



**PREMIUM  
GROUP**

**Premium Nutrients Berhad**  
No. 589272 - D



Laporan Tahunan  
**2004**  
Annual Report

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# Notice of third annual general meeting

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Premium Nutrients Berhad will be held at Auditorium Tan Sri Dato' K R Soma, Wisma Tun Sambanthan, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on 29<sup>th</sup> June 2005 at 10.00 a.m. for the following purposes : -

## AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2004 and the Directors' and Auditors' Reports thereon. **Resolution 1**
2. To approve the remuneration of the Directors for the year ended 31 December 2004. **Resolution 2**
3. To re-elect the following Directors retiring under the provisions of Article 87 of the Company's Articles of Association:-
  - a. Datuk Sahadivanaidu a/l Baliah (Article 87) **Resolution 3**
  - b. Mr Subramaniam a/l Seenivasagam (Article 87) **Resolution 4**
  - c. Dato' Faruk Bin Othman (Article 87) **Resolution 5**
4. To elect Tan Sri Dato' Hari Narayanan a/l Govindasamy who ceases to be a Director under the provisions of Article 94 of the Company's Articles of Association. **Resolution 6**
5. To consider and, if thought fit, to pass the following resolution pursuant to Section 129 of the Companies Act, 1965:

"THAT Tan Sri Dato' Dr. K R Somasundram be and is hereby re-appointed as a Director of the Company and shall hold office until the next Annual General Meeting pursuant to Section 129 of the Companies Act, 1965."

**Resolution 7**
6. To re-appoint the retiring Auditors, Messrs KPMG and to authorise the Directors to fix their remuneration. **Resolution 8**
7. To transact any other ordinary business of which due notice has been given.

BY ORDER OF THE BOARD

KALI DASS A/L ARUMUGAM  
Secretary

Kuala Lumpur, 7<sup>th</sup> June 2005

**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 Symphony Share Registrars 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.

# Statement accompanying notice third of annual general meeting

Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements

1. The Directors standing for re-election are:

- |   |              |
|---|--------------|
| a. Datuk Sahadivanaidu a/l Baliah               | - Article 87 |
| b. Mr Subramaniam a/l Seenivasagam              | - Article 87 |
| c. Dato' Faruk Bin Othman                       | - Article 87 |
| d. Tan Sri Dato' Hari Narayanan a/l Govindasamy | - Article 94 |

The above named Directors except for Dato' Faruk Bin Othman, do have interests in the shares of the Company and their further details are furnished under profile of Directors on pages 6 to 9 of the annual report. Details of Datuk Sahadivanaidu a/l Baliah, Mr Subramaniam a/l Seenivasagam and Tan Sri Dato' Hari Narayanan a/l Govindasamy are disclosed under Analysis of Shareholdings on page 72 of the annual report.

2. The Director standing for re-appointment pursuant to Section 129 (6) of the Companies Act, 1965 is Tan Sri Dato' Dr. K R Somasundram.

3. Details of the place, date and hour of the Third Annual General Meeting are as follows:

<b>Place</b>	<b>Date</b>	<b>Hour</b>
Auditorium Tan Sri Dato' K R Soma, Wisma Tun Sambanthan, Jalan Sultan Sulaiman, 50000 Kuala Lumpur	29 June 2005	10.00 a.m.

4. Details of Directors' attendance at Board Meetings during the financial year are disclosed on page 10 of the annual report.

# Corporate information

## Board of Directors

### **Tan Sri Dato' Dr. K R Somasundram**

Chairman, Non-Independent Non-Executive Director

### **Agarwal Pares Nath**

Managing Director

### **Datuk Sahadivanaidu a/l Baliah**

Non-Independent Non-Executive Director

### **Subramaniam a/l Seenivasagam**

Non-Independent Non-Executive Director

### **Tan Sri Dato' Hari Narayanan a/l Govindasamy**

Non-Independent Non-Executive Director

### **Abdul Aziz bin Mohamed Hussain**

Independent Non-Executive Director

### **Dato' Faruk bin Othman**

Non-Independent Non-Executive Director

### **Ab Rahim bin Mohd Zain**

Independent Non-Executive Director

### **Syed Mubarak bin Syed Ahmad**

Independent Non-Executive Director

### **Chiong Kok Seng**

Independent Non-Executive Director

### **Group Company Secretary**

Kali Dass a/l Arumugam

## Registered Office

Level 27 Wisma Tun Sambanthan Jalan Sultan  
Sulaiman 50000 Kuala Lumpur  
Tel: 03 2273 5033  
Fax: 03 2273 4340

