

Financial Statements For The year ended 31 December 2003

Premium Nutrients Berhad

(Company No. 589272-D)
(Incorporated in Malaysia)
and its subsidiaries

Domiciled in Malaysia

Registered office

Address:

Level 27, Wisma Tun Sambanthan
Jalan Sultan Sulaiman
50000 Kuala Lumpur, Malaysia

Factories:

Premium Vegetable Oils Sdn. Bhd. (Formerly known as Premium Vegetable Oils Berhad)

PLO 66, Jalan Timah Dua
Pasir Gudang Industrial Estate
81707 Pasir Gudang
Johor, Malaysia

Malim Sawit Sdn. Bhd.

Lot 3460, Mukim of Layang-Layang
86000 Kluang
Johor, Malaysia

Arani Agro Oil Industries Ltd

Near NFCL Park, New Port Area ADB Road
533003 Kakinada,
Andhrapradesh
India

DIRECTORS:

Tan Sri Dato' Dr K R Somasundram - Chairman
Agarwal Pares Nath - Managing Director
Datuk B. Sahadivanaidu
Dato' Faruk bin Othman
Subramaniam A/L Seenivasagam
Mr. Chiong Kok Seng
Abdul Aziz bin Mohamed Hussain
Ab. Rahim bin Mohd Zain
Syed Mubarak bin Syed Ahmad

SECRETARY:

Kali Dass A/L Arumugam

BANKERS:

Bumiputra-Commerce Bank Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad
Bank Muamalat Malaysia Berhad

AUDITORS:

KPMG

SENIOR MANAGEMENT

U R Sahasranamam - President
Debikant Jha - Senior Vice President

Directors' Report

for the year ended 31 December 2003

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

Principal activities

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Note	Group RM	Company RM
Operating profit/(loss)		21,735,690	(794,529)
Interest income		—	227,913
Interest expense		(7,899,760)	(265,083)
Restructuring cost	16	(32,000,000)	(32,000,000)
Loss before tax		(18,164,070)	(32,831,699)
Tax expense		(2,786,000)	(9,000)
Net loss for the year		(20,950,070)	(32,840,699)

Significant event

On 1 August 2003, the Company was listed on the Second Board of the Malaysia Securities Exchange Berhad ("MSEB") via a restructuring scheme of a PN4 company, Bridgecon Holdings Berhad (Special Administrators Appointed ("BHB")).

The restructuring scheme of the Company involved the following:

- 1) The Company issued 2,000,000 new ordinary shares of RM0.50 each to the previous shareholders of BHB in exchange for the entire issued and paid-up share capital of RM1.00 each in BHB amounting to RM19,950,000 on the basis of one new share of the Company for every 9.975 BHB shares held.
- 2) As part settlement of the amount owing by BHB to its creditors, the Company issued 62,000,000 new ordinary shares of RM0.50 each to BHB to be held by the creditors' agent, for and on behalf of the creditors.
- 3) Acquisition of the entire issued and paid-up capital of Premium Vegetable Oils Sdn. Bhd. ("PVO") (formerly known as Premium Vegetable Oils Berhad) for a purchase consideration of RM136,500,000 satisfied by the issuance of 273,000,000 ordinary shares of RM0.50 each.
- 4) BHB was delisted on 1 August 2003 and subsequently BHB and all its subsidiaries have been placed under liquidation by the Special Administrators.

Dividends

There is no retained profit available for distribution as dividend for the financial year under review.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Dato' Dr K R Somasundram (appointed on 9 April 2003)

Datuk B. Sahadivanaidu (appointed on 9 April 2003)

Dato' Faruk bin Othman (appointed on 9 April 2003)

Mr. Chiong Kok Seng (appointed on 22 December 2003)

Mr. Subramaniam A/L Seenivasagam (appointed on 9 April 2003)

En. Ab. Rahim bin Mohd Zain (appointed on 9 April 2003)

En. Abdul Aziz bin Mohamed Hussain (appointed on 9 April 2003)

En. Syed Mubarak bin Syed Ahmad (appointed on 9 April 2003)

Mr. Agarwal Pares Nath (appointed on 9 April 2003)

Mr. Viswanath A/L C. Kandasamy (resigned on 9 April 2003)

Mr. Ch'ng Kong San (resigned on 9 April 2003)

Mr. Siew Kah Toong (resigned on 9 April 2003)

Mr. Chew Chong Eu (resigned on 9 April 2003)

Dato Ngu Tieng Ung (appointed on 9 April 2003; resigned on 22 December 2003)

Mr. Chiong Kok Seng (appointed as alternate Director to Dato Ngu Tieng Ung
on 1 August 2003 and ceased on 22 December 2003)

Dr. Subramaniam A/L Arjunan (appointed on 9 April 2003; resigned on 27 February 2004)

Directors' interests

The holdings and deemed holdings in the ordinary shares of the Company (other than wholly owned subsidiaries) and of its related corporations of those who were Directors at year end are as follows:

Name of Directors	Interest	Number of ordinary shares of RM0.50 each			
		At date of appointment	Bought	Sold	At 31.12.2003
<i>Shares registered in the name of Directors:</i>					
Company					
Tan Sri Dato' Dr K R Somasundram	Direct	44,220,531	—	11,887,697	32,332,834
	Deemed	1,791,388	—	1,193,780	597,608
Datuk B. Sahadivanaidu	Direct	995,215	—	184,270	810,945
En. Ab. Rahim bin Mohd Zain	Deemed	15,093,815	—	6,914,211	8,179,604
Mr. Agarwal Pares Nath	Direct	—	19,989,528	—	19,989,528
	Deemed	26,431,053	—	11,364,328	15,066,725
Mr. Subramaniam A/L Seenivasagam	Direct	49,761	19,989,528	—	20,039,289
Dato' Faruk bin Othman	Deemed	23,064,115	—	7,783,515	15,280,600

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company and of its related corporations during the year.

