff
Datuk Bakry bin Hamzah (resigned on 31 October 2012)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2012 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:

	Number of ordinary shares of RM1.00 each			
	Balance as at 1.1.2012	**Bought**	**Sold**	**Balance as at 31.12.2012**
Shares in the Company				
Dato' Wira Syed Abdul Jabbar bin Syed Hassan	15,000	-	-	15,000
Pakhruddin bin Sulaiman	9,000	-	-	9,000

None of the other Directors holding office at the end of the financial year held shares or had beneficial interest in shares of the Company or of related companies during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (other than the benefit included in the aggregate of emoluments received or due and receivable by the Directors as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the following:

(a) remuneration received by certain Directors as Directors or executives of the immediate holding company and its subsidiaries; and

(b) deemed benefits arising from related party transactions as disclosed in Note 45 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 8 February 2012, Mardec International Sdn. Bhd. (“MISB”), an indirect wholly-owned subsidiary of the Company, and the other shareholders of R1 International Pte. Ltd. (“R1”) entered into a conditional Share Sale Agreement with Hainan State Farms Investment Limited (“HSF”) and Hainan Rubber Group (Singapore) Pte. Ltd. for the disposal of 6,300,000 ordinary shares of USD1.00 each, representing 90% of the equity interest in R1, for a total cash consideration of USD51,725,016.

Pursuant to the Share Sale Agreement, MISB has disposed 3,150,000 ordinary shares of USD1.00 each, representing its entire 45% equity interest in R1 to HSF for a cash consideration of USD25,862,508 or approximately RM76 million.

The disposal was completed on 30 April 2012 realising a gain on disposal of RM24,956,000 as disclosed in Note 7 to the financial statements and R1 ceased to be an associate of the Group.

(b) On 29 March 2012, Amalan Penaga (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a conditional Share Sale Agreement with Tradewinds (M) Berhad, the immediate holding company of the Company, for the acquisition of 11,259,523 ordinary shares of RM1.00 each in Retus Plantation Sdn. Bhd. (“RPSB”), representing its entire 60% equity interest in RPSB, at a final purchase consideration of RM134,964,467 (“RPSB Acquisition”).

The RPSB Acquisition was approved by the shareholders of the Company at the extraordinary general meeting held on 19 September 2012 and was completed on 28 September 2012.

(c) On 17 July 2012, Johore Tenggara Oil Palm Berhad (“JTOP”), a wholly-owned subsidiary of the Company, entered into a Shareholders Agreement with Future NRG Sdn. Bhd. (“FNRG”) to collaborate with each other and invest in LPT Biomass Sdn. Bhd. (“LPT Biomass”) as the joint venture company to undertake and carry out the construction and operation of a dry long fibre plant at Sungai Kachur Oil Palm Estate, an estate owned by a wholly-owned subsidiary of the Company, with an estimated construction cost of RM6.67 million. The issued and paid-up capital of LPT Biomass is RM100,000 comprising 100,000 ordinary shares of RM1.00 each and the agreed shareholding ratio of JTOP and FNRG in LPT Biomass is 70% and 30% respectively.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) On 19 December 2012, the Company entered into a Share Sale Agreement with Perbadanan Kemajuan Negeri Kedah ("PKNK") for the acquisition of 300,000 ordinary shares of RM1.00 each representing the balance 30% equity interest in Northern Intergrated Agriculture Sdn. Bhd. ("NIA") for a purchase consideration equal to 30% of the audited net asset value ("NAV") of NIA as at 31 December 2012 ("NIA Acquisition"). A deposit of RM2.4 million was paid on even date as disclosed in Note 24 to the financial statements.

The NIA Acquisition was completed on 16 January 2013 with additional payment of RM21.6 million based on the anticipated audited NAV as at 31 December 2012. Consequently, NIA becomes a wholly-owned subsidiary of the Company.

The balance of the purchase consideration which is the amount in excess of RM24.0 million, if any, shall be payable by the Company to PKNK within 14 days from the date both parties mutually agree on the final audited NAV. If the final purchase consideration is less than RM24.0 million, PKNK shall refund the amount over paid by the Company within 14 days from the date both parties mutually agree on the final audited NAV.

(b) Tradewinds (M) Berhad ("TWM"), the immediate holding company of the Company, has on 24 December 2012, received a notice of conditional take-over offer from Perspective Lane (M) Sdn. Bhd. ("PLSB"), Kelana Ventures Sdn. Bhd., Seaport Terminal (Johore) Sdn. Bhd. and Acara Kreatif Sdn. Bhd. ("Joint Offerors") through Maybank Investment Bank Berhad ("Maybank IB") to acquire all remaining ordinary shares of RM1.00 each in TWM ("TWM Shares") not already owned by the Joint Offerors ("TWM Offer Shares") for a cash offer price of RM9.30 per TWM Offer Share ("TWM Offer"). The TWM Offer is conditional upon the TWM Offer having been validly accepted by the holders of the TWM Offer Shares of not less than nine-tenths (9/10) in the nominal value of the TWM Offer Shares.

On 28 February 2013, on behalf of the Joint Offerors, Maybank IB announced that the TWM Offer had become unconditional as to acceptances. Consequently, Restu Jernih Sdn. Bhd. and PLSB became the ultimate and immediate holding companies of TWM respectively.

On 4 April 2013, TWM was de-listed from the official list of Bursa Malaysia Securities Berhad.

(c) As a result of the TWM Offer that became unconditional as to acceptances on 28 February 2013 and pursuant to the Malaysian Code on Take-Overs and Mergers, 2010, the Joint Offerors have triggered the obligation to undertake a mandatory take-over offer to acquire:-

(i) all the remaining ordinary shares of RM1.00 each in the Company ("TPB Shares") not already owned by the Joint Offerors and TWM, being the person acting in concert with the Joint Offerors ("PAC"), and such number of new TPB Shares that may be issued and allotted prior to the closing date of the take-over offer of the Company pursuant to the conversion of the outstanding irredeemable convertible unsecured loan stocks of the Company ("TPB ICULS") ("TPB Offer Shares") for a cash offer price of RM5.00 per TPB Offer Share ("TPB Shares Offer"); and

(ii) all the outstanding TPB ICULS not already owned by the Joint Offerors and the PAC ("TPB Offer ICULS") for a cash offer price of RM3.13 per TPB Offer ICULS ("TPB ICULS Offer").

The TPB Shares Offer and TPB ICULS Offer are to be collectively referred to as the "TPB Offer". The TPB Offer Shares and TPB Offer ICULS are to be collectively referred to as "TPB Offer Securities".

The TPB Offer is not conditional upon any minimum level of acceptances of the TPB Offer Shares.

The Company had on 28 February 2013 received the notice of unconditional take-over offer from the Joint Offerors through Maybank IB for the TPB Offer. The Board of Directors of Company did not seek an alternative person to make a take-over offer for the TPB Offer Securities.

On 8 March 2013, the Company has appointed Kenanga Investment Bank Berhad as the independent adviser to advise the non-interested directors of the Company and holders of the TPB Offer Securities in relation to the TPB Offer.

The offer document, which sets out the details, terms and conditions of the TPB Offer, was despatched to the Board of Directors of the Company and the holders of the TPB Offer Securities on 21 March 2013.

On 27 March 2013, the Joint Offerors have received valid acceptances of the TPB Offer in respect of 86,887,600 TPB Shares, representing 16.42% of the Company's issued and paid-up share capital, resulting in the Joint Offerors and the PAC collectively holding more than 90% of the Company's issued and paid-up share capital. Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as the Joint Offerors and the PAC did not intend to maintain the listing status of the Company, the trading of TPB Shares was suspended on 9 April 2013.

On 8 April 2013, the Joint Offerors have extended the closing date of the TPB Offer from 11 April 2013 to 25 April 2013.

On 11 April 2013, the Joint Offerors have received valid acceptances of the TPB Offer in respect of 127,077,616 TPB Shares, representing 24.02% of the Company's issued and paid-up share capital, resulting in the Joint Offerors and the PAC collectively holding 97.72% of the Company's issued and paid-up share capital.

As the Joint Offerors have received valid acceptances of not less than nine-tenths (9/10) of the nominal value of the TPB Offer Shares, the Joint Offerors will, at any time within 2 months from 11 April 2013, invoke the provisions under Section 222 of the Capital Markets and Services Act, 2007 to compulsorily acquire any outstanding TPB Offer Shares for which acceptances have not been received. The Joint Offerors did not intend to compulsorily acquire any TPB Offer ICULS for which acceptances have not been received.

On 17 April 2013, the Joint Offerors have received valid acceptances of the TPB Offer in respect of 129,187,596 TPB Shares, representing 24.41% of the Company's issued and paid-up share capital, resulting in the Joint Offerors and the PAC collectively holding 98.11% of the Company's issued and paid-up share capital.

The TPB Offer will remain open for acceptances until 25 April 2013.

HOLDING COMPANIES

The Directors regard Tradewinds (M) Berhad, a company incorporated in Malaysia, as the immediate holding company.

As disclosed above and in Note 49(b) to the financial statements, Restu Jernih Sdn. Bhd. and Perspective Lane (M) Sdn. Bhd., both incorporated in Malaysia, became the ultimate and penultimate holding companies respectively effective from 28 February 2013.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

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

DATO' WIRA SYED ABDUL JABBAR
BIN SYED HASSAN

OOI TEIK HUAT

Kuala Lumpur
17 April 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRADEWINDS PLANTATION BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **TRADEWINDS PLANTATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 146.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

(Forward)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) We have considered the accounts and auditors' reports of all the subsidiaries of which we have not acted as auditors, as mentioned in Note 15 to the financial statements, being accounts that have been included in the financial statements of the Group;

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of financial statements of the Group and we have received satisfactory information and explanations required by us for these purposes; and

(d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any adverse comment made under Section 174(3) of the Act.

(Forward)

Other Reporting Responsibilities

The supplementary information set out in Note 33(d) to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

NG YEE HONG
Partner - 2886/04/13 (J)
Chartered Accountant

17 April 2013

TRADEWINDS PLANTATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group		Company	
	Note	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Revenue	5	2,797,684	1,703,854	44,514	69,414
Other operating income		42,304	23,237	38,261	38,019
Changes in inventory of finished goods and work in progress		6,412	2,863	-	-
Raw materials and consumables used		(1,968,642)	(802,142)	-	-
Staff costs	6	(192,922)	(151,245)	(14,128)	(15,513)
Depreciation and amortisation expenses	7	(133,087)	(105,060)	(1,292)	(1,428)
Other operating expenses		(270,290)	(194,871)	(9,676)	(12,656)
Finance costs	7	(40,177)	(24,894)	(40,002)	(39,062)
Bargain purchase gain	41	4,854	18,427	-	-
Share of results of associates	16	810	1,619	-	-
Share of result of a jointly controlled entity	17	45	5,036	-	-
Profit before tax	7	246,991	476,824	17,677	38,774
Tax expense	8	(85,086)	(112,100)	(6,603)	(4,036)
Profit for the financial year		161,905	364,724	11,074	34,738

(Forward)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Other comprehensive income					
Exchange differences on translating foreign operations:					
- Exchange differences for the year		(2,654)	(2,394)	-	-
- Transfer to profit or loss on disposal		2,597	-	-	-
Available-for-sale financial assets:					
- Fair value loss for the year		(222)	(376)	-	-
- Transfer to profit or loss on disposal		-	(114)	-	-
Other comprehensive loss for the financial year, net of tax		(279)	(2,884)	-	-
Total comprehensive income for the financial year		161,626	361,840	11,074	34,738
Profit attributable to:					
Owners of the parent		142,321	333,891	11,074	34,738
Non-controlling interests		19,584	30,833	-	-
		161,905	364,724	11,074	34,738
Total comprehensive income attributable to:					
Owners of the parent		142,396	332,305	11,074	34,738
Non-controlling interests		19,230	29,535	-	-
		161,626	361,840	11,074	34,738
Basic earnings per ordinary share (sen)	9	22.62	53.07		

The accompanying notes form an integral part of the financial statements.

Company No. 650234 - A

TRADEWINDS PLANTATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	1,900,566	1,686,500	3,524	4,346
Biological assets	12	1,512,592	1,203,216	-	-
Investment properties	13	3,318	3,334	-	-
Land held for property development	14	87,412	87,412	-	-
Investments in subsidiaries	15	-	-	1,314,728	1,314,728
Investments in associates	16	7,260	57,364	-	-
Investment in a jointly controlled entity	17	23,570	23,525	20,000	20,000
Other investments	18	948	1,170	-	-
Goodwill	19	25,554	25,554	-	-
Other intangible assets	20	139	154	-	-
Deferred tax assets	21	14,508	16,799	3,158	4,015
Total Non-Current Assets		3,575,867	3,105,028	1,341,410	1,343,089
Current Assets					
Inventories	22	320,523	259,873	-	-
Trade receivables	23	254,677	261,528	-	-
Other receivables	24	15,060	14,848	6,123	2,316
Amounts owing by subsidiaries	25	-	-	784,044	856,840
Amounts owing by related companies	26	-	28	-	2
Amount owing by a subsidiary of a jointly controlled entity	27	1,604	1,847	1,540	1,771

(Forward)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Amounts owing by associates	28	-	6	-	-
Derivative assets	29	285	218	-	-
Current tax assets		12,124	13,085	3,935	5,440
Deposits with licensed banks	30	91,412	103,584	50,000	86,000
Cash and bank balances		52,247	39,762	2,593	7,109
		747,932	694,779	848,235	959,478
Non-current assets held for sale	31	2,494	-	-	-
Total Current Assets		750,426	694,779	848,235	959,478
Total Assets		4,326,293	3,799,807	2,189,645	2,302,567
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	32	529,153	529,153	529,153	529,153
Reserves	33	1,367,112	1,284,246	497,144	545,600
Equity attributable to owners of the parent		1,896,265	1,813,399	1,026,297	1,074,753
Non-controlling interests		252,424	150,751	-	-
Total Equity		2,148,689	1,964,150	1,026,297	1,074,753
Non-Current Liabilities					
Amount owing to a subsidiary	25	-	-	86,783	116,025
Borrowings	34	724,804	411,819	48,472	65,464
Provision for retirement benefits	36	1,977	1,950	-	-
Deferred tax liabilities	21	429,449	337,947	-	-
Total Non-Current Liabilities		1,156,230	751,716	135,255	181,489

(Forward)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Current Liabilities					
Trade payables	37	99,763	105,049	-	-
Other payables	38	163,567	144,013	30,381	12,946
Amount owing to immediate holding company	39	326	381	324	381
Amounts owing to subsidiaries	25	-	-	747,396	814,232
Amount owing to a related company	26	-	146	-	-
Derivative liabilities	29	113	2,964	-	-
Borrowings	34	746,795	805,396	249,992	218,766
Provision for retirement benefits	36	179	371	-	-
Current tax liabilities		10,631	25,621	-	-
Total Current Liabilities		1,021,374	1,083,941	1,028,093	1,046,325
Total Liabilities		2,177,604	1,835,657	1,163,348	1,227,814
Total Equity and Liabilities		4,326,293	3,799,807	2,189,645	2,302,567

The accompanying notes form an integral part of the financial statements.