## Registrar

Symphony Share Registrars Sdn Bhd.  
Level 26 Menara Multi Purpose Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel: 03 2721 2222  
Fax: 03 2721 2530/31

## Stock Exchange Listings

Second Board - Bursa Malaysia Berhad

## Bankers

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

## Solicitors

Messrs Sivananthan  
Level 1A, Block B  
Kompleks Pejabat Damansara Jalan Dungun,  
Damansara Heights 50490 Kuala Lumpur  
Tel: 03 2095 6655  
Fax: 03 2095 9955

## Auditors

KPMG  
Level 14, Menara Ansar 65 Jalan Trus  
80000 Johor Bahru Johor Darul Takzim  
Tel: 07 224 2870  
Fax: 07 224 8055

## Profile of directors



### **Tan Sri Dato' Dr. K R Somasundram (75)**

- was appointed to the Board on 9<sup>th</sup> April 2003. He is a planter by profession and is the promoter and Chairman of Premium Vegetable Oil Sdn Bhd since 1978 and 1992 respectively. In 1960, he joined National Land Finance Co-operative Society Limited ("NLFCS"), which is involved in plantation, real estate and manufacturing as Plantation Manager and was promoted to the position of General Manager in 1974. He was subsequently appointed as Chief Executive Officer in 1984. At present he holds the position of Executive Chairman of NLFCS. He also holds directorships in several private limited companies. He was awarded a PhD in Education from Newcastle University, Australia in August 2000.

### **Agarwal Pares Nath (59)**

- was appointed to the Board on 9<sup>th</sup> April 2003. He is a director of Premium Vegetable Oils Sdn Bhd since 31<sup>st</sup> March 1998 and assumed the position of Managing Director with effect from 1<sup>st</sup> January 1999.

He is a Chartered Accountant and lawyer (Mcomm., LLB, FCA). Mr. P.N. Agarwal has more than 36 years working experience including 27 years in the oils and fats industry in Malaysia, Singapore, USA, Nigeria and India.



### **Datuk Sahadivanaidu a/l Baliah (53)**

- was appointed to the Board on 9<sup>th</sup> April 2003. He is a Director of Premium Vegetable Oil Sdn. Bhd. since 31<sup>st</sup> March 1998. He joined NLFCS in 1972 and through the ranks moved to the estate division eventually attaining the position of General Manager. He was promoted to the post of Chief Executive Officer of NLFCS in 1995 and holds the position to date. He obtained a Diploma in Management from the Malaysian Institute of Management in 1984 and a higher Diploma in Law from the University of Wolverhampton, United Kingdom ("UK") in 1993. He subsequently obtained a Masters Degree in Management from Warnborough University, UK in 1999.

**Abdul Aziz bin Mohamed Hussain (54)**

- was appointed to the Board on 9<sup>th</sup> April 2003. He was appointed to the Board of Premium Vegetable Oil Sdn. Bhd. on 7<sup>th</sup> April 1989. He obtained his Bachelor of Business Administration from University of Singapore, Singapore in 1973. From 1973 to 1974, he was with Sembawang Shipyard Ltd., Singapore as an Organisation and Methods Analyst. He was with Pica S.A., Indonesia and Singapore from 1974 to 1976 as an Assistant Representative and an Investment Officer respectively. He furthered his studies and received a Post Graduate Diploma in Management Studies from the University of Chicago in 1978.

En Aziz was a Managing Director of Pica (M) Corporation Berhad ("PMCB") from October 1992 until he retired on 4<sup>th</sup> June 1999.