Directors' benefits

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in 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 except for interest payable on a short term loan from a Director and companies and transportation services rendered by a company in which a Director has substantial financial interest as disclosed in Note 24 to financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares

During the year, the Company increased its authorised share capital from RM100,000 to RM250,000,000 by the creation of 249,900,000 ordinary shares of RM0.50. The Company also increased its issued and fully paid share

capital of RM0.50 each from RM2.00 to RM1 68,500,002 credited as fully-paid-up through the following issues:

- i) 2,000,000 new ordinary shares of RM0.50 each in exchange for 19,950,000 BHB ordinary shares of RM1.00 each.
- ii) 62,000,000 new ordinary shares of RM0.50 each for settlement to the creditors of BHB.
- iii) 273,000,000 new ordinary shares of RM0.50 each for settlement of the purchase consideration for the acquisition of PVO and its subsidiaries.

Options granted over unissued shares

No other options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) 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
- iv) not otherwise dealt with in this report or the financial statements that 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:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

.....
Tan Sri Dato' Dr K R Somasundram
Chairman

.....
Ab. Rahim bin Mohd Zain
Director

Kuala Lumpur,
Date: 27 April 2004

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 41 to 70, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 and the results of their operations and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the Directors:

.....
Tan Sri Dato' Dr K R Somasundram
Chairman

.....
Ab. Rahim bin Mohd Zain
Director

Kuala Lumpur,
Date: 27 April 2004

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Agarwal Pares Nath**, the Managing Director primarily responsible for the financial management of PREMIUM NUTRIENTS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 41 to 70 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Johor Bahru in the State of Johor on 27 April 2004.

.....
Agarwal Pares Nath

Before me:

R. Ramasamy (No: J-058)
Commissioner For Oaths

Report Of The Auditors To The Members Of Premium Nutrients Berhad

We have audited the financial statements set out on pages 41 to 70. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 December 2003 and the results of their operations and cash flows for the financial year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiary in respect of which we have not acted as auditors is identified in Note 3 to the financial statements and we have considered the financial statements and the auditors' report thereon.

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

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG

Firm Number: AF 0758
Chartered Accountants

Ang Ah Leck

Partner
Approval Number: 1991/09/05 (J)

Johor Bahru,
Date: 27 April 2004

Balance Sheets

at 31 December 2003

	Note	Group 2003 R M	Company 2003 R M	2002 R M
Property, plant and equipment	2	158,714,289	4,032	—
Investments in subsidiaries	3	—	137,713,090	—
Investment in an associate	4	1	—	—
Intangible assets	5	27,332,981	—	—
		186,047,271	137,717,122	—
Current assets				
Inventories	6	58,252,611	—	—
Trade and other receivables	7	52,489,235	7,997,712	—
Cash and cash equivalents	8	1,773,002	7,927	2
		112,514,848	8,005,639	2
Current liabilities				
Trade and other payables	9	34,086,990	504,458	—
Borrowings	10	81,238,601	9,550,000	—
Taxation		1,178,334	9,000	—
		116,503,925	10,063,458	—
Net current (liabilities)/assets		(3,989,077)	(2,057,819)	2
		182,058,194	135,659,303	2
Financed by:-				
Capital and reserves				
Share capital	11	168,500,002	168,500,002	2
Reserves	12	(20,626,410)	(32,840,699)	—
		147,873,592	135,659,303	2
Long term and deferred liabilities				
Deferred tax liabilities	13	21,060,168	—	—
Borrowings	10	13,124,434	—	—
		34,184,602	—	—
		182,058,194	135,659,303	2

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2004.
The accompanying notes form an integral part of the financial statements.

Income Statements

for the financial year ended 31 December 2003

	Note	Group 2003 R M	Company 2003 R M	2002 R M
Revenue				
Sale of goods		363,873,921	—	—
Cost of sales		(300,484,016)	—	—
Gross profit				
		63,389,905	—	—
Distribution costs		(28,248,460)	—	—
Administration expenses		(16,169,636)	(367,827)	—
Other operating expenses		(426,702)	(426,702)	—
Other operating income	14	3,190,583	—	—
Operating profit/(loss)				
	15	21,735,690	(794,529)	—
Interest income		—	227,913	—
Interest expense		(7,899,760)	(265,083)	—
Restructuring cost	16	(32,000,000)	(32,000,000)	—
Loss before tax				
		(18,164,070)	(32,831,699)	—
Tax expense	17	(2,786,000)	(9,000)	—
Net loss for the year				
		(20,950,070)	(32,840,699)	—
Earnings per share (sen)	18	(6.87)	—	—

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

Statement Of Changes In Equity

for the financial year ended 31 December 2003

	Note	Share capital RM	Non- distributable Translation reserve RM	Accumulated losses RM	Total RM
Group					
At 1 January 2003		2	—	—	2
Issue of share capital	11				
- Acquisition of PVO and its subsidiaries		136,500,000	—	—	136,500,000
- Exchange of BHB shares		1,000,000	—	—	1,000,000
- Settlement to creditors of BHB		31,000,000	—	—	31,000,000
Exchange differences on translation of the financial statements of foreign entity		—	323,660	—	323,660
Net loss for the year		—	—	(20,950,070)	(20,950,070)
At 31 December 2003		168,500,002	323,660	(20,950,070)	147,873,592
Company					
At date of incorporation/ 31 December 2002		2	—	—	2
Issue of share capital	11				
- Acquisition of PVO and its subsidiaries		136,500,000	—	—	136,500,000
- Exchange of BHB shares		1,000,000	—	—	1,000,000
- Settlement to creditors of BHB		31,000,000	—	—	31,000,000
Net loss for the year		—	—	(32,840,699)	(32,840,699)
At 31 December 2003		168,500,002	—	(32,840,699)	135,659,303