Company No. 650234 - A

TRADEWINDS PLANTATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		← Non-distributable reserves			→	Distributable reserve			
Group	**Share capital RM'000**	**Share premium RM'000**	**Foreign currency translation reserve RM'000**	**Available-for-sale reserve RM'000**	**Equity component of ICULS* RM'000**	**Retained earnings RM'000**	**Attributable to owners of the parent RM'000**	**Non-controlling interests RM'000**	**Total RM'000**
Balance as at 1 January 2011	529,153	316,155	-	975	133,657	540,840	1,520,780	123,459	1,644,239
Profit for the financial year	-	-	-	-	-	333,891	333,891	30,833	364,724
Other comprehensive loss for the financial year	-	-	(1,096)	(490)	-	-	(1,586)	(1,298)	(2,884)
Total comprehensive income for the financial year	-	-	(1,096)	(490)	-	333,891	332,305	29,535	361,840

(Forward)

Group	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Available-for-sale reserve RM'000	Equity component of ICULS* RM'000	Retained earnings RM'000	Attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total RM'000
		← Non-distributable reserves			→	Distributable reserve			
Additional non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	8,216	8,216
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(10,459)	(10,459)
Dividend paid (Note 10)	-	-	-	-	-	(39,686)	(39,686)	-	(39,686)
	-	-	-	-	-	(39,686)	(39,686)	(2,243)	(41,929)
Balance as at 31 December 2011	529,153	316,155	(1,096)	485	133,657	835,045	1,813,399	150,751	1,964,150

Group	**Share capital RM’000**	**Share premium RM’000**	**Foreign currency translation reserve RM’000**	**Available-for-sale reserve RM’000**	**Equity component of ICULS* RM’000**	**Retained earnings RM’000**	**Attributable to owners of the parent RM’000**	**Non-controlling interests RM’000**	**Total RM’000**
		← **Non-distributable reserves** →				**Distributable reserve**			
Balance as at 1 January 2012	529,153	316,155	(1,096)	485	133,657	835,045	1,813,399	150,751	1,964,150
Profit for the financial year	-	-	-	-	-	142,321	142,321	19,584	161,905
Other comprehensive loss for the financial year	-	-	297	(222)	-	-	75	(354)	(279)
Total comprehensive income for the financial year	-	-	297	(222)	-	142,321	142,396	19,230	161,626

(Forward)

Group	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Available-for-sale reserve RM'000	Equity component of ICULS* RM'000	Retained earnings RM'000	Attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total RM'000
	← Non-distributable reserves →					Distributable reserve			
Additional non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	93,213	93,213
Ordinary share capital contributed by non-controlling interest of a subsidiary	-	-	-	-	-	-	-	30	30
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(10,800)	(10,800)
Dividend paid/payable (Note 10)	-	-	-	-	-	(59,530)	(59,530)	-	(59,530)
	-	-	-	-	-	(59,530)	(59,530)	82,443	22,913
Balance as at 31 December 2012	529,153	316,155	(799)	263	133,657	917,836	1,896,265	252,424	2,148,689

* ICULS denotes Irredeemable Convertible Unsecured Loan Stocks

Company	Share capital RM'000	← Non-distributable reserves Share premium RM'000	→ Equity component of ICULS* RM'000	Distributable reserve Retained earnings RM'000	Total RM'000
Balance as at 1 January 2011	529,153	316,155	133,657	100,736	1,079,701
Total comprehensive income for the financial year	-	-	-	34,738	34,738
Dividend paid (Note 10)	-	-	-	(39,686)	(39,686)
Balance as at 31 December 2011	529,153	316,155	133,657	95,788	1,074,753
Balance as at 1 January 2012	529,153	316,155	133,657	95,788	1,074,753
Total comprehensive income for the financial year	-	-	-	11,074	11,074
Dividend paid/payable (Note 10)	-	-	-	(59,530)	(59,530)
Balance as at 31 December 2012	529,153	316,155	133,657	47,332	1,026,297

* ICULS denotes Irredeemable Convertible Unsecured Loan Stocks

The accompanying notes form an integral part of the financial statements.

TRADEWINDS PLANTATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit before tax	246,991	476,824	17,677	38,774
Adjustments for:				
Allowance for doubtful debts for:				
- trade receivables	205	-	-	-
- other receivables	21,388	-	-	-
Bargain purchase gain	(4,854)	(18,427)	-	-
Depreciation and amortisation	133,087	105,060	1,292	1,428
Fair value gain on derivative instruments	(467)	(3,852)	-	-
Unrealised foreign exchange loss	4,579	1,632	-	-
Dividend income from:				
- subsidiaries	-	-	(34,657)	(60,248)
- others	(20)	(27)	-	-
Gain on disposal of property, plant and equipment and biological assets	(637)	(3,684)	(86)	(175)
Gain on disposal of an associate	(24,956)	-	-	-
Gain on disposal of other investments	-	(176)	-	-
Inventories written down	-	1,243	-	-
Inventories written off	-	39	-	-
Finance costs	40,177	24,894	40,002	39,062
Finance income	(1,697)	(1,392)	(38,173)	(37,841)
Property, plant and equipment written off	104	82	-	2
Bad debt written off	-	9	-	-
Provision for retirement benefits	351	-	-	-
Reversal of provision for retirement benefits	-	(221)	-	-
Share of results of associates	(810)	(1,619)	-	-

(Forward)

	Group		Company	
	2012 **RM'000**	**2011** **RM'000**	**2012** **RM'000**	**2011** **RM'000**
Share of result of a jointly controlled entity	(45)	(5,036)	-	-
Operating Profit/(Loss) Before Working Capital Changes	413,396	575,349	(13,945)	(18,998)
(Increase)/Decrease in inventories	(44,927)	60,102	-	-
Decrease/(Increase) in trade and other receivables	40	108,028	(1,407)	(1,456)
(Decrease)/Increase in trade and other payables	(16,783)	30,858	(2,409)	2,050
Cash Generated From/(Used In) Operations	351,726	774,337	(17,761)	(18,404)
Income tax refunded	1,308	539	-	458
Income tax paid	(85,022)	(104,773)	(1,708)	(225)
Retirement benefits paid	(429)	-	-	-
Net Cash From/(Used In) Operating Activities	267,583	670,103	(19,469)	(18,171)
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES				
Acquisition of a subsidiary, net of cash acquired (Note 41)	(114,875)	(112,782)	-	-
Proceeds from disposal of an associate	76,240	-	-	-
Proceeds from disposal of property, plant and equipment and biological assets	734	4,322	86	194
Proceeds from disposal of other investments	-	416	-	-
Purchase of property, plant and equipment (Note 11)	(119,072)	(84,538)	(470)	(1,837)
Additions to biological assets (Note 12)	(154,097)	(131,670)	-	-
Finance income received	1,697	1,392	38,173	37,841
Subscription of redeemable convertible preference shares in a jointly controlled entity	-	(5,000)	-	(5,000)

(Forward)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Additional investment in a subsidiary	-	-	-	(275)
Deposit paid for acquisition of non-controlling interest in a subsidiary	(2,400)	-	(2,400)	-
Dividend income from:				
- subsidiaries	-	-	32,124	55,248
- associates	88	-	-	-
- others	15	27	-	-
Net Cash (Used In)/From Investing Activities	(311,670)	(327,833)	67,513	86,171
CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES				
Net drawdown/(repayment) of term loans	282,938	15,339	(13,000)	65,000
Repayment of hire purchase and finance lease liabilities	(317)	(76)	-	-
Net drawdown/(repayment) of revolving credits	25,600	(58,766)	31,000	(23,000)
Net repayment of trade financing and other short term borrowings	(23,693)	(114,908)	-	-
Redemption of Sukuk Ijarah	(30,000)	(35,000)	-	-
Redemption of Murabahah Commercial Papers/Medium Term Notes	(100,000)	-	-	-
Withdrawal of deposits held on trust for the benefit of the Islamic Debt Securities investors	2,693	814	-	-
Decrease/(Increase) in deposits pledged for banking facilities	2,151	(3,558)	-	-
Repayments from/(to) immediate holding company	124	(30)	(57)	(30)
Net repayments/advances to subsidiaries	-	-	(23,282)	(11,050)
Net repayments/advances from a subsidiary of a jointly controlled entity	243	10,098	231	10,085

(Forward)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net repayments/advances from/(to) related companies	90	(4)	2	10
Net repayments/advances from/(to) associates	6	(3)	-	-
Finance costs paid	(65,690)	(46,327)	(43,768)	(42,615)
Ordinary share capital contributed by non-controlling interest of a subsidiary	30	-	-	-
Dividend paid to minority shareholders in subsidiaries	(10,800)	(10,459)	-	-
Dividend paid to ordinary shareholders of the Company	(39,686)	(39,686)	(39,686)	(39,686)
Net Cash From/(Used In) Financing Activities	43,689	(282,566)	(88,560)	(41,286)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(398)	59,704	(40,516)	26,714
Effect of exchange rate changes	3,910	239	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	130,009	70,066	93,109	66,395
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 40)	133,521	130,009	52,593	93,109

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are set out in Note 15.

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

The registered office and principal place of business of the Company is located at Level 9, Menara HLA, No. 3, Jalan Kia Peng, 50450 Kuala Lumpur.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the Directors on 17 April 2013.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the provisions of the Companies Act, 1965 in Malaysia.

2.1 Adoption of New and Revised Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised Standards and Issues Committee Interpretations ("IC Int.") issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 January 2012 as follows:

FRS 7	Financial Instruments: Disclosures (Amendments relating to disclosures of transfers of financial assets)
FRS 112	Income Taxes (Amendments relating to deferred tax: recovery of underlying assets)
FRS 124	Related Party Disclosures (revised)

IC Int. 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments relating to prepayments of a Minimum Funding Requirement)
IC Int. 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of these new and revised Standards and IC Int. have not affected the amounts reported on the financial statements of the Group and of the Company.

In addition, on 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework") in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on 1 January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 Agriculture and/or IC Int. 15 Agreements for the Construction of Real Estate are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also include those entities that consolidate, equity account or proportionately consolidate an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012. However, on 30 June 2012, the MASB decided to extend the aforementioned transitional period for another one year. Thus, Transitioning Entities are given an additional option to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2013. Consequently, the MFRS Framework will be mandatory for application for annual periods beginning on or after 1 January 2014.

Accordingly, the Group and the Company, being Transitioning Entities, have availed themselves of this transitional arrangement and will continue to apply FRSs in their next set of financial statements. Therefore, the Group and the Company will be required to apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (MFRS 1) in their financial statements for the financial year ending 31 December 2014, being the first set of financial statements prepared in accordance with the new MFRS Framework. Further, an explicit and unreserved statement of compliance with IFRSs will be made in these financial statements.

2.2 Standards and Interpretations in Issue but Not Yet Effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Int. which were in issue but not yet effective are as listed below.

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to government loans)[3]
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to Repeated application of FRS 1 and Borrowing Costs)[3]
FRS 7	Financial Instruments: Disclosures (Amendments relating to mandatory effective date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010) and transition disclosures)[1]
FRS 7	Financial Instruments: Disclosures (Amendments relating to disclosures of offsetting financial assets and financial liabilities)[3]
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[5]
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[5]
FRS 10	Consolidated Financial Statements[3]
FRS 10	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 10, FRS 11 and FRS 12)[3]
FRS 11	Joint Arrangements[3]
FRS 11	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 10, FRS 11 and FRS 12)[3]
FRS 12	Disclosures of Interests in Other Entities[3]
FRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 10, FRS 11 and FRS 12)[3]
FRS 13	Fair Value Measurement[3]
FRS 101	Presentation of Financial Statements (Amendments relating to presentation of items of other comprehensive income)[2]
FRS 101	Presentation of Financial Statements (Amendments relating to clarification of the requirements for comparative information)[3]
FRS 116	Property, Plant and Equipment (Amendments relating to classification of servicing equipment)[3]
FRS 119	Employee Benefits (2011)[3]
FRS 127	Separate Financial Statements (2011)[3]
FRS 128	Investments in Associates and Joint Ventures (2011)[3]
FRS 132	Financial Instruments: Presentation (Amendments relating to tax effect of distribution to holders of equity instruments)[3]
FRS 132	Financial Instruments: Presentation (Amendments relating to offsetting financial assets and financial liabilities)[4]
FRS 134	Interim Financial Reporting (Amendments relating to interim financial reporting and segment information for total assets and liabilities)[3]
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine[3]

[1]Effective immediately on issuance date 1 March 2012
[2]Effective for annual periods beginning on or after 1 July 2012
[3]Effective for annual periods beginning on or after 1 January 2013
[4]Effective for annual periods beginning on or after 1 January 2014
[5]Effective for annual periods beginning on or after 1 January 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010) and FRS 7 relating to "Mandatory Effective Date of FRS 9 and Transition Disclosures" on 1 March 2012

The Directors anticipate that the abovementioned Standards and IC Int. will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and IC Int. will have no material impact on the amounts reported in the financial statements of the Group and of the Company in the period of initial application, except as discussed below.

FRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. FRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of FRS 9 are described as follows:

(a) FRS 9 requires all recognised financial assets that are within the scope of FRS 139 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

(b) The most significant effect of FRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under FRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under FRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that FRS 9 will be adopted in the Group's and Company's financial statements for the annual period beginning 1 January 2015 and that the application of FRS 9 may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In November 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including FRS 10, FRS 11, FRS 12, FRS 127 (as revised in 2011) and FRS 128 (as revised in 2011).

Key requirements of these five Standards are described below.

FRS 10 replaces the parts of FRS 127 Consolidated and Separate Financial Statements (revised in 2010) that deal with consolidated financial statements. IC Int. 112 Consolidation - Special Purpose Entities has been withdrawn upon the issuance of FRS 10. Under FRS 10, there is only one basis for consolidation, that is control. In addition, FRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in FRS 10 to deal with complex scenarios.

FRS 11 replaces FRS 131 Interests in Joint Ventures. FRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. IC Int. 113 Jointly Controlled Entities - Non-monetary Contributions by Venturers has been withdrawn upon the issuance of FRS 11. Under FRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under FRS 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under FRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under FRS 131 can be accounted for using the equity method of accounting or proportionate accounting.

FRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in FRS 12 are more extensive than those in the current standards.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of FRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. Under FRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the Directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

FRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of FRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in FRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 7 Financial Instruments: Disclosures will be extended by FRS 13 to cover all assets and liabilities within its scope.

The Directors anticipate that FRS 13 will be adopted in the Group's and the Company's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to FRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to FRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to FRS 101 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3.2 Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed off. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3.2.1 Subsidiaries

Investment in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

3.3 Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant FRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 Income Taxes and FRS 119 Employee Benefits respectively;
(b) liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 Share-based Payment; and
(c) assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

3.4 Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3.5 Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method, except when the investment is classified as held for sale, in which case it is accounted for in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

3.6 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group’s interest in the fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The Group’s policy for goodwill arising on the acquisition of an associate is described above.

3.7 Non-current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.8 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.8.1 Sales of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

(a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.8.2 Rendering of services

Revenue from rendering of management services is recognised in profit or loss upon performance of services by reference to the contracts entered into.

3.8.3 Property development

Property development revenue is recognised in respect of all development units that have been sold. Revenue recognition commences when the sale of the development unit is effected, upon the commencement of development and construction activities and when the financial outcome can be reliably estimated. The attributable portion of property development cost is recognised as an expense in the period in which the related revenue is recognised. The amount of such revenue and expenses recognised is determined by reference to the percentage of completion of development activity at the end of the reporting period. The percentage of completion is measured by reference to the cost incurred to date compared to the total estimated cost of development.

When the financial outcome of a development activity cannot be reliably estimated, the property development revenue is recognised only to the extent of property development costs incurred that is probable to be recoverable and the property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project is recognised as an expense immediately, including costs to be incurred over the defects liability period.

3.8.4 Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.8.5 Rental income

Rental income is recognised on a straight line basis over the tenure of the rental period of properties.

3.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.10 Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia (“RM”), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

(a) exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gain and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income;

(b) exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

(c) exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

(d) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.12 Employee Benefits

3.12.1 Short-term employee benefits

Salaries, wages, paid annual leave and bonuses are accrued in the period in which the associated services are rendered by the employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

3.12.2 Retirement benefit costs

Provision is made in respect of a discretionary unfunded retirement contribution scheme for eligible factory workers who have been in service for more than one year. It is accrued over their period of service.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.13.1 Current tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.13.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

3.13.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

3.14 Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that future economic benefits associated with the cost will flow to the Group and the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group and the Company is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation period and rates are as follows:

Buildings	2.5 to 10%
Long term leasehold land	55 - 999 years
Plant and machinery	5% - 20%
Motor vehicles	20%
Office equipment	10% - 33.3%
Furniture and fittings	10% - 20%
Access road	5%

Freehold land is not depreciated. Capital work-in-progress represents buildings and access road under construction and machineries under installation and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

The residual values, useful lives 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 property, plant and equipment.

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

3.15 Biological Assets

Mature plantations are stated at cost less accumulated amortisation and any accumulated impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount. Amortisation is charged to profit or loss so as to write off the cost of mature plantations, using the straight-line method, over the estimated useful lives of 25 years, representing the economic useful lives of the crops.