**Ab Rahim bin Mohd Zain (66)**

- was appointed to the Board on 9<sup>th</sup> April 2003. He became a Board member of Premium Vegetable Oil Sdn. Bhd. on 21<sup>st</sup> November 1994. He joined the Malaysian Civil Service in 1963 as Assistant State Secretary of Perak. In 1968, he moved on to be the Senior Training Officer of the Government Staff Training Center, later named INTAN. In 1969, as Assistant Secretary of the National Operations Council, Prime Ministers Department, he was assigned to set up the Secretariat for the National Operations Council together with five other officers from the civil service. In 1972, he became Deputy Director, Implementation, Coordination and Development Administration Unit of the Prime Ministers Department, later named ICU. From there, he was seconded to manage the Malaysian Fisheries Development Authority as its Deputy Chairman. In 1977, he moved on to become the Deputy State Secretary of Selangor and later the Deputy State Secretary of Perak. While holding those positions he was also concurrently the State Director of Economic Planning Unit of each state respectively. He moved back to Kuala Lumpur in 1984 and became the Director General of the Socio-Economic Research Unit, Prime Ministers Department. In 1988, he was seconded to be the Director General of the Palm Oil Registration and Licensing Authority, Malaysia. He retired from the civil service in 1994. For his services in Perak, he was awarded the Paduka Chura Simanjakini in 1979.



**Subramaniam a/l Seenivasagam (67)**

- was appointed to the Board on 9<sup>th</sup> April 2003. He is a director of Premium Vegetable Oil Sdn. Bhd. since 13<sup>th</sup> April 1993. He is an accountant by profession having completed his Australian Society & Accountants Professional Exams in 1961. Upon completing his professional exams, he served in the private sector for a brief period before he joined MIDA in 1966 as Deputy Director of the Tariff Division. He was then promoted to Director in MIDA in 1973 where he was responsible for setting up the MIDA office in San Francisco for promoting investments from the West Coast of the USA and Western Canada in the manufacturing sector in Malaysia. From 1978 to 1986, he was appointed as Project Director at MIDA headquarter. He also took part in the formulation of Malaysia's First Industrial Master Plan, where MIDA played a major role. His last posting Trade Commissioner ("Investment") at MIDA, London from 1986 to 1991. He retired from MIDA in 1992 and joined the private sector.

Since May 1994, he served as Director of Corporate Affairs in Mahkota Technologies Sdn Bhd. He also sits on the Board of NLFCS as well as on some of its subsidiaries / associates.



**Dato' Faruk bin Othman (57)**

- was appointed to the Board on 9<sup>th</sup> April 2003. He graduated in Business Studies from North East Essex College, England and has completed a Post Graduate Diploma in Management Studies from Brighton Polytechnic University of Sussex, England in 1971. He has over 30 years of experience in the financial sector comprising the stock broking and banking sectors. His involvement in the banking sector started when he joined Standard Chartered Bank Malaysia Berhad way back in 1971 as an Executive before leaving for United Asian Bank as a Divisional Manager in 1980. In 1981, he assumed the post of Assistant General Manager of Kwong Yik Bank Berhad for 8 years before serving as the Executive Director of Inter-Pacific Securities Sdn Bhd in 1989. He is also the Executive Chairman of Furqan Business Organisation Berhad.

**Syed Mubarak bin Syed Ahmad (62)**

- was appointed to the Board on 9<sup>th</sup> April 2003. He commenced his working career at the Inland Revenue Board ("IRB") in 1967. After 5 years of service with the IRB, he joined Hanafiah Raslan & Mohamad, Chartered Accountants where he worked as a tax manager for another 5 years before he set up his own accounting / audit firm, Syed Mubarak & Co. Chartered Accountants in 1977. He retired from his accounting practice in 1999.

Syed Mubarak is a member of the Association of Chartered Certified Accountants (UK) and the Institute of Chartered Secretaries & Administrators (UK). He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Taxation.

Syed Mubarak is currently practising as an advocate and solicitor. He holds bachelors and masters degrees in law (LLB, LLM) both from University of London. He is also a barrister-at-law of Lincoln's Inn.



**Chiong Kok Seng (51)**

- was appointed to the Board on 23<sup>rd</sup> December 2003. He obtained a Bachelor of Business Administration from University of Hawaii in 1982 and Master of Business Administration from Chaminade University of Honolulu, Hawaii in 1983. He is currently the Vice-President of Pica (M) Corporation Berhad, a public listed company which is principally involved in investment holding, providing mezzanine capital, equity financing and providing financial and investment advisory services. He has 15 years of experience in investment, providing investment and advisory services. Prior to joining PMCB in 1998, he was a Credit Supervision Officer of a finance company.