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

Cash Flow Statements

for the financial year ended 31 December 2003

	Note	Group 2003 R M	2003 R M	Company 2002 R M
Cash flows from operating activities				
Loss before tax		(18,164,070)	(32,831,699)	—
Adjustments for:				
Depreciation		5,673,787	1,008	—
Interest expense		7,899,760	265,083	—
Interest income		—	(227,913)	—
Gain on disposal of property, plant and equipment		(129,300)	—	—
Restructuring cost		32,000,000	32,000,000	—
Operating profit/(loss) before working capital changes		27,280,177	(793,521)	—
Changes in working capital:				
Inventories		(16,490,152)	—	—
Trade and other receivables		5,733,294	—	—
Trade and other payables		(10,366,394)	239,375	—
Cash generated from/(used in) operations		6,156,925	(554,146)	—
Interest paid		(7,899,760)	—	—
Income taxes paid		(118,608)	—	—
Net cash used in operating activities		(1,861,443)	(554,146)	—
Cash flows from investing activities				
Purchase of property, plant and equipment	19	(6,250,405)	(5,040)	—
Proceeds from disposal of property, plant and equipment		164,500	—	—
Intangible assets		(83,047)	—	—
Increase in pledged deposits placed with licensed banks		(471,095)	—	—
Acquisition of subsidiaries, net of cash acquired/Investments in subsidiaries	20	(5,830,874)	(1,213,090)	—
Purchase of additional shares in a subsidiary		(1,001,164)	—	—
Net cash used in investing activities		(13,472,085)	(1,218,130)	—

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

Cash Flow Statements

for the financial year ended 31 December 2003

	Group 2003 R M	Company 2003 R M	2002 R M
Cash flows from financing activities			
Due from subsidiaries	—	(7,769,799)	—
Proceeds from short term borrowings	12,281,857	9,550,000	—
Proceeds from issue of shares	—	—	2
Payments to hire purchase and lease creditors	(4,014,725)	—	—
Dividends paid	(394,000)	—	—
Drawdown of term loans	2,681,694	—	—
Net cash generated from financing activities	10,554,826	1,780,201	2
Net (decrease)/increase in cash and cash equivalents	(4,778,702)	7,925	2
Cash and cash equivalents at beginning of year	2	2	—
Foreign exchange differences on opening balances	(435,674)	—	—
Cash and cash equivalents at end of year	(5,214,374)	7,927	2
Cash and cash equivalents comprise:			
Cash and bank balances	465,441	7,927	2
Bank overdrafts (secured)	(5,679,815)	—	—
	(5,214,374)	7,927	2

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

Notes To The Financial Statements

I. Summary of significant accounting policies

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous period except for the adoption of the following:

- (i) MASB 25, Income Taxes.
- (ii) MASB 29, Employee Benefits.

Apart from the new policies and extended disclosures where required by these new standards, the adoption of these standards has no material effect on these financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the purchase prices over the fair value of the net assets of subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill as appropriate.

Intra group transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are those enterprise in which the Company has significant influence, but not control, over the financial and operating policies.

(c) Associates (continued)

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

(d) Property, plant and equipment

Freehold land and construction-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation.

The Company revalues its property comprising land and building every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Depreciation

Freehold land and construction-in-progress are not amortised. Leasehold land is amortised in equal instalments over the lease period of 48 years while buildings are depreciated on a straight-line basis over the useful life of 42 years. Other property, plant and equipment are depreciated on a straight-line basis to write off the cost of other plant and equipment over their estimated useful lives at the following principal annual rates:

Plant and machinery	3.80% - 20 %
Furniture, fittings and office equipment	20 %
Motor vehicles	20 %

(e) Intangible assets

i) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated impairment losses (refer Note 1(l)).

ii) Other intangible assets

Other intangible assets represents trademark and patent, which comprise expenditure incurred in respect of registration and patent of the Group's products. Intangible assets are stated at cost. Annual renewal fees for trademark and patent are charged to income statement.

Notes To The Financial Statements

(f) Finance leases

Leases (including hire purchase) in which the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Company's incremental borrowing rate is used.

(g) Investments

Long term investments in subsidiaries and an associate are stated cost less accumulated impairment losses.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods includes cost of raw materials, indirect materials, direct labour and an appropriate allocation of manufacturing overheads. The cost of raw materials and indirect materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

(i) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents excluding deposits pledged to banks and are presented net of bank overdrafts.

(k) Liabilities

Borrowings, trade and other payables are stated at cost.

(l) Impairment

The carrying amount of assets, other than inventories and financial assets (other than investments in subsidiaries and an associate) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(l) Impairment (continued)

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(m) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(n) Foreign currency transactions

i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

Notes To The Financial Statements

(n) Foreign currency transactions (continued)

ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	<u>2003</u>	<u>2002</u>
	RM	RM
1 US Dollar	3.80	3.80
100 Indian Rupees	8.30	7.81

(o) Derivative financial instruments

The Group uses derivative financial instruments, including commodity future contracts, to hedge its exposure to commodity price fluctuation arising from operational activities. These instruments are not recognised in the financial statements on inception.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

(p) Revenue

Sale of goods

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

Dividend income

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

(q) Expense

i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

(q) Expense (continued)

ii) Interest expense

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

(r) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(s) Employee benefits

Defined contribution plan

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

Notes To The Financial Statements

2. Property, plant and equipment

	Land and buildings RM	Plant and machinery RM	Motor vehicles, furniture, fittings and office equipment RM	Construction -in -progress RM	Total RM
<i>Group Cost</i>					
Opening balance	—	—	—	—	—
Additions	480,120	4,869,688	732,637	3,261,790	9,344,235
Acquisition of subsidiaries	30,500,115	175,015,334	3,977,623	10,508,380	220,001,452
Disposals	—	—	(483,475)	—	(483,475)
Exchange differences	274,739	431,424	(22,281)	50,260	734,142
Transfers	440,000	7,762,163	1,350	(8,203,513)	—
Closing balance	31,694,974	188,078,609	4,205,854	5,616,917	229,596,354
<i>Depreciation</i>					
Opening balance	—	—	—	—	—
Charge for the year	650,454	4,677,523	345,810	—	5,673,787
Acquisition of subsidiaries	3,344,570	59,038,027	3,313,402	—	65,695,999
Disposals	—	—	(448,275)	—	(448,275)
Exchange differences	(21,810)	(21,785)	4,149	—	(39,446)
Closing balance	3,973,214	63,693,765	3,215,086	—	70,882,065
<i>Net book value</i>					
At 31 December 2003	27,721,760	124,384,844	990,768	5,616,917	158,714,289

2. Property, plant and equipment (continued)

	Office equipment RM	Furniture, and fittings RM	Total RM
<i>Company</i>			
<i>Cost</i>			
Opening balance	—	—	—
Additions	2,880	2,160	5,040
Closing balance	2,880	2,160	5,040
<i>Depreciation</i>			
Opening balance	—	—	—
Charge for the year	576	432	1,008
Closing balance	576	432	1,008
<i>Net book value</i>			
At 31 December 2003	2,304	1,728	4,032
			Group 2003 RM
<i>At net book value</i>			
Short term leasehold land			7,452,304
Freehold land			1,272,610
Buildings			18,996,846
			27,721,760

Assets under hire purchase and leases

Included in plant and equipment of the Group are assets acquired under hire purchase and lease agreements with net book value of RM14,853,722 (2002: NIL).