Costs incurred in the preparation of the nursery, purchase of seedlings and their maintenance are stated at cost. The accumulated costs will be transferred to biological assets at the time of planting.

Immature plantations are stated at cost. The costs of immature plantations consist mainly of the accumulated cost of land clearing, planting, fertilising and maintaining the plantation, borrowing costs and other indirect overhead costs up to the time the trees are harvestable and to the extent appropriate.

3.16 Land Held for Property Development

Land held for property development is stated at cost less accumulated impairment losses, if any. Such land is classified as non-current asset when no significant development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

3.17 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any impairment losses. Freehold land is not depreciated and buildings are depreciated on a straight-line basis to write-down the cost of each building to their residual values over their estimated useful lives. The principal annual depreciation rate of buildings is 2% per annum. The residual values, useful lives 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 investment property.

3.18 Intangible Assets - Patent

Patent costs comprise the purchase cost of a patent for the process of eliminating the traditional rubber odour from processed raw natural rubber. The patent is amortised on a straight-line basis over its estimated useful life of 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

3.19 Impairment of Tangible and Intangible Assets Excluding Goodwill

The carrying amounts of tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or its cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of comsumables and nurseries comprise direct materials and, where applicable, include an appropriate portion of fixed and variable overhead expenses that have been incurred in bringing the inventories to their present location and condition. Cost of oil palm finished goods includes direct materials, direct labour and variable production overheads. Cost is determined based on the weighted average method except for raw materials for rubber processing activities which are determined on a first-in, first-out basis. Cost of rubber finished goods and work-in-progress includes direct materials, direct labour and variable production overheads determined principally on a first-in, first-out basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.21 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.22 Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.22.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.22.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item in the statement of comprehensive income. Fair value is determined in the manner described in Note 43.

3.22.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

3.22.4 AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Fair value is determined in the manner described in Note 43. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

3.22.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.22.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.22.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.23 Financial Liabilities and Equity Instruments Issued by the Group and the Company

3.23.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.23.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

3.23.3 Financial liabilities

Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

3.23.4 Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group and the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

3.23.5 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in Note 43.

3.23.6 Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.23.7 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.24 Derivative Financial Instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate. Further details of derivative financial instruments are disclosed in Note 44.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.24.1 Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

3.25 Statement of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statement of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical Judgements in Applying the Company's Accounting Policies

In the process of applying the Company's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

4.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities of the Group and of the Company within the next financial year are discussed below.

4.2.1 Impairment of goodwill

The Group tests goodwill for impairment at least annually in accordance with its accounting policy.

For the purposes of assessing impairment, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Significant judgement is required in the estimation of the present value of future cash flows generated by the cash-generating units, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of goodwill.

The carrying amount of the Group's goodwill as at 31 December 2012 was approximately RM25,554,000 (2011: RM25,554,000). Further details are disclosed in Note 19.

5. REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sales of goods	2,793,795	1,699,379	-	-
Gross dividend income:				
- subsidiaries	-	-	34,657	60,248
- others	-	27	-	-
Rental income	328	113	-	-
Management fees	3,561	4,335	9,857	9,166
	2,797,684	1,703,854	44,514	69,414

6. STAFF COSTS

Included in staff costs of the Group and of the Company are:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Defined contribution plan	10,627	9,404	1,508	2,259
Provision for retirement benefits (Note 36)	351	-	-	-
Termination benefits	-	47	-	-

7. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging) the following:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Exceptional items:				
Allowance for doubtful debts for other receivables	(21,388)	-	-	-
Gain on disposal of an associate	24,956	-	-	-
Rental income	2,886	2,405	-	-
Finance income:				
- subsidiaries	-	-	37,455	36,893
- others	1,697	1,392	718	948
Realised foreign exchange gain	984	255	-	-
Gain on disposal of property, plant and equipment and biological assets	637	3,684	86	175
Fair value gain on derivative instruments	467	3,852	-	-
Dividend income	20	27	34,657	60,248
Reversal of provision for retirement benefits (Note 36)	-	221	-	-
Gain on disposal of other investments	-	176	-	-

(Forward)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Depreciation and amortisation:				
- property, plant and equipment	(72,923)	(54,144)	(1,292)	(1,428)
- biological assets (Note 12)	(60,133)	(50,802)	-	-
- investment properties (Note 13)	(16)	(111)	-	-
- other intangible assets (Note 20)	(15)	(3)	-	-
	(133,087)	(105,060)	(1,292)	(1,428)
Finance costs:				
- subsidiaries	-	-	(28,345)	(31,470)
- ICULS	(1,034)	(1,247)	(1,034)	(1,247)
- borrowings	(39,079)	(23,627)	(10,623)	(6,345)
- hire purchase and finance lease	(64)	(20)	-	-
	(40,177)	(24,894)	(40,002)	(39,062)
Corporate social responsibilities expenses and contributions	(35,034)	(13,080)	(18)	(1,026)
Unrealised foreign exchange loss	(4,579)	(1,632)	-	-
Company Directors' remuneration:				
- fees	(289)	(295)	(173)	(195)
- other emoluments	(967)	(898)	(937)	(886)
- benefits-in-kind	(25)	(25)	(25)	(25)
Other Directors' remuneration:				
- fees	(379)	(300)	-	-
- other emoluments	(23)	(15)	-	-
- benefits-in-kind	(5)	(5)	-	-
Rental of premises	(1,230)	(1,278)	(715)	(752)
Auditors' remuneration:				
- current year	(1,000)	(553)	(50)	(50)
- underprovision in prior year	(1)	(11)	-	-
Allowance for doubtful debts for trade receivables	(205)	-	-	-
Property, plant and equipment written off	(104)	(82)	-	(2)
Inventories written down	-	(1,243)	-	-
Inventories written off	-	(39)	-	-
Bad debt written off	-	(9)	-	-

8. TAX EXPENSE

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Estimated current tax payable:				
- Malaysian income tax	67,057	108,356	3,761	3,143
- Foreign tax	2,903	-	-	-
- (Over)/Underprovision in prior year	(249)	(5,139)	1,985	(83)
- Real property gains tax	-	19	-	-
	69,711	103,236	5,746	3,060
Deferred tax (Note 21):				
- Current year	12,275	14,326	815	821
- Under/(Over)provision in prior year	3,100	(5,462)	42	155
	15,375	8,864	857	976
Total tax expense	85,086	112,100	6,603	4,036

A reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit before tax	246,991	476,824	17,677	38,774
Tax at statutory tax rate of 25%	61,748	119,206	4,419	9,694
Tax effects of:				
- Expenses not deductible for tax purposes	19,139	5,144	1,703	1,846
- Current year loss and capital allowances not eligible for carry forward	4,601	2,501	4,601	2,501
- Deferred tax assets not recognised	6,970	5,662	-	-
- Income not subject to tax	(8,080)	(7,129)	(6,147)	(10,077)
- Lower tax rates	(1,181)	(1,038)	-	-
- Tax incentive	(749)	-	-	-
- Real property gains tax	-	19	-	-
- Share of result of a jointly controlled entity	(11)	(1,259)	-	-
- Share of results of associates	(202)	(405)	-	-
(Over)/Underprovision of tax expense in prior year	(249)	(5,139)	1,985	(83)
Under/(Over)provision of deferred tax in prior year	3,100	(5,462)	42	155
Tax expense for the financial year	85,086	112,100	6,603	4,036

In the current and previous financial year, there are no tax savings for the Group and for the Company arising from the utilisation of current year tax losses and previously unrecognised unused tax losses.

9. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

Basic earnings per ordinary share of the Group is calculated by dividing the profit attributable to owners of the parent for the financial year by the weighted average number of ordinary shares in issue during the financial year and assuming the ICULS (as disclosed in Note 34) have been converted into ordinary shares.

	Group	
	2012	**2011**
	RM'000	**RM'000**
Profit attributable to owners of the parent	142,321	333,891

	2012	**2011**
	'000	**'000**
Weighted average number of ordinary shares in issue	529,153	529,153
Adjustments assuming the conversion of ICULS	100,000	100,000
	629,153	629,153

	2012	**2011**
	sen	**sen**
Basic earnings per ordinary share	22.62	53.07

Diluted earnings per ordinary share

Diluted earnings per ordinary share is not applicable and not presented because there are no dilutive potential ordinary shares to be issued as the ICULS have been included in basic earnings per ordinary share calculation.

10. DIVIDEND

	Group and Company 2012 RM'000	2011 RM'000
In respect of financial year 2010:		
- Final	-	19,843
In respect of financial year 2011:		
- Interim	-	19,843
- Final	19,843	-
- Special	19,843	-
In respect of financial year 2012:		
- Interim	19,844	-
	59,530	39,686

11. **PROPERTY, PLANT AND EQUIPMENT**

Group	**Freehold land RM'000**	**Long term leasehold land RM'000**	**Buildings RM'000**	**Plant and machinery RM'000**	**Motor vehicles RM'000**	**Office equipment RM'000**	**Furniture and fittings RM'000**	**Access road RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
Cost										
As of 1 January 2011	52,232	1,215,924	237,345	183,665	63,598	12,875	11,137	104,763	28,209	1,909,748
Acquisition of a subsidiary	11,784	63,452	71,844	107,288	7,544	8,036	844	-	7,860	278,652
Additions	-	-	8,016	11,100	10,478	1,044	1,499	12,960	39,441	84,538
Disposals	-	(460)	-	(631)	(714)	(44)	-	-	-	(1,849)
Written off	-	-	(31)	(649)	(936)	(743)	(51)	(7)	(14)	(2,431)
Exchange differences	(61)	(239)	(1,241)	(1,247)	(64)	(45)	-	-	(69)	(2,966)
Reclassifications	-	-	11,309	2,335	395	9	13	13,171	(27,232)	-
As of 31 December 2011	63,955	1,278,677	327,242	301,861	80,301	21,132	13,442	130,887	48,195	2,265,692
Acquisition of a subsidiary	-	110,780	34,214	40,901	11,149	993	1,293	32,338	366	232,034
Additions	-	-	6,841	16,654	11,683	4,072	1,531	10,659	67,632	119,072

(Forward)

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Access road RM'000	Capital work-in-progress RM'000	Total RM'000
Disposals	(1)	-	-	-	(1,980)	(5)	-	-	-	(1,986)
Written off	-	-	(456)	(9,442)	(1,610)	(707)	(88)	-	(29)	(12,332)
Exchange differences	(5)	(141)	(3,548)	(2,029)	(222)	(69)	-	-	(70)	(6,084)
Transfer to non-current assets held for sale (Note 31)	-	(2,654)	(2,256)	-	-	-	-	-	-	(4,910)
Reclassifications	-	-	29,300	36,856	5,480	29	1	3,739	(75,405)	-
As of 31 December 2012	63,949	1,386,662	391,337	384,801	104,801	25,445	16,179	177,623	40,689	2,591,486

(Forward)

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Access road RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation										
As of 1 January 2011	-	101,681	106,041	104,279	46,924	8,438	6,233	32,344	-	405,940
Acquisition of a subsidiary	-	1,542	32,340	74,325	5,063	6,292	643	-	-	120,205
Charge for the financial year	-	17,356	11,538	13,766	6,656	1,739	1,023	5,599	-	57,677
Disposals	-	(36)	-	(600)	(674)	(44)	-	-	-	(1,354)
Written off	-	-	(23)	(611)	(936)	(722)	(50)	(7)	-	(2,349)
Exchange differences	-	(68)	(256)	(541)	(31)	(31)	-	-	-	(927)
Reclassifications	-	-	76	(41)	(34)	7	(8)	-	-	-
As of 31 December 2011	-	120,475	149,716	190,577	56,968	15,679	7,841	37,936	-	579,192
Acquisition of a subsidiary	-	6,420	9,384	22,001	5,899	608	907	7,817	-	53,036
Charge for the financial year	-	18,911	15,416	24,039	7,934	2,114	1,320	7,300	-	77,034

(Forward)

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Access road RM'000	Capital work-in-progress RM'000	Total RM'000
Disposals	-	-	-	-	(1,884)	(5)	-	-	-	(1,889)
Written off	-	-	(455)	(9,422)	(1,608)	(669)	(74)	-	-	(12,228)
Exchange differences	-	(32)	(737)	(943)	(77)	(20)	-	-	-	(1,809)
Transfer to non-current assets held for sale (Note 31)	-	(262)	(2,154)	-	-	-	-	-	-	(2,416)
Reclassifications	-	-	(69)	131	(21)	(122)	14	67	-	-
As of 31 December 2012	-	145,512	171,101	226,383	67,211	17,585	10,008	53,120	-	690,920

Company	**Motor vehicles RM'000**	**Office equipment RM'000**	**Furniture and fittings RM'000**	**Total RM'000**
Cost				
As of 1 January 2011	3,045	3,111	1,119	7,275
Additions	1,359	161	317	1,837
Disposals	(393)	(28)	-	(421)
Written off	-	(133)	-	(133)
As of 31 December 2011	4,011	3,111	1,436	8,558
Additions	396	8	66	470
Disposals	(192)	(6)	-	(198)
Written off	-	(40)	-	(40)
As of 31 December 2012	4,215	3,073	1,502	8,790
Accumulated depreciation				
As of 1 January 2011	1,672	1,577	68	3,317
Charge for the financial year	613	684	131	1,428
Disposals	(374)	(28)	-	(402)
Written off	-	(131)	-	(131)
As of 31 December 2011	1,911	2,102	199	4,212
Charge for the financial year	674	472	146	1,292
Disposals	(192)	(6)	-	(198)
Written off	-	(40)	-	(40)
As of 31 December 2012	2,393	2,528	345	5,266

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net carrying amount				
Freehold land	63,949	63,955	-	-
Long term leasehold land	1,241,150	1,158,202	-	-
Buildings	220,236	177,526	-	-
Plant and machinery	158,418	111,284	-	-
Motor vehicles	37,590	23,333	1,822	2,100
Office equipment	7,860	5,453	545	1,009
Furniture and fittings	6,171	5,601	1,157	1,237
Access road	124,503	92,951	-	-
Capital work-in-progress	40,689	48,195	-	-
	1,900,566	1,686,500	3,524	4,346

(a) The net carrying amount of property, plant and equipment of the Group charged to financial institutions for credit facilities granted to the Group (as disclosed in Note 34) are as follows:

	Group	
	2012 RM'000	2011 RM'000
Freehold land	23,057	23,063
Long term leasehold land	676,051	679,436
Buildings	91,957	72,732
Plant and machinery	86,949	65,455
Motor vehicles	793	894
Capital work-in-progress	-	2,766
	878,807	844,346

(b) Included in property, plant and equipment of the Group are some temporarily idle assets (comprising mainly land and buildings) with net carrying amount of RM20,369,000 (2011: RM20,952,000) of certain subsidiaries whose processing factories were closed.

(c) Included in property, plant and equipment of the Group are plant and machinery acquired under finance lease arrangements with net carrying amount of RM1,200,000 (2011: RM1,360,000).

12. BIOLOGICAL ASSETS

	Group 2012 RM'000	Group 2011 RM'000
Cost		
At beginning of the financial year	1,608,861	1,457,807
Acquisition of a subsidiary (Note 41)	254,514	-
Additions	180,014	153,415
Disposals	(3)	(238)
Assets retired from use	(9,263)	(2,123)
At end of the financial year	2,034,123	1,608,861
Accumulated amortisation		
At beginning of the financial year	405,645	357,061
Acquisition of a subsidiary (Note 41)	65,019	-
Charge for the financial year (Note 7)	60,133	50,802
Disposals	(3)	(95)
Assets retired from use	(9,263)	(2,123)
At end of the financial year	521,531	405,645
Net carrying amount	1,512,592	1,203,216

(a) The net carrying amount of biological assets of the Group charged to financial institutions for credit facilities granted to the Group (as disclosed in Note 34) amounted to RM1,195,564,000 (2011: RM880,453,000).