**Tan Sri Dato' Hari Narayanan a/l Govindasamy (54)**

- a Malaysian businessman by profession, was appointed Director of Premium Nutrients Berhad on 11<sup>th</sup> March 2005. He holds a Bachelor's Degree in Electrical and Electronic Engineering from the University of Northumbria, England. Tan Sri Dato' Hari Narayanan also sits on the board of Tenaga Nasional Berhad, S P Setia Berhad, Puncak Niaga Holdings Berhad which are listed on the Main Board of Bursa Malaysia Securities Berhad. He also holds directorships on the Board of Lembaga Lebuhraya Malaysia (Malaysian Highway Authority), Asian Institute of Medicine, Science & Technology and several other private companies.

He is a member of the Institute of Engineers, Malaysia (IEM) and a Registered Professional Engineer with the Board of Engineers, Malaysia. He has extensive experience in electrical and electronic engineering and has held various key positions with some established companies as an engineer and entrepreneur.



## Statement of corporate governance

The Board of Directors ("Board") of Premium Nutrients Berhad ("PNB") is fully committed to the principles of corporate governance in the Malaysian Code on Corporate Governance ("Code").

The Board will continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code wherever applicable in the best interests of the shareholders.

The Board is pleased to report on the manner the Group has applied the principles and the extent of compliance with the best practices of corporate governance as required under the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

### The Board of Directors

#### Board Responsibilities

The Board has the overall responsibility for corporate governance by setting out the strategic direction, formulation of policies and overseeing the investment and business of the Group. Board meetings were held during the financial year ended 31 December 2004. Details of attendance by Directors are as follows:

#### The Board of Directors' Attendance Record

Directors	No. of Meetings held	Meetings attended	Attendance at Board of Directors' Meeting held on 2004						Date of Appointment
			27/02	25/03	27/05	09/08	26/08	30/11	
Tan Sri Dato' Dr. K. R. Somasundram	6	6/6	✓	✓	✓	✓	✓	✓	09.04.2003
Datuk Sahadivanaidu a/l Baliah	6	5/6	✓	✓	✓	✓	✗	✓	09.04.2003
Agarwal Pares Nath	6	6/6	✓	✓	✓	✓	✓	✓	09.04.2003
Ab Rahim Bin Mohd Zain	6	5/6	✓	✓	✓	✗	✓	✓	09.04.2003
Chiong Kok Seng	6	6/6	✓	✓	✓	✓	✓	✓	23.12.2003
Abdul Aziz Bin Mohamed Hussain	6	5/6	✓	✓	✓	✓	✗	✓	09.04.2003
Dato' Faruk Bin Othman	6	6/6	✓	✓	✓	✓	✓	✓	09.04.2003
Subramaniam a/l Seenivasagam	6	6/6	✓	✓	✓	✓	✓	✓	09.04.2003
Syed Mubarak Bin Syed Ahmad	6	6/6	✓	✓	✓	✓	✓	✓	09.04.2003
Tan Sri Dato' Hari Narayanan a/l Govindasamy				N/A					11.03.2005

## **Board Composition and Balance**

The Board currently has ten (10) members, comprising one (1) Executive Director and nine (9) Non-Executive Directors with four (4) of the Directors being Independent Directors which complies with the Bursa Malaysia Securities Berhad Listing Requirements (“Bursa Malaysia Listing Requirements”) on Board composition.

Together, the Board has a good mix of business, financial, banking, administration and technical expertise and experience to lead and control the Group. A brief profile of each Directors are presented on pages 6 to 9 of the Annual Report.

The roles of the Chairman and Managing Director are separated. The Board delegates the authority of implementing its policies and decisions, overseeing the operations and business development to the Managing Director as the head of the management of the Group.

The presence of the four Independent Non-Executive Directors with En Ab Rahim Bin Mohd Zain being the Senior Independent Non-Executive Director fulfilling a pivotal role in corporate accountability. Although all the Directors have an equal responsibility for the Group’s operations, the role of these Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgement.