Security

All the property, plant and equipment of the Group have been charged to banks for banking facilities granted to the subsidiaries as disclosed in Note 10.

Notes To The Financial Statements

3. Investments in subsidiaries

	Company	
	2003 R M	2002 R M
Unquoted shares, at cost	137,713,090	—

Details of the subsidiaries are as follows:

Company	Principal Activities	Place of Incorporation	Effective Ownership Interest	
			2003 %	2002 %
Premium Vegetable Oils Sdn. Bhd. ("PVO") (formerly known as Premium Vegetable Oils Berhad)	Manufacture and sale of speciality fats based on palm kernel oil, palm oil, coconut oil, rapeseed oil, soya bean oil etc., including those refined and fractionated	Malaysia	100	—
<i>Subsidiaries of PVO</i>				
Malim Sawit Sdn. Bhd. ("MSSB")	Processing of oil palm fruits, refining of palm oil and sale of refined products	Malaysia	100	—
Premium Fats Sdn. Bhd. ("PFSB")	Intended to undertake projects for manufacturing of downstream products from palm oil	Malaysia	100	—
Arani Agro Oil Industries Ltd ("AAO")#	Refining and processing of vegetable oils	India	100	—

Audited by other firm of accountants

Pursuant to a shareholders' agreement dated 22 August 2002, PVO agreed to acquire 74% of the enlarged share capital of AAO and PVO has control over AAO from the date of this agreement. PVO also has an option to purchase the remaining 26% equity interest in AAO via a put and call option commencing 1 January 2004. The vendors have also written to PVO stating that they (the vendors) were not entitled to participate in any manner in profit or loss arising "from 1 April 2002". The equity interest of PVO in AAO at 31 December 2003 is 74%. For the purpose of consolidation for the year ended 31 December 2003, AAO has been consolidated based on the effective interest of 100%.

Subsequent to year end, PVO has acquired the balance of 26% equity interest in AAO.

4. Investment in an associate

	Group 2003 R M
Unquoted shares, at cost	50,000
Less: Share of post acquisition losses	(49,999)

The associate is Swiss Premium Corporation Sdn. Bhd., a company incorporated in Malaysia in which the Group holds an equity interest of 50%. The Company was set up to undertake manufacturing of speciality fats.

5. Intangible assets

	Goodwill R M	Other intangible assets R M	Total R M
<i>Cost</i>			
Opening balance	—	—	—
Acquisition of subsidiaries	27,207,468	42,466	27,249,934
Additions	—	83,047	83,047
Closing balance	27,207,468	125,513	27,332,981

6. Inventories

	Group 2003 R M
<i>At cost</i>	
Finished goods	37,646,066
Raw materials	8,296,617
Work-in-progress	192,320
Spares and consumables	7,319,333
	53,454,336
<i>At net realisable value</i>	
Finished goods	4,798,275
	58,252,611

Notes To The Financial Statements

7. Trade and other receivables

	Group 2003 R M	Company 2003 R M	Company 2002 R M
Trade receivables	34,953,497	—	—
Other receivables, deposits and prepayments	17,535,738	—	—
Due from subsidiaries	—	7,997,712	—
	52,489,235	7,997,712	—

Included in the other receivables, deposits and prepayments of the Group are as follows:

	Group 2003 R M
Insurance claims receivable	532,556
Advances to raw material suppliers	3,295,010
Proceeds from disposal of property, plant and equipment	5,114,914
	8,942,480

The amounts due from subsidiaries are non trade in nature and have no fixed terms of repayment. Interest is charged at 8% per annum.

8. Cash and cash equivalents

	Group 2003 R M	Company 2003 R M	Company 2002 R M
Cash and bank balances	465,441	7,927	2
Fixed deposits with licensed banks	1,307,561	—	—
	1,773,002	7,927	2

The fixed deposits of the Group are pledged to banks for banking facilities.

9. Trade and other payables

	Group 2003 R M	2003 R M	Company 2002 R M
Trade payables	18,372,795	—	—
Other payables and accrued expenses	15,714,195	504,458	—
	34,086,990	504,458	—

Included in the other payables and accrued expenses of the Group and of the Company are as follows:

	Group 2003 R M	2003 R M	Company 2002 R M
Property, plant and equipment suppliers	2,975,302	—	—
Utilities, freight and forwarding	1,140,311	—	—
Accrued expenses	1,366,782	—	—
Consumables suppliers	2,107,818	—	—
	7,590,213	—	—

10. Borrowings

	Group 2003	2003	Company 2002
Current			
<i>Secured</i>			
Bank overdrafts	5,679,815	—	—
Bills discounting	4,189,126	—	—
Bankers' acceptances	47,750,000	—	—
Term loans	3,498,510	—	—
Hire purchases and lease creditors	4,020,046	—	—
<i>Unsecured</i>			
Loan from shareholders	10,854,694	8,000,000	—
Loan from a Director	1,550,000	1,550,000	—
Loan from a third party	2,000,000	—	—
Loan from a company in which a Director has substantial financial interest	1,696,410	—	—
	81,238,601	9,550,000	—
Non-current			
<i>Secured</i>			
Term loans	10,290,464	—	—
Hire purchases and lease creditors	2,833,970	—	—
	13,124,434	—	—
	94,363,035	9,550,000	—

Notes To The Financial Statements

10. Borrowings (continued)

The bank overdrafts, bankers' acceptances and term loans are secured by way of fixed and floating charges on all assets of the Group.