(b) Included in additions of biological assets for the financial year are the following:

	Group 2012 RM'000	Group 2011 RM'000
Staff costs	31,984	28,206
Defined contribution plan	1,636	2,162
Finance costs	21,806	18,212
Depreciation of property, plant and equipment	4,111	3,533

(c) During the financial year, the Group made the following cash payments for the additions of biological assets:

	Group 2012 RM'000	Group 2011 RM'000
Additions of biological assets	180,014	153,415
Less:		
Finance costs capitalised	(21,806)	(18,212)
Depreciation capitalised	(4,111)	(3,533)
Cash payments	154,097	131,670

13. INVESTMENT PROPERTIES

Group 2012	**Freehold land RM'000**	**Buildings RM'000**	**Total RM'000**
Cost			
At beginning/end of the financial year	370	12,371	12,741
Accumulated depreciation			
At beginning of the financial year	-	9,407	9,407
Charge for the financial year (Note 7)	-	16	16
At end of the financial year	-	9,423	9,423
Net carrying amount	370	2,948	3,318
Fair value	370	3,075	3,445

Group 2011	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At beginning of the financial year	-	-	-
Acquisition of a subsidiary (Note 41)	370	12,371	12,741
At end of the financial year	370	12,371	12,741
Accumulated depreciation			
At beginning of the financial year	-	-	-
Acquisition of a subsidiary (Note 41)	-	9,296	9,296
Charge for the financial year (Note 7)	-	111	111
At end of the financial year	-	9,407	9,407
Net carrying amount	370	2,964	3,334
Fair value	370	3,075	3,445

Included in investment properties are some temporarily idle assets with net carrying amount of RM492,000 (2011: RM492,000) of certain subsidiaries whose processing factories were closed.

14. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2012 RM'000	2011 RM'000
Long term leasehold land		
Cost		
At beginning/end of the financial year	87,412	87,412

An approved master plan had been obtained for the development of the second border town between Malaysia and Thailand known as "Bandar Sempadan Kota Putra".

15. INVESTMENTS IN SUBSIDIARIES

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares, at cost:		
- Ordinary shares	1,279,915	1,279,915
- Redeemable convertible preference shares	107,750	107,750
	1,387,665	1,387,665
Less:		
Distribution of pre-acquisition reserves	(71,374)	(71,374)
Accumulated impairment losses	(1,563)	(1,563)
	1,314,728	1,314,728

The details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %
Kumpulan Kris Jati Sdn. Bhd.*	Cultivation of oil palm and producing crude palm oil	Malaysia	70	70
Ladang Permai Sdn. Bhd.*	Cultivation of oil palm and producing crude palm oil	Malaysia	100	100
Bahtera Bahagia Sdn. Bhd.*	Cultivation of oil palm	Malaysia	70	70
Binu Plantations Sdn. Bhd.*	Cultivation of oil palm and producing crude palm oil	Malaysia	100	100
Quek Shin & Sons Pte. Ltd.#	Cultivation of oil palm	Singapore	100	100
Teon Choon Realty Company Sdn. Bhd.	Cultivation of oil palm	Malaysia	100	100

Name of Company	Principal Activities	Country of Incorporation	Effective Equity Interest 2012 %	2011 %
Ladang Mawar Sdn. Bhd.	Cultivation of oil palm	Malaysia	100	100
Ibok Plantation Sdn. Bhd.	Cultivation of oil palm	Malaysia	100	100
Syarikat Ladang Sawit Cherul Sdn. Bhd.	Cultivation of oil palm	Malaysia	100	100
Barisan Tekad Sdn. Bhd.	Cultivation of oil palm	Malaysia	70	70
Ladang Chendana Sdn. Bhd.	Cultivation of oil palm	Malaysia	100	100
Ladang Serasa Sdn. Bhd.	Cultivation of oil palm and producing crude palm oil	Malaysia	100	100
Tradewinds Plantation Services Sdn. Bhd.	Ceased operations	Malaysia	100	100
Amalan Penaga (M) Sdn. Bhd.*	Investment holding	Malaysia	100	100
Tradewinds Plantation Management Sdn. Bhd.	Plantation management and advisory services	Malaysia	100	100
Tradewinds Plantech Sdn. Bhd.	Plantation management and advisory services	Malaysia	100	100
Tradewinds Agro Services Sdn. Bhd.	Plantation management and advisory services	Malaysia	100	100
Tradewinds Plantation Capital Sdn. Bhd.	Sole and specific purpose of undertaking Islamic Debt Securities transactions	Malaysia	100	100

Name of Company	Principal Activities	Country of Incorporation	Effective Equity Interest 2012 %	2011 %
Johore Tenggara Oil Palm Berhad	Investment holding	Malaysia	100	100
Tradewinds Corridor Sdn. Bhd.*	Cultivation of oil palm and rubber trees	Malaysia	100	100
Northern Intergrated Agriculture Sdn. Bhd.*	Property development	Malaysia	70	70
Prisma Spektra Sdn. Bhd.	Investment holding	Malaysia	100	100
Subsidiaries of Johore Tenggara Oil Palm Berhad				
Ladang Petri Tenggara Sdn. Bhd.	Cultivation of oil palm and producing crude palm oil	Malaysia	100	100
Pertanian Johor Tenggara Sdn. Bhd.	Cultivation of oil palm	Malaysia	100	100
Agromaju Sdn. Bhd.	Cultivation of oil palm	Malaysia	100	100
Barisan Perangsang Sdn. Bhd.	Ceased operations	Malaysia	51	51
Agromaju Landscape Sdn. Bhd.	Ceased operations	Malaysia	100	100
Semai Segar Sdn. Bhd.*	Cultivation of oil palm	Malaysia	100	100
Permodalan Pelangi Sdn. Bhd.*	Cultivation of oil palm	Malaysia	100	100

Name of Company	Principal Activities	Country of Incorporation	Effective Equity Interest 2012 %	2011 %
Tanah Semai Sdn. Bhd.*	Cultivation of oil palm	Malaysia	100	100
Uni-Agro Plantations (Trengganu) Sdn. Bhd.*	Cultivation of oil palm	Malaysia	100	100
M.P. Plantation Sdn. Bhd.*	Investment holding	Malaysia	100	100
Hak JTOP Sdn. Bhd.	Investment holding but is currently dormant	Malaysia	100	100
LPT Biomass Sdn. Bhd.	Construction and operation of a dry long fibre plant	Malaysia	70	-
Subsidiary of M.P. Plantation Sdn. Bhd.				
Ladang Sungai Relai Sdn. Bhd.*	Cultivation of oil palm	Malaysia	70	70
Subsidiaries of Amalan Penaga (M) Sdn. Bhd.				
Melur Gemilang Sdn. Bhd.*	Cultivation of oil palm and producing crude palm oil	Malaysia	70	70
Tradewinds Tanjung Alan Plantation Sdn. Bhd.*	Cultivation of oil palm	Malaysia	70	70
Trans Kenyalang Sdn. Bhd.*	Cultivation of oil palm	Malaysia	85	85

Name of Company	Principal Activities	Country of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %
Arah Bersama Sdn. Bhd.*	Cultivation of oil palm and producing crude palm oil	Malaysia	70	70
Amalan Pelita Pasai Sdn. Bhd.*	Cultivation of oil palm	Malaysia	60	60
Senandung Masyhur Sdn. Bhd.*	Cultivation of oil palm	Malaysia	85	85
Usaha Wawasan Sdn. Bhd.*	Cultivation of oil palm	Malaysia	70	70
Retus Plantation Sdn. Bhd.*	Investment holding, cultivation of oil palm and producing crude palm oil	Malaysia	60	-
Subsidiaries of Northern Intergrated Agriculture Sdn. Bhd.				
NIA Development Sdn. Bhd.*	Dormant	Malaysia	70	70
NIA Infrastructure Sdn. Bhd.*	Dormant	Malaysia	70	70
Subsidiary of Retus Plantation Sdn. Bhd.				
Masretus Oil Palm Plantation Sdn. Bhd.*	Dormant	Malaysia	60	-

Name of Company	Principal Activities	Country of Incorporation	Effective Equity Interest 2012 %	2011 %
Subsidiary of Prisma Spektra Sdn. Bhd.				
Mardec Berhad	Property and investment holding and provision of management services	Malaysia	100	100
Subsidiaries of Mardec Berhad				
Mardec Processing Sdn. Bhd.	Purchasing and processing of rubber from smallholders and selling of processed rubber	Malaysia	100	100
Mardec International Sdn. Bhd.	Investment holding	Malaysia	100	100
Mardec Polymers Sdn. Bhd.	Investment holding	Malaysia	100	100
Mardec Industrial Latex Sdn. Bhd.	Manufacturing and processing of natural rubber latex, prevulcanised rubber latex and processing aid rubbers	Malaysia	100	100
Mardec Fertilizer Sdn. Bhd.	Dormant	Malaysia	100	100
Regal Mardec Sdn. Bhd.	Dormant	Malaysia	100	100
Syarikat Perusahaan Kamar Sdn. Bhd.	Dormant	Malaysia	100	100

Name of Company	Principal Activities	Country of Incorporation	Effective Equity Interest 2012 %	2011 %
Subsidiaries of Mardec Polymers Sdn. Bhd.				
M-Pol Plastic Products Sdn. Bhd.	Inactive since October 2009	Malaysia	100	100
M-Pol Defence Sdn. Bhd.	Inactive since May 2009	Malaysia	100	100
M-Pol Microguard Sdn. Bhd.	Ceased operations	Malaysia	70	70
M-Pol Precision Products Sdn. Bhd.	Manufacturing and sale of moulded, extruded and other custom-made rubber products	Malaysia	100	100
M-Pol Industrial Plastics Sdn. Bhd.	Ceased operations	Malaysia	100	100
M-Pol Industrial Products Sdn. Bhd.	Ceased operations	Malaysia	100	100
Plaat Industries Madras Pvt. Ltd.*	Dormant	India	100	100
Subsidiaries of Mardec International Sdn. Bhd.				
Mardec Saigon Rubber Co. Ltd.#	Purchasing, processing and marketing of natural rubber and latex	Vietnam	100	100

Name of Company	Principal Activities	Country of Incorporation	Effective Equity Interest 2012 %	2011 %
Mardec-Yala Co. Ltd.*	Purchasing, processing and marketing of natural rubber and latex	Thailand	100	100
PT Mardec Nusa Riau*	Ceased operations	Indonesia	51	51
PT Mardec Musi Lestari*	Purchasing, processing and marketing of natural rubber	Indonesia	51	51
PT Mardec Siger Way Kanan*	Purchasing, processing and marketing of natural rubber	Indonesia	55	55

* *Audited by other auditors*
\# *Audited by member firm of Deloitte Touche Tohmatsu*

16. INVESTMENTS IN ASSOCIATES

	Group 2012 RM'000	2011 RM'000
Unquoted shares, at cost:		
In Malaysia	8,397	8,397
Outside Malaysia	-	47,830
	8,397	56,227
Share of post-acquisition (losses)/profits	(1,137)	1,619
Share of post-acquisition reserves	-	(482)
	7,260	57,364

Details of the associates are as follows:

Name of Company	Principal Activities	Financial Year End	Country of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %
Filati Lastex (Malaysia) Sdn. Bhd.*	Ceased operations	30 June	Malaysia	30.6	30.6
Alfagomma-Mardec Sdn. Bhd.*	Manufacturing and selling of mandrell built hydraulic wire braided rubber hoses	31 December	Malaysia	20	20
R1 International Pte. Ltd.*	Trading of natural rubber and latex	30 September	Singapore	-	45
Mardec RK Latex Pvt. Ltd.*	Purchasing, processing and marketing of natural rubber and latex	31 March	India	30	30

* *Audited by other auditors*

At Group level, the carrying amount of associates represents its share of net assets in the associates at end of the reporting period. Summarised financial information in respect of the Group's associates is as follows:

	Group	
	2012 RM'000	2011 RM'000
Assets and liabilities		
Current assets	17,540	984,847
Non-current assets	33,945	43,316
Total assets	51,485	1,028,163
Current liabilities	(1,470)	(872,085)
Non-current liabilities	(13,715)	(4,911)
Total liabilities	(15,185)	(876,996)
Net assets	36,300	151,167
Group's share of associates' net assets	7,260	57,364
Results		
Revenue	674,982	2,489,506
Profit for the financial year	439	2,614
Share of results of associates	810	1,619

17. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unquoted shares, at cost:				
- Ordinary shares	10,000	10,000	10,000	10,000
- Redeemable convertible preference shares ("RCPS")	10,000	10,000	10,000	10,000
	20,000	20,000	20,000	20,000
Share of post-acquisition reserves	3,570	3,525	-	-
	23,570	23,525	20,000	20,000

(a) On 19 October 2009, the Company entered into a supplemental agreement to the Shareholders Agreement dated 1 August 2008 with CB Industrial Product Holding Berhad ("CBIP") to subscribe equally for 20,000,000 RCPS of RM1 each at an issue price of RM1 each in the jointly controlled entity, Pride Palm Oil Mill Sdn. Bhd. ("PPOM"). There was no effect on the equity interest held by the Company subsequent to the subscription.

On 29 October 2009 and 30 June 2011 respectively, PPOM issued 10,000,000 RCPS of RM1 each and the remaining 10,000,000 RCPS of RM1 each, which were subscribed equally by the Company and CBIP.

(b) Details of the jointly controlled entity are as follows:

Name of Company	**Principal Activity**	**Country of Incorporation**	**Effective Equity Interest 2012 %**	**Effective Equity Interest 2011 %**
Pride Palm Oil Mill Sdn. Bhd.	Investment holding	Malaysia	50	50

(c) The summarised financial information of the jointly controlled entity is as follows:

	Group 2012 RM'000	**Group 2011 RM'000**
Assets and liabilities		
Current assets	12,862	17,712
Non-current assets	91,679	88,281
Total assets	104,541	105,993
Current liabilities	(11,150)	(23,943)
Non-current liabilities	(46,250)	(35,000)
Total liabilities	(57,400)	(58,943)
Net assets	47,141	47,050
Group's share of a jointly controlled entity's net assets	23,570	23,525
Results		
Income	54,210	68,484
Expenses	(54,119)	(58,412)
Share of result of a jointly controlled entity	45	5,036

18. OTHER INVESTMENTS

	Group 2012 RM'000	Group 2011 RM'000
Available-for-sale financial assets at fair value:		
Quoted shares in Malaysia	538	692
Unquoted shares in Malaysia	410	478
	948	1,170

Information on the fair value hierarchy is disclosed in Note 43(e).

19. GOODWILL

	Group 2012 RM'000	Group 2011 RM'000
Cost	26,848	26,848
Accumulated impairment loss	(1,294)	(1,294)
	25,554	25,554

Goodwill on consolidation arises mainly from the plantation segment of the Group.

For the purpose of impairment testing, the recoverable amount of a Cash Generating Unit ("CGU") is based on its value in use determined by discounting the pre-tax cash flows based on financial projections approved by management covering up to 25 years (2011: 25 years) which represents the full life cycle period of the oil palms.

(a) Key assumptions used in value in use calculations

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill are:

(i) Discount rate of 5.00% (2011: 5.00%) representing the pre-tax cost of debt of the Group as at 31 December 2012.

(ii) Fresh fruit bunches yield ranging from 9 to 33 (2011: 8 to 31) MT/hectare obtained from the Malaysian Palm Oil Board published average yield applicable to the age of the respective estates and also based on management's best estimates on the estate's performance after taking into account existing achievements.

(iii) Crude palm oil prices ranging from RM2,500 to RM2,650 (2011: RM2,800) per metric tonne and palm kernel prices ranging from RM1,250 to RM1,600 (2011: RM1,700) per metric tonne.

(iv) Oil extraction rate ranging from 20.00% to 21.50% (2011: 20.00% to 21.50%) and kernel extraction rate ranging from 4.25% to 5.50% (2011: 4.50% to 5.75%) based on management's best estimates after taking into account the age of the respective estates and existing achievements.

(v) Average increase in plantation maintenance expenses of 1% to 3% (2011: 1% to 3%) per hectare.

Based on these calculations, the Directors are of the view that no additional impairment loss is required during the financial year as the recoverable amount determined is higher than the carrying amounts of the CGUs.

(b) Sensitivity to changes in assumptions

The management believes that there is no reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount which would cause the CGU's carrying amount to materially exceed its recoverable amount.