The term loans of the Group are repayable by various installments commencing from 2001 to 2004. Interest rate is chargeable at 7.75% to 15.20% per annum.

The bank overdrafts, bankers' acceptances and bills discounting carry interests at 3.05% to 8.00% per annum.

Loan from shareholders and a Director, a third party and a company in which a Director has substantial financial interest are subject to interest rates of 8%, 12% and 9% per annum respectively.

Finance lease and hire purchase liabilities are payable as follows:

	← 2003 →		
	Payment	Interest	Principal
	R M	R M	R M
Group			
Less than one year	4,476,684	456,638	4,020,046
Between one and five years	3,230,538	396,568	2,833,970
	7,707,222	853,206	6,854,016

11. Share capital

	Group / Company	
	2003	2002
	R M	R M
Ordinary shares of RM0.50 each		
Authorised:		
Opening balance	100,000	100,000
Increase of shares	249,900,000	—
Closing balance	250,000,000	100,000
Issued and fully paid:		
Opening balance	2	2
Issue of shares		
-for acquisition of PVO and its subsidiaries	136,500,000	—
-for exchange of BHB shares	1,000,000	—
-for settlement to creditors of BHB	31,000,000	—
Closing balance	168,500,002	2

12. Reserves

	Group 2003 R M	Company 2003 R M	2002 R M
<i>Non-distributable</i>			
Translation reserve	323,660	—	—
Accumulated losses			
Profit/(Loss) after tax for the year	11,049,930	(840,699)	—
Restructuring cost (Note 16)	(32,000,000)	(32,000,000)	—
	(20,950,070)	(32,840,699)	—
	(20,626,410)	(32,840,699)	—

13. Deferred tax liabilities

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group 2003 R M	Company 2003 R M	2002 R M
Property, plant and equipment			
- Capital allowances	16,838,102	—	—
- Revaluation	12,017,066	—	—
Unabsorbed capital allowances	(1,052,000)	—	—
Unutilised reinvestment allowances	(3,786,000)	—	—
Unutilised tax losses	(2,957,000)	—	—
	21,060,168	—	—

The unabsorbed capital allowances, unutilised tax losses and unutilised reinvestment allowances do not expire under current tax legislation.

14. Other operating income

A statutory body has filed an appeal in the Federal Court against the judgement by the Court of Appeal dismissing the claims made by the statutory body against a subsidiary. The Federal Court has decided in favour of the subsidiary and ordered the statutory body to refund the cess payment together with interest and cost thereon.

An amount of RM1.3 million receivable from the statutory body has been included in other operating income.

Notes To The Financial Statements

15. Operating profit/(loss)

	Group 2003 R M	Company 2003 R M	Company 2002 R M
Operating profit/(loss) is arrived at after charging			
Audit fee	110,900	15,000	500
Depreciation	5,673,787	1,008	
Directors:			
- Remuneration	664,000	—	—
- Fees	255,250	243,000	—
Rental of land and building	659,945	—	—
Rental of equipment	103,160	—	—
and after crediting			
Realised gain on foreign exchange	1,412,840	—	—
Gain on disposal of property, plant and equipment	129,300	—	—
Rental income	1,440	—	—

The total staff costs, including Directors of the Group and the Company, for the year were RM10,566,127 and RM25,888 (2002: NIL) respectively.

The number of employees (including Directors) of the Group and of the Company at the end of the financial year were 435 and 1 (2002: NIL) respectively. The defined contribution in respect of Employee Provident Fund included in the staff costs of the Group and of the Company amount to RM905,869 and RM1,080 (2002: NIL) respectively.

The estimated monetary value of Directors' benefits-in-kind of the Group is RM80,400 (2002: NIL)

16. Restructuring cost

Restructuring cost relates to one-off cost incurred for the restructuring of BHB and the transfer of listing status of BHB on the Second Board of MSEC to the Company as disclosed in Note 28.

17. Tax expense

	Group 2003 R M	Company 2003 R M	2002 R M
Income tax			
- Malaysia	9,000	9,000	—
- Oversea	1,171,000	—	—
Deferred tax			
- Origination of temporary differences	1,606,000	—	—
	2,786,000	9,000	—
	RM'000	RM'000	RM'000
Reconciliation of effective tax expense			
Loss before tax	(18,164)	(32,832)	—
Income tax using Malaysian tax rates	(5,086)	(9,193)	—
Effect of different tax rates in foreign jurisdictions	385	—	—
Non deductible expenses	792	242	—
Expenses allowed for double deduction	(112)	—	—
Tax incentives	(1,757)	—	—
Exceptional item which is non taxable	8,960	8,960	—
Others	(396)	—	—
Tax expense	2,786	9	—

18. Earnings per share - Group

Basic earnings per share

The calculation of basic earnings per share is based on the net loss attributable to ordinary shareholders of RM20,950,070 and the weighted average number of ordinary shares outstanding during the year of 305,000,004 after adjusting for new issues during the year as follows:

Weighted average number of ordinary shares:

	2003 Number of shares
Issued ordinary shares at beginning of the year	4
Effect of shares issued for acquisition of subsidiaries	273,000,000
Effect of shares issued in June 2003 for exchange of BHB shares and settlement of BHB's creditors	32,000,000
Weighted average number of ordinary shares	305,000,004

Notes To The Financial Statements

19. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM9,344,235 of which RM3,093,830 were acquired by hire purchase and lease agreements.

20. Acquisition of subsidiaries

On 9 April 2003, the Company acquired all the shares in PVO and its subsidiaries for a consideration totaling RM137,713,090 of which RM136,500,000 was satisfied by way of issuance of 273,000,000 ordinary shares of RM0.50 each. The acquisition was accounted for using the acquisition method of accounting. For the year ended 31 December 2003, the subsidiaries contributed a net profit of RM11,890,629 to the consolidated net profit for the year.