20. OTHER INTANGIBLE ASSETS

	Group	
	2012 RM'000	2011 RM'000
Patent:		
At cost		
At beginning of the financial year	200	-
Arising from acquisition of a subsidiary (Note 41)	-	200
At end of the financial year	200	200
Accumulated amortisation		
At beginning of the financial year	(46)	-
Arising from acquisition of a subsidiary (Note 41)	-	(43)
Charge for the financial year	(15)	(3)
At end of the financial year	(61)	(46)
Net carrying amount	139	154

21. DEFERRED TAX ASSETS/LIABILITIES

(a) Recognised deferred tax assets and liabilities

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 taxation authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deferred tax assets	14,508	16,799	3,158	4,015
Deferred tax liabilities	(429,449)	(337,947)	-	-
	(414,941)	(321,148)	3,158	4,015

The movements in deferred tax during the financial year are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	(321,148)	(305,246)	4,015	4,991
Transfer to/(from) profit or loss (Note 8):				
- liability portion of ICULS	(942)	(888)	(942)	(888)
- unused tax losses	(4,286)	5,473	-	-
- unutilised capital and agriculture allowances	12,851	8,972	-	-
- provisions	(1,461)	(559)	-	-
- others	(207)	378	(7)	24
- property, plant and equipment and biological assets	(28,642)	(35,772)	92	(112)
- fair value adjustment	7,312	13,532	-	-
	(15,375)	(8,864)	(857)	(976)
Arising from acquisition of a subsidiary (Note 41)	(78,113)	(6,908)	-	-
Exchange differences	(305)	(130)	-	-
At end of the financial year	(414,941)	(321,148)	3,158	4,015

The components of deferred tax assets and liabilities at the end of the financial year comprise the following:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deferred tax liabilities (before offsetting):				
Property, plant and equipment and biological assets	(343,355)	(273,093)	(350)	(442)
Fair value adjustment	(266,535)	(228,609)	-	-
	(609,890)	(501,702)	(350)	(442)
Offsetting	180,441	163,755	350	442
Deferred tax liabilities (after offsetting)	(429,449)	(337,947)	-	-
Deferred tax assets (before offsetting):				
Liability portion of ICULS	3,366	4,308	3,366	4,308
Unused tax losses	57,112	52,653	-	-
Unutilised capital and agriculture allowances	133,670	120,819	-	-
Provisions	454	2,220	-	-
Others	347	554	142	149
	194,949	180,554	3,508	4,457
Offsetting	(180,441)	(163,755)	(350)	(442)
Deferred tax assets (after offsetting)	14,508	16,799	3,158	4,015

(b) **Unrecognised deferred tax assets**

As of 31 December 2012, the amounts of temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	Group	
	2012 RM'000	**2011 RM'000**
Unused tax losses	182,153	159,226
Unutilised capital and agriculture allowances	33,879	29,066
Other deductible temporary differences	12,682	12,543
	228,714	200,835

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unutilised capital and agriculture allowances can be utilised.

The unused tax losses, unutilised capital and agriculture allowances and other deductible temporary differences do not expire under the current tax legislation.

22. INVENTORIES

	Group	
	2012 RM'000	**2011 RM'000**
At cost		
Oil palm products	43,723	27,809
Rubber products:		
Finished goods	122,722	43,048
Work-in-progress	1,374	1,617
Raw materials	112,183	73,039
Consumables	21,324	24,492
Nurseries	19,197	12,751
	320,523	182,756

	Group 2012 RM'000	Group 2011 RM'000
At net realisable value		
Finished goods - rubber products	-	76,414
Cattle	-	703
	-	77,117
	320,523	259,873

The write-down of inventories to net realisable value amounted to RM1,243,000 in 2011 and was included in the profit or loss.

23. TRADE RECEIVABLES

	Group 2012 RM'000	Group 2011 RM'000
Third parties	247,505	217,487
Related parties	6,384	9,884
Related company	-	3,728
Subsidiary of the jointly controlled entity	993	2,233
Associate	-	28,196
	254,882	261,528
Less: Allowance for doubtful debts	(205)	-
	254,677	261,528

(a) Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

(b) The average credit terms in respect of trade receivables range from 7 to 90 days (2011: 7 to 90 days) from date of invoice. Allowances for doubtful debts is recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

(c) The amounts owing by related parties, a related company, a subsidiary of the jointly controlled entity and an associate in trade receivables are subject to normal trade terms.

(d) The Group has trade receivables totalling RM93,734,000 (2011: RM68,955,000) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of trade receivables:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Neither past due nor impaired	160,943	192,573
Past due but not impaired		
- 1 to 30 days	82,907	55,148
- 31 to 60 days	4,275	11,860
- 61 to 90 days	2,349	514
- More than 90 days	4,203	1,433
	93,734	68,955
Past due and impaired		
- More than 90 days	205	-
	254,882	261,528

Movement in allowance for doubtful debts:

	Group	
	2012	**2011**
	RM'000	**RM'000**
At beginning of the financial year	-	-
Addition for the financial year	205	-
At end of the financial year	205	-

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. These receivables mainly arose from creditworthy debtors with no history of default payments. Accordingly, the Directors believe that there is no further credit provision required.

24. OTHER RECEIVABLES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Other receivables	24,535	4,224	172	126
Deposits	2,642	4,241	319	304
Prepayments	4,517	3,504	3,232	1,886
Advance payment to suppliers	2,354	2,879	-	-
Deposit paid for acquisition of non-controlling interest in a subsidiary	2,400	-	2,400	-
	36,448	14,848	6,123	2,316
Less: Allowance for doubtful debts	(21,388)	-	-	-
	15,060	14,848	6,123	2,316

Movement in allowance for doubtful debts:

	Group 2012 RM'000	Group 2011 RM'000
At beginning of the financial year	-	-
Addition for the financial year	21,388	-
At end of the financial year	21,388	-

25. AMOUNTS OWING BY/TO SUBSIDIARIES

(a) The amounts owing by subsidiaries comprise the following:

	Company	
	2012 RM'000	2011 RM'000
Current:		
Advances to subsidiaries	690,386	675,259
Amounts owing by subsidiaries	95,494	183,417
Less: Impairment loss	(1,836)	(1,836)
	93,658	181,581
	784,044	856,840

The advances to subsidiaries are unsecured, bear interest at 5.50% (2011: 5.50%) per annum and repayable on demand.

The amounts owing by subsidiaries, which arose mainly from payment on behalf, are unsecured, interest-free and repayable on demand.

(b) The amounts owing to subsidiaries comprise the following:

	Company	
	2012 RM'000	2011 RM'000
Non-Current:		
Advances from a subsidiary	86,783	116,025
Current:		
Advances from subsidiaries	746,140	802,815
Amounts owing to subsidiaries	1,256	11,417
	747,396	814,232
	834,179	930,257

Advances from subsidiaries are unsecured, bear interest at 3.00% (2011: 3.00%) per annum and repayable on demand except for an amount of RM116,783,000 (2011: RM244,089,000) which was obtained as a back-to-back arrangement with a subsidiary, which acts as a special purpose vehicle to the Company. Funds drawndown from the Islamic Debt Securities by the subsidiary will be transferred to the Company as advances from subsidiary. Interest expense paid by the Company to the subsidiary is equivalent to the return payments and profit payments charged to the subsidiary on the Islamic Debt Securities.

The said advances from the back-to-back arrangement bear interest at rates ranging from 5.20% to 5.70% (2011: 4.45% to 5.70%) per annum and are repayable by instalments of varying amounts over the following periods:

	Company	
	2012	2011
	RM'000	RM'000
Current - at amortised cost:		
Less than 1 year	30,000	128,064
Non-current - at amortised cost:		
1 - 2 years	30,000	30,000
2 - 3 years	45,000	30,000
3 - 4 years	11,783	45,000
4 - 5 years	-	11,025
	86,783	116,025
	116,783	244,089

Information on repricing analysis of these advances is disclosed in Note 44.

The amounts owing to subsidiaries, which arose mainly from payment on behalf, are unsecured, interest-free and repayable on demand.

26. AMOUNTS OWING BY/TO RELATED COMPANIES

The amounts owing by/to related companies in the previous financial year, which arose mainly from payment on behalf, were unsecured, interest-free and repayable on demand.

27. AMOUNT OWING BY A SUBSIDIARY OF A JOINTLY CONTROLLED ENTITY

The amount owing by a subsidiary of a jointly controlled entity, which arose mainly from payment on behalf, is unsecured, interest-free and repayable on demand.

28. AMOUNTS OWING BY ASSOCIATES

The amounts owing by associates in the previous financial year, which arose mainly from payment on behalf, were unsecured, interest-free and repayable on demand.

29. DERIVATIVE ASSETS/LIABILITIES

	Group	
	2012 RM'000	2011 RM'000
Derivative assets		
Fair value of foreign exchange forward contracts	285	218
Derivative liabilities		
Fair value of foreign exchange forward contracts	(113)	(2,964)
Foreign exchange forward contracts		
Nominal value	116,772	183,201

Foreign exchange forward contracts are used to hedge the Group's sales and purchases denominated in United States Dollar for which firm commitments existed at the reporting date.

During the financial year, the Group recognised a net gain of RM467,000 (2011: RM3,852,000) arising from fair value changes of derivatives. The fair value changes are attributable to changes in foreign exchange spot and forward rates. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 43.

30. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed banks	88,194	97,673	50,000	86,000
Islamic deposits	3,218	5,911	-	-
	91,412	103,584	50,000	86,000

Included in deposits are RM3,069,000 (2011: RM5,220,000) pledged to licensed banks for banking facilities granted to certain subsidiaries.

The Islamic deposits comprise one profit payment for Islamic Debt Securities of RM3,218,000 (2011: RM5,911,000) and are held in trust by the facility trustee for the benefit of the Islamic Debt Securities investors.

The annual interest rates for deposits that were effective at the end of the reporting period were as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	%	**%**	**%**	**%**
Deposits with licensed banks	2.25 - 3.15	2.44 - 14.00	2.80 - 2.90	2.80 - 3.05

Tenure of deposits with licensed banks of the Group and of the Company ranges from 2 to 365 days (2011: 4 to 365 days).

Information on repricing analysis of deposits is disclosed in Note 44.

31. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2012	**2011**
	RM'000	**RM'000**
At beginning of the financial year	-	-
Transferred from property, plant and equipment (Note 11)	2,494	-
At end of the financial year	2,494	-

The non-current assets held for sale comprises 8 parcels of leasehold land and building. On 22 November 2012, the Group had approved the disposal of a parcel of leasehold land and building to a third party for a consideration of RM728,000 and the remaining 7 parcels of leasehold land and building to another third party for a cash consideration of RM8,001,000, of which the sale and purchase agreements were executed on 22 January 2013 and 1 March 2013 respectively. The disposals are expected to be completed in 2013 and the estimated gain arising from the disposals is approximately RM6,235,000.

32. SHARE CAPITAL

	Group/Company			
	2012		2011	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Ordinary shares of RM1.00 each:				
Authorised	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid	529,153	529,153	529,153	529,153

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company and are entitled to one (1) vote per ordinary share at general meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

33. RESERVES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-distributable:				
Share premium	316,155	316,155	316,155	316,155
Available-for-sale reserve	263	485	-	-
Foreign currency translation reserve	(799)	(1,096)	-	-
ICULS - equity component	133,657	133,657	133,657	133,657
	449,276	449,201	449,812	449,812
Distributable:				
Retained earnings	917,836	835,045	47,332	95,788
	1,367,112	1,284,246	497,144	545,600

(a) Available-for-sale reserve

This reserve arose from fair value gains or losses arising on financial assets classified as available-for-sale.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record all foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

(c) Retained earnings

In accordance with the Finance Act 2007, the single tier income tax system became effective from the year assessment of 2008. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders. Unlike the previous imputation system, the recipient of the dividend would no longer be able to claim any tax credit.

Companies without Section 108 tax credit balance will automatically move to the single tier tax system on 1 January 2008. However, companies with such tax credits are given an irrevocable option to elect for the single tier tax system and disregard the tax credit or to continue to use the tax credits under Section 108 account to frank the payment of cash dividends on ordinary shares for a period of 6 years ending 31 December 2013 or until the tax credits are fully utilised, whichever comes first. During the transitional period, any tax paid will not be added to the Section 108 account and any tax credits utilised will reduce the tax credit balance. All companies will be in the new system on 1 January 2014.

As of the statement of financial position date, the Company has not elected for the irrevocable option to disregard the Section 108 tax credits. Accordingly, subject to the agreement of the Inland Revenue Board and based on the prevailing tax rate applicable to dividend, the estimated Section 108 tax credits available is sufficient to frank approximately RM526,000 (2011: RM60,056,000) of the Company's retained earnings as of 31 December 2012 if distributed by way of cash dividends. Any dividend paid in excess of this amount during the transitional period will be under the single tier tax system as explained above.

(d) Supplementary information on realised and unrealised profits or losses

The retained earnings as at end of the financial year are analysed as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	1,249,885	980,653	47,540	96,081
- Unrealised	(158,194)	(100,067)	(208)	(293)
	1,091,691	880,586	47,332	95,788
Total share of retained earnings from a jointly controlled entity:				
- Realised	3,807	3,762	-	-
- Unrealised	(237)	(237)	-	-
	3,570	3,525	-	-
Total share of (accumulated losses)/retained earnings from associates:				
- Realised	(1,137)	(5,053)	-	-
- Unrealised	-	6,672	-	-
	(1,137)	1,619	-	-
	1,094,124	885,730	47,332	95,788
Less: Consolidation adjustments	(176,288)	(50,685)	-	-
Total Group's/ Company's retained earnings as per consolidated financial statements	917,836	835,045	47,332	95,788

34. BORROWINGS

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current - at amortised costs:				
Secured				
Term loans	624,964	277,645	39,000	52,000
Islamic Debt Securities	90,000	120,000	-	-
Hire purchase and finance lease liabilities	368	710	-	-
Unsecured				
ICULS	9,472	13,464	9,472	13,464
	724,804	411,819	48,472	65,464
Current - at amortised costs:				
Secured				
Bank overdrafts	2,861	1,994	-	-
Revolving credits	154,002	173,402	136,000	150,000
Term loans	128,871	91,275	13,000	13,000
Islamic Debt Securities	30,000	130,000	-	-
Hire purchase and finance lease liabilities	343	318	-	-
Trade financing and other short term borrowings	20,570	48,429	-	-
Unsecured				
Bank overdrafts	990	212	-	-
Revolving credits	107,000	62,000	97,000	52,000
ICULS	3,992	3,766	3,992	3,766
Trade financing and other short term borrowings	298,166	294,000	-	-
	746,795	805,396	249,992	218,766

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings:				
Bank overdrafts	3,851	2,206	-	-
Revolving credits	261,002	235,402	233,000	202,000
Term loans	753,835	368,920	52,000	65,000
Islamic Debt Securities	120,000	250,000	-	-
Hire purchase and finance lease liabilities (Note 35)	711	1,028	-	-
ICULS	13,464	17,230	13,464	17,230
Trade financing and other short term borrowings	318,736	342,429	-	-
	1,471,599	1,217,215	298,464	284,230

The borrowings of the Group and of the Company are secured by:

- legal charges over property, plant and equipment and biological assets of certain subsidiaries (as disclosed in Notes 11 and 12);
- fixed and floating charge over the assets of certain subsidiaries;
- deposits with licensed banks as disclosed in Note 30; and
- corporate guarantees by the Company.

(a) Term Loans

The term loans are repayable by instalments of varying amounts over the following periods:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Less than 1 year	128,871	91,275	13,000	13,000
1 - 2 years	117,140	85,744	13,000	13,000
2 - 3 years	122,701	40,164	13,000	13,000
3 - 4 years	131,376	44,757	13,000	13,000
4 - 5 years	84,132	43,610	-	13,000
More than 5 years	169,615	63,370	-	-
	753,835	368,920	52,000	65,000

(b) Islamic Debt Securities

	Group 2012 RM'000	Group 2011 RM'000
Current liabilities:		
Sukuk Ijarah	30,000	30,000
Murabahah Commercial Papers/Medium Term Notes ("Murabahah CP/MTN")	-	100,000
	30,000	130,000
Non-current liabilities:		
Sukuk Ijarah	90,000	120,000
	120,000	250,000

The Islamic Debt Securities comprise the following:

(i) RM210,000,000 Sukuk Ijarah which was issued on 18 December 2007, of which RM90,000,000 (2011: RM60,000,000) had been redeemed at the end of the reporting period; and

(ii) Up to RM180,000,000 (2011: RM190,000,000) Murabahah CP/MTN Programme.

The Islamic Debt Securities are repayable by instalments of varying amounts over the following periods:

	Group 2012 RM'000	Group 2011 RM'000
Less than 1 year	30,000	130,000
1 - 2 years	30,000	30,000
2 - 3 years	45,000	30,000
3 - 4 years	15,000	45,000
4 - 5 years	-	15,000
	120,000	250,000

(c) Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

On 28 February 2006, the Company issued RM160,000,000 nominal value 10-year 3% ICULS.

The ICULS bear coupon at a fixed rate of 3.0% per annum payable annually in arrears. The ICULS are not redeemable and will be convertible into new ordinary shares on any market day commencing from the third anniversary from the date of issuance of the ICULS by tendering the ICULS on the basis of RM1.60 nominal value of the ICULS for every one (1) new ordinary share of RM1 each in the Company.

The liability component of ICULS recognised in the statements of financial position are as follows:

	Group/Company	
	2012	**2011**
	RM'000	**RM'000**
At beginning of the financial year	17,230	20,783
Interest expense	1,034	1,247
Interest payable	(4,800)	(4,800)
At end of the financial year	13,464	17,230
Repayable as follows:		
Current liabilities	3,992	3,766
Non-current liabilities	9,472	13,464
	13,464	17,230

Interest expense on the ICULS is calculated on the effective yield basis by applying the effective interest rate of 6% (2011: 6%) per annum for an equivalent non-convertible loan stock to the liability component of the ICULS.

The annual interest rates/profit rates for the borrowings that were effective at the end of the reporting period were as follows:

	Group 2012 %	Group 2011 %	Company 2012 %	Company 2011 %
Bank overdrafts	7.10 - 7.60	7.10 - 7.60	-	-
Revolving credits	4.00 - 10.00	4.00 - 10.25	4.00 - 4.19	4.00 - 4.30
Term loans	4.27 - 10.25	4.26 - 10.25	4.98	5.18
Sukuk Ijarah	5.20 - 5.70	5.05 - 5.70	-	-
Murabahah CP/MTN	-	4.45 - 4.55	-	-
Hire purchase and finance lease liabilities	7.42	7.42	-	-
ICULS	6.00	6.00	6.00	6.00
Trade financing and other short term borrowings	2.03 - 10.00	3.90 - 10.25	-	-

Information on repricing analysis of the borrowings is disclosed in Note 44.

35. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group 2012 RM'000	Group 2011 RM'000
Future minimum lease payments:		
Not later than 1 year	382	382
Later than 1 year and not later than 2 years	382	382
Later than 2 years and not later than 5 years	-	380
Total future minimum lease payments	764	1,144
Less: Future finance charges	(53)	(116)
Present value of finance lease liabilities	711	1,028
Analysis of present value of finance lease liabilities:		
Not later than 1 year	343	318
Later than 1 year and not later than 2 years	368	343
Later than 2 years and not later than 5 years	-	367
	711	1,028
Less: Amount due within 12 months	(343)	(318)
Amount due after 12 months	368	710

The hire purchase and finance lease liabilities bear interest at 7.42% (2011: 7.42%) per annum at the end of the reporting period.

36. PROVISION FOR RETIREMENT BENEFITS

	Group 2012 RM'000	Group 2011 RM'000
At beginning of the financial year	2,321	-
Arising from acquisition of a subsidiary (Note 41)	-	2,560
Provision/(Reversal) for the financial year (Notes 6 and 7)	351	(221)
Payment made during the financial year	(429)	-
Exchange differences	(87)	(18)
At end of the financial year	2,156	2,321
Current:		
Not later than 1 year	179	371
Non-current:		
Later than 1 year and not later than 5 years	1,423	674
More than 5 years	554	1,276
	1,977	1,950
	2,156	2,321

37. TRADE PAYABLES

	Group 2012 RM'000	Group 2011 RM'000
Third parties	99,763	104,929
Associate	-	120
	99,763	105,049

(a) The credit terms available to the Group range from 30 to 90 days (2011: 30 to 90 days) from date of invoice.

(b) The amount owing to an associate in the previous financial year was subject to normal trade terms.

38. OTHER PAYABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other payables	83,324	70,226	2,282	2,384
Accruals	41,984	55,372	4,255	6,562
Interest payable on ICULS	4,000	4,000	4,000	4,000
Dividend payables	19,844	-	19,844	-
Amounts owing to non-controlling interests	14,415	14,415	-	-
	163,567	144,013	30,381	12,946

The amounts owing to non-controlling interests, which arose from advances, are unsecured, interest-free and repayable on demand.

39. AMOUNT OWING TO IMMEDIATE HOLDING COMPANY

The amount owing to immediate holding company, which arose mainly from payment on behalf, is unsecured, interest-free and repayable on demand.

40. CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, cash and cash equivalents include cash on hand and in banks, deposit and other short term highly liquid investments, net of outstanding bank overdrafts.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed banks (Note 30)	91,412	103,584	50,000	86,000
Cash and bank balances	52,247	39,762	2,593	7,109
Bank overdrafts (Note 34)	(3,851)	(2,206)	-	-
	139,808	141,140	52,593	93,109
Less: Fixed deposits pledged to licensed banks (Note 30)	(3,069)	(5,220)	-	-
Less: Islamic deposits held on trust for the benefit of the Islamic Debt Securities investors (Note 30)	(3,218)	(5,911)	-	-
As reported in statements of cash flows	133,521	130,009	52,593	93,109

41. ACQUISITION OF A SUBSIDIARY

On 28 September 2012, Amalan Penaga (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, completed the acquisition of 11,259,523 ordinary shares of RM1.00 each in Retus Plantation Sdn. Bhd. ("RPSB"), representing 60% of the issued and paid-up ordinary share capital of RPSB, for a total purchase consideration of RM134,964,467.

RPSB is incorporated in Malaysia and involved in the cultivation of oil palm and production of crude palm oil.

The acquisition of RPSB is in line with the Group's plan to expand its oil palm plantation business.

Fair values of assets acquired and liabilities assumed at the date of acquisition are as follows:

	2012 RM'000
Current Assets	
Inventories	15,723
Trade and other receivables	25,497
Cash and bank balances	20,089
Non-Current Assets	
Property, plant and equipment	178,998
Biological assets	189,495
Current Liabilities	
Trade and other payables	(16,634)
Current tax liabilities	(47)
Short term borrowings	(19,811)
Non-Current Liabilities	
Long term borrowings	(82,166)
Deferred tax liabilities	(78,113)
Total net assets	233,031
Less: Non-controlling interests	(93,213)
Group's share of net assets	139,818
Bargain purchase gain	(4,854)
Total cost of acquisition	134,964

Net cash outflow on acquisition of a subsidiary is as follows:

	2012 RM'000
Consideration paid in cash	134,964
Less: Cash and cash equivalents acquired	(20,089)
Net cash outflow on acquisition	114,875

The acquired subsidiary has contributed the following results to the Group during the financial year:

	2012 RM'000
Revenue	52,307
Profit for the financial year	10,853

If the acquisition had occurred on 1 January 2012, the Groups' results for the current financial year would have been as follows:

	2012 RM'000
Revenue	2,888,547
Profit for the financial year	177,368

On 10 October 2011, Prisma Spektra Sdn. Bhd., a wholly-owned subsidiary of the Company, completed the acquisition of 125,709,000 ordinary shares of RM1.00 each in MARDEC Berhad ("Mardec"), representing the entire issued and paid-up ordinary share capital of Mardec, for a total purchase consideration of RM140,000,000.

Mardec is an investment holding company incorporated in Malaysia and through its local and overseas subsidiaries and associates, is involved in the processing and trading of natural rubber and the manufacturing of value-added rubber and polymer products.

The acquisition of Mardec was synergistic to the Group's plan to expand its rubber activities downstream into the processing and marketing of rubber products.

Fair values of assets acquired and liabilities assumed at the date of acquisition were as follows:

	2011 **RM'000**
Current Assets	
Inventories	277,986
Trade and other receivables	264,647
Current tax assets	5,281
Derivative assets	111
Deposits with licensed banks	5,718
Cash and bank balances	37,017
Non-Current Assets	
Property, plant and equipment	158,447
Investment properties	3,445
Investments in associates	56,227
Intangible assets	157
Deferred tax assets	6,469
Current Liabilities	
Trade and other payables	(65,950)
Derivative liabilities	(10,372)
Current tax liabilities	(2,786)
Provision for retirement benefits	(353)
Short term borrowings	(544,710)

(Forward)

	2011 RM'000
Non-Current Liabilities	
Long term borrowings	(9,107)
Provision for retirement benefits	(2,207)
Deferred tax liabilities	(13,377)
Total net assets	166,643
Less: Non-controlling interests	(8,216)
Group's share of net assets	158,427
Bargain purchase gain	(18,427)
Total cost of acquisition	140,000

Net cash outflow on acquisition of a subsidiary was as follows:

	2011 RM'000
Consideration paid in cash	140,000
Less: Cash and cash equivalents acquired	(27,218)
Net cash outflow on acquisition	112,782

The acquired subsidiary had contributed the following results to the Group for the previous financial year:

	2011 RM'000
Revenue	503,965
Profit for the financial year	2,090

If the acquisition had occurred on 1 January 2011, the Groups' results for the previous financial year would have been as follows:

	2011 RM'000
Revenue	3,555,030
Profit for the financial year	368,109

42. SEGMENTS INFORMATION

The Group's operations primarily comprise cultivation of oil palm and rubber trees, processing of palm oil, provision of plantation management and advisory services ("Plantation Business"), processing and trading of natural rubber, manufacturing of value-added rubber and polymer products and property development.

The Group has arrived at four reportable segments that are organised and managed separately according to the nature of the products and services, specific expertise and technologies requirements, which requires different business and marketing strategies.

The reportable segments are summarised as follows:

(a) Plantation

Cultivation of oil palm and rubber trees, processing of palm oil and provision of plantation management and advisory services.

(b) Manufacturing and trading

Processing and trading of natural rubber and manufacturing of value-added rubber and polymer products.

(c) Property development

Development of residential and commercial properties.

(d) Investment holding

Group-level corporate services, treasury functions and investing activities.

Other non-reportable segment comprises dormant subsidiaries and subsidiaries which have ceased business operations.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as restructuring costs.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment assets exclude tax assets and segment liabilities exclude tax liabilities.

2012	Plantation RM'000	Manufacturing and trading RM'000	Property development RM'000	Investment holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	1,016,412	1,781,272	-	-	-	2,797,684
Inter-segment revenue	8,823	-	-	68,151	(76,974)	-
Total revenue	1,025,235	1,781,272	-	68,151	(76,974)	2,797,684
Segment results	259,013	3,125	1,685	35,753	-	299,576
Share of results of associates (Note 16)	-	810	-	-	-	810
Share of result of a jointly controlled entity (Note 17)	45	-	-	-	-	45
	259,058	3,935	1,685	35,753	-	300,431
Add: Bargain purchase gain						4,854
Less: Inter-segment dividend income						(58,294)
Profit before tax						246,991

2012	Plantation RM'000	Manufacturing and trading RM'000	Property development RM'000	Investment holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
Assets						
Segment assets	3,530,235	577,597	87,412	73,587	-	4,268,831
Investments in associates (Note 16)	-	7,260	-	-	-	7,260
Investment in a jointly controlled entity (Note 17)	23,570	-	-	-	-	23,570
	3,553,805	584,857	87,412	73,587	-	4,299,661
Tax assets						26,632
Total assets						4,326,293

2012	Plantation RM'000	Manufacturing and trading RM'000	Property development RM'000	Investment holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
Liabilities						
Segment liabilities	664,811	417,353	-	655,360	-	1,737,524
Tax liabilities						440,080
Total liabilities						2,177,604
Other segment information						
Additions to non-current assets other than financial instruments and deferred tax assets	655,472	11,638	-	469	-	667,579
Allowance for doubtful debts for trade and other receivables	-	21,593	-	-	-	21,593
Depreciation and amortisation	119,927	11,757	-	1,403	-	133,087
Finance income	20,876	534	-	38,322	(58,035)	1,697
Finance costs	34,574	18,194	-	45,444	(58,035)	40,177
Gain on disposal of an associate	-	24,956	-	-	-	24,956

2011	Plantation RM'000	Manufacturing and trading RM'000	Property development RM'000	Investment holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	1,199,862	503,965	-	27	-	1,703,854
Inter-segment revenue	2,135	-	-	80,571	(82,706)	-
Total revenue	1,201,997	503,965	-	80,598	(82,706)	1,703,854
Segment results	476,143	(1,670)	(4,978)	53,651	-	523,146
Share of results of associates (Note 16)	-	1,619	-	-	-	1,619
Share of result of a jointly controlled entity (Note 17)	5,036	-	-	-	-	5,036
	481,179	(51)	(4,978)	53,651	-	529,801
Add: Bargain purchase gain						18,427
Less: Inter-segment dividend income						(71,404)
Profit before tax						476,824

2011	Plantation RM'000	Manufacturing and trading RM'000	Property development RM'000	Investment holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
Assets						
Segment assets	2,917,840	569,591	87,412	114,191	-	3,689,034
Investments in associates (Note 16)	-	57,364	-	-	-	57,364
Investment in a jointly controlled entity (Note 17)	23,525	-	-	-	-	23,525
	2,941,365	626,955	87,412	114,191	-	3,769,923
Tax assets						29,884
Total assets						3,799,807

2011	Plantation RM'000	Manufacturing and trading RM'000	Property development RM'000	Investment holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
Liabilities						
Segment liabilities	455,822	457,887	7,800	550,580	-	1,472,089
Tax liabilities						363,568
Total liabilities						1,835,657
Other segment information						
Additions to non-current assets other than financial instruments and deferred tax assets	231,108	167,058	-	1,836	-	400,002
Depreciation and amortisation	100,762	2,678	-	1,620	-	105,060
Finance income	17,304	213	-	52,238	(68,363)	1,392
Finance costs	33,883	5,885	-	53,489	(68,363)	24,894

Geographical information

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue	
	2012	**2011**
	RM'000	**RM'000**
Malaysia	1,666,853	1,358,782
Singapore	711,126	223,202
South Korea	213,132	61,279
Others	206,573	60,591
	2,797,684	1,703,854

	Non-current assets	
	2012	**2011**
	RM'000	**RM'000**
Malaysia	3,471,206	2,946,372
Indonesia	43,831	44,196
Thailand	11,272	11,984
Vietnam	3,272	3,618
	3,529,581	3,006,170

Non-current assets exclude financial instruments and deferred tax assets.

Information about major customers

Sales to one major customer in the plantation segment and one major customer in the manufacturing and trading segment during the financial year amounted to RM313,070,000 (2011: RM521,718,000 from two major customers) and RM818,738,000 (2011: RM202,642,000) respectively.

43. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business operations and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio which is the amount of borrowings (Note 34) divided by equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio within manageable levels. At the end of the reporting period, the Group's gearing ratio is 0.78 (2011: 0.67).

With respect to the banking facilities with certain financial institutions and the Sukuk Ijarah and Murabahah CP/MTN facilities, the Group is committed to maintain a gearing ratio of not more than 1.75 calculated by dividing the amount of borrowings (Note 34) over equity attributable to owners of the parent.