The fair value of assets and liabilities assumed in the acquisition of PVO and its subsidiaries and the cash flow effects are as follows:

	At date of acquisition R M
Property, plant and equipment	154,305,453
Goodwill of consolidation	750,444
Current assets	101,839,180
Current liabilities	(114,317,310)
Long term liabilities	(11,881,787)
Deferred tax liabilities	(19,439,914)
Net assets	111,256,066
Goodwill on acquisition	26,457,024
Total consideration	137,713,090
Cash and cash equivalents acquired	4,617,784
Consideration discharged by shares issued	(136,500,000)
Net assets acquired	5,830,874

Effect of acquisition

- a) The effects of the acquisition of PVO and its subsidiaries on the financial results of the Group for the financial year are as follows:

	From date of acquisition R M
Revenue	363,873,921
Operating costs	(349,206,292)
Profit before tax	14,667,629
Tax expense	(2,777,000)
Increase in the Group's net profit at the end of financial year	11,890,629

20. Acquisition of subsidiaries (continued)

- b) The effects of the acquisition of PVO and its subsidiaries on the financial position of the Group at 31 December 2003 are as follows:

	RM
Property, plant and equipment	158,710,257
Goodwill on consolidation	750,444
Current assets	112,662,134
Current liabilities	(114,311,169)
Long term liabilities	(13,124,434)
Deferred tax liabilities	(19,860,066)
<hr/>	
Net assets acquired	124,827,166
Goodwill on acquisition	26,457,024
<hr/>	
Increase in Group's net assets	151,284,190

21. Operating leases

Total future minimum lease payments under non-cancellable operating lease are as follows:

	Group 2003 RM
Less than one year	36,104
Between one and five years	163,182
More than five years	754,106
<hr/>	
	953,392

22. Commitments

	Group 2003 RM	Company 2003 RM	Company 2002 RM
<i>Plant and machineries</i>			
Contracted but not provided for	13,690,000	—	—

Notes To The Financial Statements

23. Contingent liabilities - (secured)

Group

As at 31 December 2003, contingent liabilities in respect of bill discounted with banks amounted to RM10,884,782.

24. Related parties

The Company has controlling related party relationship in its subsidiaries as disclosed in Note 3.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

Transactions with Directors and key management personnel

	Group 2003 R M	2003 R M	Company 2002 R M
<i>Tan Sri Dato' Dr K R Somasundram, a Director</i>			
Loan received	1,550,000	1,550,000	—
Interest on loan received	44,152	44,152	—
Interest on loan received is charged at 8% per annum.			
Remuneration paid to an employee who is a close family member of Tan Sri Dato' Dr K R Somasundram			
	220,796	—	—
<i>Company in which Tan Sri Dato' Dr K R Somasundram has financial interest</i>			
Syarikat Pooram Sdn. Bhd .-Transportation services			
	150,000	—	—
Minsawi Industries (Kuala Kangsar) Sdn. Bhd. .-Interest on loan received			
	184,283	—	—

Interest on loan received is charged at 9% per annum.

24. Related parties (continued)

	Group 2003 R M	2003 R M	Company 2002 R M
<i>National Land Finance Co-operative Society Limited ("NLFCs"), shareholder</i>			
-Rental of premises	154,961	—	—
-Loan received	5,000,000	5,000,000	—
-Interest on loan received	314,227	138,082	—
Interest on loan received is charged at 8% per annum.			
<i>Company in which a Director, Mr. Agarwal Pares Nath has substantial financial interest</i>			
Sunworth Corporation Sdn. Bhd.			
-Loan received	3,000,000	3,000,000	—
-Interest on loan received	82,849	82,849	—
Interest on loan received is charged at 8% per annum.			
<i>Subsidiaries</i>			
Interest income receivable	—	227,913	—
Interest on loan received is charged at 8% per annum.			
<i>Balances</i>			
Loan from Tan Sri Dato' Dr K R Somasundram	1,594,152	1,594,152	—
Loan from NLFCs	7,992,776	5,138,082	—
Loan from Sunworth Corporation Sdn. Bhd.	3,082,849	3,082,849	—
Loan from Minsawi Industries (Kuala Kangsar) Sdn. Bhd.	1,696,410	—	—

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

25. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, geographical segments by location of assets, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on market price.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Notes To The Financial Statements

25. Segmental information (continued)

Geographical segments

The Group operates principally in Malaysia and India.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of assets. Segment assets are also based on the geographical location of the assets.

Business segments

There are no business segment reported as the Group's principal activities comprise mainly of manufacturing of edible oils.

	Malaysia 2003 RM'000	India 2003 RM'000	Eliminations 2003 RM'000	Consolidated 2003 RM'000
<i>Geographical segments by location of assets</i>				
Revenue from external customers	259,296	104,578	—	363,874
Revenue from transactions with other segments assets	48,953	—	(48,953)	
Total revenue	308,249	104,578	(48,953)	363,874
Segment result	20,406	5,707	(4,377)	21,736
Interest income	228	—	(228)	—
Interest expense	(6,971)	(1,157)	228	(7,900)
Restructuring cost	(32,000)	—	—	(32,000)
Loss before tax	(18,337)	4,550	(4,377)	(18,164)
Tax expense	(784)	(2,002)	—	(2,786)
Net loss for the year	(19,121)	2,548	(4,377)	(20,950)
Segment assets	393,928	32,801	(128,167)	298,562
Segment liabilities	(136,922)	(20,116)	6,349	(150,689)
Capital expenditures	6,869	2,475	—	9,344
Depreciation	5,294	380	—	5,674
Non cash expenses	129	—	—	129

25. Segmental information (continued)

The sales revenue by geographical market and segment assets by location of assets are shown below:

	Malaysia RM'000	India RM'000	Asia RM'000	Europe RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue from sales to external customers by location of customers	67,278	178,139	117,932	10,952	38,526	(48,953)	363,874

26. Financial instruments

Financial risk management objectives and policies

Exposure to credit, currency, interest rate, liquidity risk and price fluctuation risk arise in the normal course of the Group's and the Company's business. The Board of Director reviews and agrees policies for managing each of these risks and they are summarized below:

Credit risk

The Group's credit risk arises from sales made on credit terms. Credit risks and exposures are controlled and monitored on an ongoing basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different level of credit limit and terms.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group are represented by the carrying amount of each financial assets.

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rises to this risk is primarily US Dollar and India Rupee. Exposure to foreign currency is monitored on an ongoing basis where appropriate to minimise the risk. The Group does not hedge its net investment in the foreign subsidiary.

The foreign currency risk arising from transactions denominated in US Dollar is mitigated as Ringgit Malaysia is currently pegged to US Dollar.

Interest rate risk

The Group's exposure to changes in interest rates relate primarily to interest earning fixed deposits and interest bearing short term borrowings and term loans.

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

Effective interest rate and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates and repricing analysis at balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Notes to the financial statements

26. Financial instruments (continued)

Group 2003	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000
<i>Financial assets</i>				
Fixed deposits	2.90	1,308	1,308	—
<i>Financial liabilities</i>				
Bank overdrafts	7.95	5,680	5,680	—
Bills discounting	3.95	4,189	4,189	—
Bankers' acceptances	3.80	47,750	47,750	—
Term loans	7.69	13,789	12,510	1,279
Loan from shareholders	8.00	10,855	10,855	—
Loan from a Director	8.00	1,550	1,550	—
Loan from a third party	12.00	2,000	2,000	—
Loan from a company in which a Director has substantial financial interest	9.00	1,696	1,696	—
Company 2003				
<i>Financial assets</i>				
Due from subsidiaries	8.00	7,998	7,998	—
<i>Financial liabilities</i>				
Loan from shareholders	8.00	8,000	8,000	—
Loan from a Director	8.00	1,550	1,550	—

Liquidity and cash flow risk

The Group and the Company maintains sufficient cash and bank funding lines to enable it to meet its short term and long term cash flow requirements. The Group's policy is to finance long term assets with long term funding and short term assets with short term funding.

Price fluctuation risk

The Group is exposed to price fluctuation risk on sales and purchases of vegetable oil commodities. The Group sells forward in the physical market and enters into commodity future contracts with the objective of managing and hedging the Group's exposure to price volatility in the commodity markets.

26. Financial instruments (continued)

Fair values

Recognised financial instruments

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings (including loan from shareholders, a Director, a third party and companies in which a Director has substantial financial interest) approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial liabilities carried on the balance sheet at 31 December are shown below:

Group	← Carrying amount RM'000	2003 → Fair value RM'000
Term loans		
-Fixed rates	2,557	2,507
-Floating rates	11,232	11,232
	13,789	13,739

Unrecognised financial instruments

At the balance sheet date, the Group has entered into the following commodity future contracts with maturities of less than 1 year:

Group	Contracted amount '000	Fair value '000
Sales contracts	8,907	9,791
Purchase contracts	24,610	26,036

The fair value of the commodity future contracts are based on market price as at 31 December 2003.

27. Event subsequent to balance sheet date

Subsequent to the financial year, the Company obtained an Islamic banking facility, Murabahah Underwritten Notes Issuance Facility/Islamic Medium Term Notes Facility of up to RM85 million.

The new facility will be partly use to retire the existing borrowings of the Group and the remaining balance will be used for working capital requirements.

Notes to the financial statements

28. Significant event

On 1 August 2003, the Company was listed on the Second Board of the Malaysia Securities Exchange Berhad ("MSEB") via a restructuring scheme of a PN4 company, Bridgecon Holdings Berhad (Special Administrators Appointed ("BHB")).

The restructuring scheme of the Company involved the following:

- 1) The Company issued 2,000,000 new ordinary shares of RM0.50 each to the previous shareholders of BHB in exchange for the entire issued and paid-up share capital of RM1.00 each in BHB amounting to RM19,950,000 on the basis of one new share of the Company for every 9.975 BHB shares held.
- 2) As part settlement of the amount owing by BHB to its creditors, the Company issued 62,000,000 new ordinary shares of RM0.50 each to BHB to be held by the creditors' agent, for and on behalf of the creditors.
- 3) Acquisition of the entire issued and paid-up capital of Premium Vegetable Oils Sdn. Bhd. ("PVO") (formerly known as Premium Vegetable Oils Berhad) for a purchase consideration of RM136,500,000 satisfied by the issuance of 273,000,000 ordinary shares of RM0.50 each.
- 4) BHB was delisted on 1 August 2003 and subsequently BHB and all its subsidiaries have been placed under liquidation by the Special Administrators.

29. Comparative figures

There is no comparative figures for the Group as this is the first set of consolidated financial statements prepared by the Company.

Analysis of shareholdings

List of Top 30 Holders as at 30/04/2004	Holding	%
Mayban Securities Nominees (Tempatan) Sdn Bhd	48,000,329	14.24
KR Somasundram	32,519,634	9.65
National Land Finance Co-Operative Society Limited	26,061,486	7.73
Sunworth Corporation Sdn Bhd	14,323,165	4.25
TCL Nominees (Tempatan) Sdn Bhd	14,255,407	4.23
TCL Nominees (Asing) Sdn Bhd	14,055,262	4.17
Forad Management Sdn Bhd	12,498,600	3.71
Picavest Sdn Bhd	12,104,252	3.59
Dutavest (M) Sdn Bhd	8,359,604	2.48
Pica (M) Corporation Berhad	7,476,004	2.22
Bank Kerjasama Rakyat Malaysia Berhad	4,449,385	1.32
Mayban Nominees (Tempatan) Sdn Bhd	3,659,329	1.09
Su Ming Keat	3,260,359	0.97
HSBC Nominees (Asing) Sdn Bhd	3,154,986	0.94
Balaram A/L Petha Naidu	3,148,145	0.93
Oriental Development Finance Ltd	2,904,726	0.86
Tay Teck Ho	2,660,000	0.65
Unggul Pekerti Sdn Bhd	2,200,000	0.65
Alliancegroup Nominees (Tempatan) Sdn Bhd	1,935,803	0.57
Employees Provident Fund Board	1,900,000	0.56
Shakti Ltd	1,621,891	0.48
Amanah Raya Nominees (Tempatan) Sdn Bhd	1,500,000	0.45
HSBC Nominees (Tempatan)	1,412,831	0.42
Gan Soong Tee	1,385,000	0.41
Wong Pick Yiing	1,324,900	0.39
PB Securities Nominees (Tempatan) Sdn Bhd	1,302,621	0.39
Public Nominees (Tempatan) Sdn Bhd	1,264,705	0.38
RHB Capital Nominees (Tempatan) Sdn Bhd	1,260,302	0.37
Kenanga Nominees (Tempatan) Sdn Bhd	1,232,208	0.37
Citicorp nominees (Tempatan) Sdn Bhd	1,199,901	0.36