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

(c) Categories of financial instruments

Group 2012	**Loans and receivables RM'000**	**Available-for-sale RM'000**	**Derivatives at FVTPL RM'000**	**Total RM'000**
Financial assets				
Other investments	-	948	-	948
Trade receivables	254,677	-	-	254,677
Other receivables	15,060	-	-	15,060
Amount owing by a subsidiary of a jointly controlled entity	1,604	-	-	1,604
Derivative assets	-	-	285	285
Deposits with licensed banks	91,412	-	-	91,412
Cash and bank balances	52,247	-	-	52,247
	415,000	948	285	416,233

	Other financial liabilities RM'000	**Derivatives at FVTPL RM'000**	**Total RM'000**
Financial liabilities			
Trade payables	99,763	-	99,763
Other payables	163,567	-	163,567
Amount owing to immediate holding company	326	-	326
Derivative liabilities	-	113	113
Borrowings	1,471,599	-	1,471,599
	1,735,255	113	1,735,368

Group 2011	Loans and receivables RM'000	Available-for-sale RM'000	Derivatives at FVTPL RM'000	Total RM'000
Financial assets				
Other investments	-	1,170	-	1,170
Trade receivables	261,528	-	-	261,528
Other receivables	14,848	-	-	14,848
Amounts owing by related companies	28	-	-	28
Amount owing by a subsidiary of a jointly controlled entity	1,847	-	-	1,847
Amounts owing by associates	6	-	-	6
Derivative assets	-	-	218	218
Deposits with licensed banks	103,584	-	-	103,584
Cash and bank balances	39,762	-	-	39,762
	421,603	1,170	218	422,991

	Other financial liabilities RM'000	Derivatives at FVTPL RM'000	Total RM'000
Financial liabilities			
Trade payables	105,049	-	105,049
Other payables	144,013	-	144,013
Amount owing to immediate holding company	381	-	381
Amount owing to a related company	146	-	146
Derivative liabilities	-	2,964	2,964
Borrowings	1,217,215	-	1,217,215
	1,466,804	2,964	1,469,768

Company 2012	Loans and receivables RM'000	Total RM'000
Financial assets		
Other receivables	6,123	6,123
Amounts owing by subsidiaries	784,044	784,044
Amount owing by a subsidiary of a jointly controlled entity	1,540	1,540
Deposits with licensed banks	50,000	50,000
Cash and bank balances	2,593	2,593
	844,300	844,300

	Other financial liabilities RM'000	Total RM'000
Financial liabilities		
Other payables	30,381	30,381
Amount owing to immediate holding company	324	324
Amounts owing to subsidiaries	834,179	834,179
Borrowings	298,464	298,464
	1,163,348	1,163,348

Company **2011**	**Loans and receivables RM'000**	**Total RM'000**
Financial assets		
Other receivables	2,316	2,316
Amounts owing by subsidiaries	856,840	856,840
Amounts owing by related companies	2	2
Amount owing by a subsidiary of a jointly controlled entity	1,771	1,771
Deposits with licensed banks	86,000	86,000
Cash and bank balances	7,109	7,109
	954,038	954,038

	Other financial liabilities RM'000	**Total RM'000**
Financial liabilities		
Other payables	12,946	12,946
Amount owing to immediate holding company	381	381
Amounts owing to subsidiaries	930,257	930,257
Borrowings	284,230	284,230
	1,227,814	1,227,814

(d) Fair values

The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amounts derived from such methods and valuation techniques are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of the amounts estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group are as follows:

- **Cash and cash equivalents, trade and other receivables, intercompany indebtedness, trade and other payables and short-term borrowings:** The carrying amounts are considered to approximate the fair values as they are either within the normal credit terms or short-term.

- **Other investments:** Marketable securities quoted in an active market are carried at market value. For securities that are not quoted in an active market, for which there is no observable market data, fair value is estimated using a relative valuation technique based on the price earnings ratio of a public listed entity with similar business activities obtained from the market, discounted by 20% to reflect its listing premium. Management believes that the estimated fair value resulting from this valuation technique is reasonable and the most appropriate at the end of the reporting period.

- **Long-term borrowings:** The fair values of long-term borrowings are determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate which takes into consideration the Group's incremental borrowing rate at year end for similar types of debt arrangements.

- **Derivative instruments:** The fair values of foreign exchange derivatives were calculated using market prices that the Group would pay or receive to settle the related agreements.

(e) Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group 2012	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Available-for-sale financial assets				
- Quoted shares	538	-	-	538
- Unquoted shares	-	-	410	410
Financial assets at fair value through profit or loss				
- Forward foreign exchange contracts	-	285	-	285
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Forward foreign exchange contracts	-	113	-	113
2011				
Financial assets				
Available-for-sale financial assets				
- Quoted shares	692	-	-	692
- Unquoted shares	-	-	478	478
Financial assets at fair value through profit or loss				
- Forward foreign exchange contracts	-	218	-	218
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Forward foreign exchange contracts	-	2,964	-	2,964

During the reporting period ended 31 December 2012, there were no transfers between Level 1 and Level 3 fair value measurement.

Reconciliation of Level 3 fair value measurements of financial assets:

	Group	
	2012 RM'000	2011 RM'000
Available-for-sale unquoted shares		
At beginning of the financial year	478	868
Loss recognised in other comprehensive income	(68)	(390)
At end of the financial year	410	478

Although the Group believes that its estimates of fair value are appropriate, the use of different assumptions could lead to different measurements of fair value. A discounted price earnings ratio has been used as a critical assumption or input for fair value measurement in Level 3. If this input were 10% higher/lower while all other variables were held constant, the fair value of the unquoted shares would increase/decrease by RM41,000 (2011: RM48,000).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in interest rate risk, credit risk, foreign currency risk, liquidity and cash flow risk and market price risk.

The exposure to these risks arises in the normal course of the Group's business. The Group's overall business strategies, its tolerance of risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. The Group is exposed mainly to interest rate risk, credit risk, foreign currency risk, liquidity and cash flow risk and market price risk. Information on the management of the related exposures is detailed below.

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to changes in interest rates relates primarily to the Group's deposits with banks and interest bearing debt obligations. The Group does not use derivative financial instruments to hedge its risk but regularly reviews its debt portfolio to enable it to source low interest funding. The Group's deposits are placed at fixed rates and management endeavours to obtain the best rate available in the market.

Sensitivity analysis for interest rate risk

At 31 December 2012, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's and the Company's post-tax profit for the financial year would have been RM4,467,000 (2011: RM1,872,000) and RM686,000 (2011: RM679,000) higher/lower respectively, arising mainly as a result of lower/higher finance costs on floating rate borrowings and higher/lower finance income on deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

Effective interest rates and maturity profile

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	Weighted average effective interest rate (per annum) %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
Group									
At 31 December 2012									
Fixed rates									
Deposits with licensed banks	30	2.93	91,412	-	-	-	-	-	91,412
Term loans	34	5.36	(56,550)	(13,000)	(13,000)	(13,000)	-	-	(95,550)
Sukuk Ijarah	34	5.36	(30,000)	(30,000)	(45,000)	(15,000)	-	-	(120,000)
Hire purchase and finance lease liabilities	35	7.42	(343)	(368)	-	-	-	-	(711)
ICULS (liability component)	34	6.00	(3,992)	(4,232)	(4,485)	(755)	-	-	(13,464)
Floating rates									
Bank overdrafts	34	7.23	(3,851)	-	-	-	-	-	(3,851)
Revolving credits	34	4.23	(261,002)	-	-	-	-	-	(261,002)
Term loans	34	4.97	(72,321)	(104,140)	(109,701)	(118,376)	(84,132)	(169,615)	(658,285)
Trade financing and other short term borrowings	34	3.87	(318,736)	-	-	-	-	-	(318,736)

	Note	Weighted average effective interest rate (per annum) %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2011									
Fixed rates									
Deposits with licensed banks	30	3.27	103,584	-	-	-	-	-	103,584
Term loans	34	5.87	(24,270)	(43,550)	-	-	-	-	(67,820)
Sukuk Ijarah	34	5.30	(30,000)	(30,000)	(30,000)	(45,000)	(15,000)	-	(150,000)
Murabahah CP/MTN	34	4.50	(100,000)	-	-	-	-	-	(100,000)
Hire purchase and finance lease liabilities	35	7.42	(318)	(343)	(367)	-	-	-	(1,028)
ICULS (liability component)	34	6.00	(3,766)	(3,992)	(4,232)	(4,485)	(755)	-	(17,230)
Floating rates									
Bank overdrafts	34	7.15	(2,206)	-	-	-	-	-	(2,206)
Revolving credits	34	4.47	(235,402)	-	-	-	-	-	(235,402)
Term loans	34	5.02	(67,005)	(42,194)	(40,164)	(44,757)	(43,610)	(63,370)	(301,100)
Trade financing and other short term borrowings	34	4.78	(342,429)	-	-	-	-	-	(342,429)

	Note	Weighted average effective interest rate (per annum) %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
Company									
At 31 December 2012									
Fixed rates									
Deposits with licensed banks	30	2.83	50,000	-	-	-	-	-	50,000
Amount owing to a subsidiary	25	5.35	(30,000)	(30,000)	(45,000)	(11,783)	-	-	(116,783)
Term loan	34	4.98	(13,000)	(13,000)	(13,000)	(13,000)	-	-	(52,000)
ICULS (liability component)	34	6.00	(3,992)	(4,232)	(4,485)	(755)	-	-	(13,464)
Floating rates									
Amounts owing by subsidiaries	25	5.50	690,386	-	-	-	-	-	690,386
Amounts owing to subsidiaries	25	3.00	(716,140)	-	-	-	-	-	(716,140)
Revolving credits	34	4.08	(233,000)	-	-	-	-	-	(233,000)

	Note	Weighted average effective interest rate (per annum) %	Within 1 year RM’000	1 - 2 years RM’000	2 - 3 years RM’000	3 - 4 years RM’000	4 - 5 years RM’000	More than 5 years RM’000	Total RM’000
At 31 December 2011									
Fixed rates									
Deposits with licensed banks	30	2.85	86,000	-	-	-	-	-	86,000
Amount owing to a subsidiary	25	4.97	(128,064)	(30,000)	(30,000)	(45,000)	(11,025)	-	(244,089)
ICULS (liability component)	34	6.00	(3,766)	(3,992)	(4,232)	(4,485)	(755)	-	(17,230)
Floating rates									
Amounts owing by subsidiaries	25	5.50	675,259	-	-	-	-	-	675,259
Amounts owing to subsidiaries	25	3.00	(674,751)	-	-	-	-	-	(674,751)
Revolving credits	34	4.14	(202,000)	-	-	-	-	-	(202,000)
Term loan	34	5.18	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	-	(65,000)

(b) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The management monitors exposure to credit risk on an ongoing basis via management reporting procedures and action is taken to recover debts when due.

Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk for the Group and for the Company are represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values; and

- A nominal amount of RM1,145,149,000 (2011: RM788,559,000) relating to corporate guarantees provided by the Company to lenders on the financing facilities of certain subsidiaries. The amount of corporate guarantees utilised at the end of the reporting period is RM723,349,000 (2011: RM472,659,000) as disclosed in Note 47.

Credit risk concentration profile

As at 31 December 2012, other than the amounts owing by three major customers of the Group constituting 39.2% (2011: 36.8%) of the total receivables of the Group and the amounts owing by subsidiaries constituting 99.0% (2011: 99.5%) of the total receivables of the Company, there were no significant concentration of credit risk.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 23. Deposits, cash and bank balances placed with financial institutions that are neither past due nor impaired are placed with major financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Notes 23 and 24 respectively.

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Malaysian Ringgit, Thai Baht, Vietnam Dong and Indonesian Rupiah. The foreign currency in which these transactions are denominated is mainly United States Dollar ("USD").

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Group Liabilities	
	2012	**2011**
	RM'000	**RM'000**
USD		
Borrowings	87,413	11,008

	Group Assets	
	2012	**2011**
	RM'000	**RM'000**
USD		
Trade receivables	76,977	92,104
Deposits with licensed banks	-	960
Cash and bank balances	6,425	155
	83,402	93,219

The Group maintains a natural hedge, whenever possible, by borrowing in currencies that match the future revenue stream to be generated from its investments.

The Group requires all of its operating entities to use forward currency contracts to minimise the currency exposures for which receipt is anticipated after the Group has entered into a firm commitment for a sale. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. Although the derivatives have not been designated in a hedge relationship, they act as a commercial hedge and will offset the underlying transactions when they occur.

At 31 December 2012, the Group had hedged approximately 100% of its foreign currency denominated sales for which firm commitments existed at the reporting date.

Sensitivity analysis for foreign currency risk

If functional currency of Group entities weakens/strengthens against United States Dollar by 3%, with all other variables held constant, the Group's post-tax profit for the financial year would have been RM90,000 (2011: RM1,817,000) higher/lower.

(d) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains adequate level of cash and credit facilities to finance its working capital. In addition, the Group carries out treasury management to optimise the cash flow utilisation of the Group where applicable.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	**On demand or within 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
2012				
Financial liabilities:				
Trade payables	99,763	-	-	99,763
Other payables	163,567	-	-	163,567
Amount owing to immediate holding company	326	-	-	326
Derivative liabilities	113	-	-	113
Borrowings	746,795	643,027	180,178	1,570,000
Total undiscounted financial liabilities	1,010,564	643,027	180,178	1,833,769

Group	On demand or within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000	Total RM'000
2011				
Financial liabilities:				
Trade payables	105,049	-	-	105,049
Other payables	144,013	-	-	144,013
Amount owing to immediate holding company	381	-	-	381
Amount owing to a related company	146	-	-	146
Derivative liabilities	2,964	-	-	2,964
Borrowings	805,396	400,361	67,317	1,273,074
Total undiscounted financial liabilities	1,057,949	400,361	67,317	1,525,627

Company	On demand or within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000	Total RM'000
2012				
Financial liabilities:				
Other payables	30,381	-	-	30,381
Amount owing to immediate holding company	324	-	-	324
Amounts owing to subsidiaries	747,396	94,871	-	842,267
Borrowings	249,992	56,637	-	306,629
Total undiscounted financial liabilities	1,028,093	151,508	-	1,179,601

Company	**On demand or within 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
2011				
Financial liabilities:				
Other payables	12,946	-	-	12,946
Amount owing to immediate holding company	381	-	-	381
Amounts owing to subsidiaries	814,232	130,066	-	944,298
Borrowings	218,766	77,036	-	295,802
Total undiscounted financial liabilities	1,046,325	207,102	-	1,253,427

(e) Market price risk

The Group is exposed to equity price risk arising from its investment in quoted shares. These quoted shares are listed on Bursa Malaysia Securities Berhad and are classified as available-for-sale financial assets.

In the normal course of business of the Group, there are exposures to price fluctuation on commodities particularly for palm oil and rubber. The Group mitigates its risk to the price volatility through constant monitoring on the movement of oil palm product prices and rubber product prices.

Sensitivity analysis for equity price risk

At 31 December 2012, if the market value of the quoted investments had been 5% (2011: 5%) higher/lower, with all other variables held constant, the Group's available-for-sale reserve would have been RM27,000 (2011: RM35,000) higher/lower, arising as a result of an increase/decrease in the fair value of these quoted shares.

45. RELATED PARTY DISCLOSURES

(a) Identities of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Company include:

(i) Tradewinds (M) Berhad, the immediate holding company;

(ii) As disclosed in Note 49(b), Restu Jernih Sdn. Bhd. and Perspective Lane (M) Sdn. Bhd. became the ultimate and penultimate holding companies respectively effective from 28 February 2013.

(iii) Direct and indirect subsidiaries of the holding companies;

(iv) Direct and indirect associates, jointly controlled entities and affiliates of the holding companies; and

(v) Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Company, and certain members of senior management of the Group.

The Group has related party relationships with the following parties:

(i) Retus Plantation Sdn. Bhd. ("RPSB")

RPSB was a 60% subsidiary of the immediate holding company.

With effect from 28 September 2012, RPSB became an indirect subsidiary of the Company pursuant to the completion of the acquisition of RPSB by a wholly-owned subsidiary of the Company.

(ii) Tradewinds International Insurance Brokers Sdn. Bhd. ("TIIBSB")

TIIBSB is a company in which a major shareholder of the holding companies, Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor, has indirect interest.

(iii) Solar Green Sdn. Bhd. ("SGSB")

SGSB is a wholly owned subsidiary of Pride Palm Oil Mill Sdn. Bhd., a jointly controlled entity of the Company.