Analysis of shareholdings

Holders with Holding of 5% and above as at 30/04/2004

Mayban Securities Nominees (Tempatan) Sdn Bhd	48,000,329	14.24
K.R. Somasundram	32,519,634	9.65
National Land Finance Co-operative Society Limited	26,061,486	7.73

Size of Holdings	No. of Holding	%	No. Of Shares	%
1-99	146	1.62	4,338	0.00
100-1,000	2,866	31.71	1,566,396	0.46
1,001-10,000	4,309	47.67	23,231,865	6.89
10,001-100,000	1,531	16.94	50,095,181	14.87
100,001-16,849,999(*)	185	2.05	192,250,727	57.05
16,850,000 and above(**)	2	0.02	69,851,497	20.73
Total	9,039	100.00	337,000,004	100.00

Remark

* - Less Than 5% Issued Holdings

** - 5% and Above Issued Holdings

Directors' Interest in Share as at 30th April 2004 (as shown in the Register of Directors' Shareholdings)

Name of Directors	Interests in Share		Percentage (%)	
	Direct	Deemed	Direct	Deemed
Tan Sri Dato' Dr.KR Somasundram	32,519,634	597,608	9.65	0.18
Subramaniam A/L Seenivasagam	13,994,507	-	4.15	-
Datuk Sahadivanaidu a/L Baliah	810,945	-	0.24	-
Agarwal Pares Nath	14,055,162	15,066,725	4.17	4.47

List of Properties

	Registered Owner/Lessee	Description and Location	Land Area/ (Built-up Area) Sq feet	Tenure/ (Age of Building)	*Net Book Value As At 31 December 2003 RM'000	Year of Acquisition/ (Revaluation)
1	Premium Vegetable Oils Sdn Bhd (Formerly known as Premium Vegetable Oils Berhad)	PTD 64908, H.S. (D) 151065 and PTD 84772, H.S. (D), 153378 Mukim Plentong, Daerah Johor Bahru, Negeri Johor Darul Takzim	467,824	PTD 64908, H.S. (D) 151965 (Leasehold for 60 years expiring on 15.09.2044) PTD 84772, H.S. (D) 274412 (Leasehold for 60 years expiring on 22.01.2049) Building	4,460 2,992 10,288	1985 / (2003) 1987 / (2003)
2	Malim Sawit Sdn Bhd	PTD 3445, H.S. (M) 692, PTD 3494, H.S. (M) 662, PTD 3425, H.S. (M) 658, PTD 3460, H.S. (M) 652, PTD 3472, H.S. (M) 651, PTD 3471, H.S. (M) 649, Mukim Layang-Layang, Daerah Johor, Sungai Sayang, Negeri Johor Darul Takzim	51,533	Freehold Building	1,273 4,204	1993 / (2001) 2001
3	Kakinada Sea Port Limited, leased by Arani Agro Oil Industries Limited	Survey No. 314 of Suryaraopet, Indrapalem Gram Panchayat Limits, East Godavari District, India	8,000	Leasehold for 19 years expiring on 21.06.2021	4,505	2002

Form of Proxy

I/We _____
of _____
being a member(s) of PREMIUM NUTRIENTS BERHAD holding _____
shares hereby appoint _____
of _____
or tailing him _____
of _____
as my/our proxy to vote for me/us on my/our behalf at the First Annual General Meeting of the Company to be held on Wednesday, 23 June 2004 at 10.00 a.m. and at any adjournment thereof, in the manner indicated below:

NO	RESOLUTION	FOR	AGAINST
1	Adoption of Audited Financial Statements for the year ended 31 December 2003 and the Directors' and Auditors' Reports thereon.		
2	Approval of the remuneration of the Directors for the year ended 31 December 2003		
3	Re-election of the following Directors retiring under the provisions of Article 87 of the Company's Articles of Association:-En Abdul Aziz Bin Mohamed Hussain (Article 87)		
4	Mr Agarwal Pares Nath (Article 87)		
5	Tuan Syed Mubarak Bin Syed Ahmad (Article 87)		
6	Re-election of Mr Chiong Kok Seng retiring under the provisions of Article 94 of the Company's Articles of Association.		
7	Passing the following resolution pursuant to Section 129 of the Companies Act 1965: 'That Tan Sri Dato' Dr K R Somasundram who retires in accordance with Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company and to hold office until the next Annual General Meeting'.		
8	Re-appointment of retiring Auditors, Messrs KPMG and authorizing the Directors to fix their remuneration.		

Please indicate with "X" how you wish your vote to be cast in the absence of specific directions, your Proxy will vote or abstain as he/she thinks fit.

Dated this _____ day of _____ 2004.

Signature _____

NOTES:

1) A member of the Company entitled to attend and vote at the abovementioned meeting is entitled to appoint one proxy but not more than two proxies, to attend and vote in his stead. Such proxy need not be a member of the Company, and where there are two proxies, the number of shares to be represented by each proxy must be stated.

2) The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be either given under its common seal or under the hand of an officer or attorney of the Corporation duly authorised.

3) The instrument appointing the proxy must be deposited to The Company Secretary, c/o Signet Share Registration Services Sdn Bhd at Level 26, Menara Multi Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof



stamp

The Company Secretary
c/o Signet Share Registration Services Sdn Bhd
at Level 26, Menara Multi Purpose, Capital Square,
No. 8 Jalan Munshi Abdullah,
50100 Kuala Lumpur