(iv) JP Logistics Sdn. Bhd. (“JPLSB”)

JPLSB is a wholly-owned subsidiary of Johor Port Berhad (“JPB”). JPB is a wholly-owned subsidiary of MMC Corporation Berhad of which Seaport Terminal (Johore) Sdn. Bhd. (“STJSB”) is a major shareholder.

Tan Sri Dato’ Seri Syed Mokhtar Shah bin Syed Nor is deemed a major shareholder of the Company by virtue of his direct and indirect equity interest in Restu Jernih Sdn. Bhd. (“RJSB”), Kelana Ventures Sdn. Bhd. (“KVSB”), Indra Cita Sdn. Bhd. and STJSB.

RJSB is deemed a major shareholder of the Company by virtue of its interest in Perspective Lane (M) Sdn. Bhd. (“PLSB”), which is a major shareholder of the immediate holding company having direct shareholdings of 30.04% as at the end of the reporting period. KVSB is also a major shareholder of the immediate holding company having direct shareholdings of 8.86%.

As disclosed in Note 49(b), RJSB and PLSB became the ultimate and penultimate holding companies of the Company respectively effective from 28 February 2013.

(v) Felda Marketing Services Sdn. Bhd. (“FMSSB”), Felda Kernel Products Sdn. Bhd. (“FKPSB”), Felda Palm Industries Sdn. Bhd. (“FPISB”), FPM Sdn. Bhd. (“FPMSB”), Felda Transport Services Sdn. Bhd. (“FTSSB”) and Felda Agricultural Services Sdn. Bhd. (“FASSB”)

FMSSB, FKPSB, FPISB, FPMSB, FTSSB and FASSB are subsidiaries of Felda Holdings Berhad (“Felda Holdings”).

As at the end of the reporting period, Felda Global Ventures Holdings Sdn. Bhd. was deemed a major shareholder of the Company and had 49% equity interest in Felda Holdings. With effect from 28 February 2013, Felda Global Ventures Holdings Sdn. Bhd. ceased to be a deemed major shareholder of the Company through the disposal of its shareholdings in Tradewinds (M) Berhad, the immediate holding company of the Company, pursuant to the conditional take-over offer from the Joint Offerors to acquire all remaining ordinary shares of RM1.00 each in Tradewinds (M) Berhad not already owned by the Joint Offerors as disclosed in Note 49(b).

(vi) Mardec Processing Sdn. Bhd. ("MPSB")

MPSB is a wholly-owned subsidiary of Mardec Berhad which in turn was a wholly-owned subsidiary of Semi Bayu Sdn. Bhd. ("SBSB").

Datuk Bakry bin Hamzah, who was a director of the Company, was a shareholder of Damai Akrab Sdn. Bhd. ("DASB") having a 57% equity interest in DASB. DASB in turn has a 55% equity interest in SBSB. He was also a director of Restu Jernih Sdn. Bhd., an indirect major shareholder of the Company.

With effect from 10 October 2011, MPSB became an indirect subsidiary of the Company pursuant to the completion of the acquisition of Mardec Berhad by a wholly-owned subsidiary of the Company.

(vii) DRB-Hicom Defence Technologies Sdn. Bhd. ("Deftech")

Deftech is a wholly-owned subsidiary of DRB-HICOM Berhad ("DRB-Hicom") of which Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor is deemed a major shareholder by virtue of his direct and indirect equity interest in Etika Strategi Sdn. Bhd. ("ESSB"). ESSB is a major shareholder holding 55.92% in DRB-Hicom.

(viii) Euromobil Sdn. Bhd. ("Euromobil")

Euromobil is a wholly-owned indirect subsidiary of DRB-Hicom.

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		**Company**	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Interests paid and payable to subsidiaries	-	-	28,345	31,470
Insurance premium paid to Tradewinds International Insurance Brokers Sdn. Bhd.	7,073	3,794	500	390

(Forward)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Purchase of raw materials from FPM Sdn. Bhd.	-	1,433	-	-
Purchase of germinated oil palm seeds from Felda Agricultural Services Sdn. Bhd.	1,209	489	-	-
Purchase of motor vehicles from Euromobil Sdn. Bhd.	1,157	1,698	317	1,352
Rental income received and receivable from an associate	12	196	-	-
Sales of fresh fruit bunches to:				
- Solar Green Sdn. Bhd.	14,743	21,342	-	-
- Retus Plantation Sdn. Bhd.	12,314	14,891	-	-
Sales of crude palm oil and palm kernel to:				
- Felda Marketing Services Sdn. Bhd.	31,672	70,510	-	-
- Felda Kernel Products Sdn. Bhd.	3,885	10,641	-	-
Sales of rubber to:				
- Mardec Processing Sdn. Bhd.	-	5,825	-	-
- associate	30,122	202,642	-	-
Sales of spare part for military vehicles to DRB-Hicom Defence Technologies Sdn. Bhd.	820	158	-	-

(Forward)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Provision of transportation services from:				
- JP Logistics Sdn. Bhd.	379	360	-	-
- Felda Transport Services Sdn. Bhd.	167	-	-	-
Interests received and receivable from subsidiaries	-	-	37,455	36,893
Interest on ICULS payable to immediate holding company	4,800	4,800	4,800	4,800
Management fees paid and payable to immediate holding company	1,200	1,200	1,200	1,200
Management fees received and receivable from:				
- subsidiaries	-	-	9,857	9,166
- associate	21	-	-	-
- Retus Plantation Sdn. Bhd.	1,958	2,752	-	-
- Solar Green Sdn. Bhd.	1,205	1,222	-	-
Marketing expenses paid and payable to an associate	195	140	-	-
Dividend received from subsidiaries	-	-	34,657	60,248

The related party transactions described above were carried out based on negotiated terms and conditions and mutually agreed with respective related parties.

(c) Compensation of key management personnel

The remuneration of key management personnel (including Directors of the Company) during the financial year was as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short term employee benefits	10,387	6,891	5,003	3,963
Defined contribution plan	1,303	809	569	416

46. CAPITAL COMMITMENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Property, plant and equipment:				
- Approved but not contracted for	68,425	65,325	8	4,366
- Approved and contracted for	32,908	35,349	-	-
	101,333	100,674	8	4,366
Biological assets:				
- Approved but not contracted for	63,676	64,897	-	-
- Approved and contracted for	85,631	48,760	-	-
	149,307	113,657	-	-
Intangible assets - Patent:				
- Approved and contracted for	300	300	-	-

(Forward)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Acquisition of non-controlling interest in a subsidiary:				
- Approved and contracted for	21,600	-	21,600	-
Share of capital commitment of a jointly controlled entity:				
- Approved and contracted for	4,213	1,112	-	-
	276,753	215,743	21,608	4,366

47. CONTINGENT LIABILITIES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Unsecured				
Guarantees given to banks for financing facilities of certain subsidiaries	-	-	723,349	472,659
Pending litigation	10,931	11,039	-	-
	10,931	11,039	723,349	472,659

The pending litigation against the Group is a claim filed against a subsidiary, Mardec-Yala Co. Ltd., for the alleged wrongful transfer of shares and the claim for compensation of Thai Baht 110.0 million (approximately RM10.931 million). On 3 December 2007, the Court had dismissed the claim and issued a written judgment. However, the claimant filed an appeal against the Court decision on 3 December 2007 and was dismissed by the Court. The claimant has again filed second appeal to the Supreme Court on 30 July 2010. Pending the outcome of the second appeal expected to be given by the end of 2013, no provision has been made in the financial statements.

48. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 8 February 2012, Mardec International Sdn. Bhd. (“MISB”), an indirect wholly-owned subsidiary of the Company, and the other shareholders of R1 International Pte. Ltd. (“R1”) entered into a conditional Share Sale Agreement with Hainan State Farms Investment Limited (“HSF”) and Hainan Rubber Group (Singapore) Pte. Ltd. for the disposal of 6,300,000 ordinary shares of USD1.00 each, representing 90% of the equity interest in R1, for a total cash consideration of USD51,725,016.

Pursuant to the Share Sale Agreement, MISB has disposed 3,150,000 ordinary shares of USD1.00 each, representing its entire 45% equity interest in R1 to HSF for a cash consideration of USD25,862,508 or approximately RM76 million.

The disposal was completed on 30 April 2012 realising a gain on disposal of RM24,956,000 as disclosed in Note 7 to the financial statements and R1 ceased to be an associate of the Group.

(b) On 29 March 2012, Amalan Penaga (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a conditional Share Sale Agreement with Tradewinds (M) Berhad, the immediate holding company of the Company, for the acquisition of 11,259,523 ordinary shares of RM1.00 each in Retus Plantation Sdn. Bhd. (“RPSB”), representing its entire 60% equity interest in RPSB, at a final purchase consideration of RM134,964,467 (“RPSB Acquisition”).

The RPSB Acquisition was approved by the shareholders of the Company at the extraordinary general meeting held on 19 September 2012 and was completed on 28 September 2012.

(c) On 17 July 2012, Johore Tenggara Oil Palm Berhad (“JTOP”), a wholly-owned subsidiary of the Company, entered into a Shareholders Agreement with Future NRG Sdn. Bhd. (“FNRG”) to collaborate with each other and invest in LPT Biomass Sdn. Bhd. (“LPT Biomass”) as the joint venture company to undertake and carry out the construction and operation of a dry long fibre plant at Sungai Kachur Oil Palm Estate, an estate owned by a wholly-owned subsidiary of the Company, with an estimated construction cost of RM6.67 million. The issued and paid-up capital of LPT Biomass is RM100,000 comprising 100,000 ordinary shares of RM1.00 each and the agreed shareholding ratio of JTOP and FNRG in LPT Biomass is 70% and 30% respectively.

49. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) On 19 December 2012, the Company entered into a Share Sale Agreement with Perbadanan Kemajuan Negeri Kedah ("PKNK") for the acquisition of 300,000 ordinary shares of RM1.00 each representing the balance 30% equity interest in Northern Intergrated Agriculture Sdn. Bhd. ("NIA") for a purchase consideration equal to 30% of the audited net asset value ("NAV") of NIA as at 31 December 2012 ("NIA Acquisition"). A deposit of RM2.4 million was paid on even date as disclosed in Note 24 to the financial statements.

The NIA Acquisition was completed on 16 January 2013 with additional payment of RM21.6 million based on the anticipated audited NAV as at 31 December 2012. Consequently, NIA becomes a wholly-owned subsidiary of the Company.

The balance of the purchase consideration which is the amount in excess of RM24.0 million, if any, shall be payable by the Company to PKNK within 14 days from the date both parties mutually agree on the final audited NAV. If the final purchase consideration is less than RM24.0 million, PKNK shall refund the amount over paid by the Company within 14 days from the date both parties mutually agree on the final audited NAV.

(b) Tradewinds (M) Berhad ("TWM"), the immediate holding company of the Company, has on 24 December 2012, received a notice of conditional take-over offer from Perspective Lane (M) Sdn. Bhd. ("PLSB"), Kelana Ventures Sdn. Bhd., Seaport Terminal (Johore) Sdn. Bhd. and Acara Kreatif Sdn. Bhd. ("Joint Offerors") through Maybank Investment Bank Berhad ("Maybank IB") to acquire all remaining ordinary shares of RM1.00 each in TWM ("TWM Shares") not already owned by the Joint Offerors ("TWM Offer Shares") for a cash offer price of RM9.30 per TWM Offer Share ("TWM Offer"). The TWM Offer is conditional upon the TWM Offer having been validly accepted by the holders of the TWM Offer Shares of not less than nine-tenths (9/10) in the nominal value of the TWM Offer Shares.

On 28 February 2013, on behalf of the Joint Offerors, Maybank IB announced that the TWM Offer had become unconditional as to acceptances. Consequently, Restu Jernih Sdn. Bhd. and PLSB became the ultimate and immediate holding companies of TWM respectively.

On 4 April 2013, TWM was de-listed from the official list of Bursa Malaysia Securities Berhad.

(c) As a result of the TWM Offer that became unconditional as to acceptances on 28 February 2013 and pursuant to the Malaysian Code on Take-Overs and Mergers, 2010, the Joint Offerors have triggered the obligation to undertake a mandatory take-over offer to acquire:-

(i) all the remaining ordinary shares of RM1.00 each in the Company ("TPB Shares") not already owned by the Joint Offerors and TWM, being the person acting in concert with the Joint Offerors ("PAC"), and such number of new TPB Shares that may be issued and allotted prior to the closing date of the take-over offer of the Company pursuant to the conversion of the outstanding irredeemable convertible unsecured loan stocks of the Company ("TPB ICULS") ("TPB Offer Shares") for a cash offer price of RM5.00 per TPB Offer Share ("TPB Shares Offer"); and

(ii) all the outstanding TPB ICULS not already owned by the Joint Offerors and the PAC ("TPB Offer ICULS") for a cash offer price of RM3.13 per TPB Offer ICULS ("TPB ICULS Offer").

The TPB Shares Offer and TPB ICULS Offer are to be collectively referred to as the "TPB Offer". The TPB Offer Shares and TPB Offer ICULS are to be collectively referred to as "TPB Offer Securities".

The TPB Offer is not conditional upon any minimum level of acceptances of the TPB Offer Shares.

The Company had on 28 February 2013 received the notice of unconditional take-over offer from the Joint Offerors through Maybank IB for the TPB Offer. The Board of Directors of Company did not seek an alternative person to make a take-over offer for the TPB Offer Securities.

On 8 March 2013, the Company has appointed Kenanga Investment Bank Berhad as the independent adviser to advise the non-interested directors of the Company and holders of the TPB Offer Securities in relation to the TPB Offer.

The offer document, which sets out the details, terms and conditions of the TPB Offer, was despatched to the Board of Directors of the Company and the holders of the TPB Offer Securities on 21 March 2013.

On 27 March 2013, the Joint Offerors have received valid acceptances of the TPB Offer in respect of 86,887,600 TPB Shares, representing 16.42% of the Company's issued and paid-up share capital, resulting in the Joint Offerors and the PAC collectively holding more than 90% of the Company's issued and paid-up share capital. Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as the Joint Offerors and the PAC did not intend to maintain the listing status of the Company, the trading of TPB Shares was suspended on 9 April 2013.

On 8 April 2013, the Joint Offerors have extended the closing date of the TPB Offer from 11 April 2013 to 25 April 2013.

On 11 April 2013, the Joint Offerors have received valid acceptances of the TPB Offer in respect of 127,077,616 TPB Shares, representing 24.02% of the Company's issued and paid-up share capital, resulting in the Joint Offerors and the PAC collectively holding 97.72% of the Company's issued and paid-up share capital.

As the Joint Offerors have received valid acceptances of not less than nine-tenths (9/10) of the nominal value of the TPB Offer Shares, the Joint Offerors will, at any time within 2 months from 11 April 2013, invoke the provisions under Section 222 of the Capital Markets and Services Act, 2007 to compulsorily acquire any outstanding TPB Offer Shares for which acceptances have not been received. The Joint Offerors did not intend to compulsorily acquire any TPB Offer ICULS for which acceptances have not been received.

On 17 April 2013, the Joint Offerors have received valid acceptances of the TPB Offer in respect of 129,187,596 TPB Shares, representing 24.41% of the Company's issued and paid-up share capital, resulting in the Joint Offerors and the PAC collectively holding 98.11% of the Company's issued and paid-up share capital.

The TPB Offer will remain open for acceptances until 25 April 2013.

TRADEWINDS PLANTATION BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The Directors of **TRADEWINDS PLANTATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out in Note 33(d), which is not part of the financial statements, is prepared in all material aspects, in accordance with Guidance on Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements” as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors,

DATO’ WIRA SYED ABDUL JABBAR BIN SYED HASSAN	**OOI TEIK HUAT**

Kuala Lumpur
17 April 2013

Company No. 650234 - A

TRADEWINDS PLANTATION BERHAD
(Incorporated in Malaysia)

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **RAZIDAN BIN GHAZALLI**, the officer primarily responsible for the financial management of **TRADEWINDS PLANTATION BERHAD,** do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

____
RAZIDAN BIN GHAZALLI

Subscribed and solemnly declared by the abovenamed **RAZIDAN BIN GHAZALLI** at **KUALA LUMPUR** this 17 April 2013.

Before me,

____
COMMISSIONER FOR OATHS