There is a schedule of matters reserved for the Boards decision, which includes the approval of annual budget, major investment and financial decisions and key policies.

To facilitate the smooth transaction of business within the Company, the Board has established three (3) Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference of each Committee have been approved by the Board and where applicable, comply with the recommendations of the Code.

## DIRECTORS' REMUNERATION

The Company's Directors' aggregate remuneration from the Group categorized into appropriate components for the financial year are as follows:

### Aggregate Remuneration

Remuneration	Executive Director RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	25	198	223
Salaries	630	-	630
EPF & Socso	82	-	82
Allowance	-	-	-
Bonus	57	-	57
Benefits-in-kind	80	-	80
Consultation Fees	-	-	-
Total	874	198	1,072

### Analysis of Remuneration

Total Remuneration	Number of Executive Director	Number of Non-Executive Directors	Total
RM 0 to RM 50,000	-	8	8
RM 50,001 to RM 1,000,000	1	-	1
Total	1	8	9

There is only one Executive Director whose remuneration details has been disclosed as above. It was felt not necessary to give break-up of remuneration of Non-Executive directors which is not significant.

## **COMPLIANCE WITH THE MALAYSIAN CODE OF BEST PRACTICES**

Premium has complied with the Malaysian Code throughout the financial year under review.

## **BOARD COMMITTEES**

### **Audit Committee**

The Audit Committee reviews issues of accounting policies, presentation for external financial reporting and the deliberation of any audit findings of both the external and internal auditors arising from the Company's financial statements and any issues raised by the auditors.

The report of the Audit Committee for the financial year ended 31 December 2004 is set out on pages 19 to 23.

## **APPOINTMENT TO THE BOARD**

### **Nomination Committee**

Members of the Nomination Committee are:

Tan Sri Dato' Dr. K R Somasundram  
(non-independent, non-executive Director)  
(Appointed on 17<sup>th</sup> December 2003)

Datuk Sahadivanaidu a/l Baliah  
(non-independent, non-executive Director)  
(Appointed on 17<sup>th</sup> December 2003)

En Abdul Aziz Bin Mohamed Hussain  
(independent, non-executive Director)  
(Appointed on 17<sup>th</sup> December 2003)

The Committee is responsible for proposing new nominees to the Board and to assess the contribution of each individual Director and the overall effectiveness of the Board on an on-going basis. The Board, through the nominating Committee's annual appraisal, believes that the current composition of the Board brings the required mix of skills and core competences required. The final decision as to who shall be appointed as a Director remains the responsibility of the full Board after considering the recommendations of the Committee.

### **Remuneration Committee**

Members of the Remuneration Committee are:

Tan Sri Dato' Dr. K R Somasundram  
(non-independent, non-executive Director)  
(Appointed on 21<sup>st</sup> November 2003)

Subramaniam a/l Seenivasagam  
(non-independent, non-executive Director)  
(Appointed on 21<sup>st</sup> November 2003)

En Abdul Aziz Bin Mohamed Hussain  
(independent, non-executive Director)  
(Appointed on 27<sup>th</sup> May 2004)

The Committee is responsible for making recommendations on the remuneration of executive director. The determination of remuneration packages of non-executive Directors is the responsibility of the Board as a whole.

### **Re-election of Directors**

The Company's Articles of Association stipulate that newly appointed Directors shall hold office until the next Annual General Meeting and shall then be eligible for re-election by shareholders and that at least one third or the number nearest to one third of the Directors are required to retire by rotation at every Annual General Meeting and be subject to re-election by shareholders.

## **Supply of information**

The Board is supplied with all necessary information by way of Board papers prior to Board meetings. The Board papers are comprehensive and encompass both quantitative and qualitative factors so that informed decisions are made. The chairman plays a key role in ensuring that all Directors have full and timely access to information with Board papers.

The Directors have access to the advice and services of the Company Secretary to assist them in furtherance of their duties. The Board believes that the current company secretary is capable of carrying out his duties to ensure the effective functioning of the Board while the term of appointment permit his removal and appointment only by the Board as a whole. The Directors may obtain independent professional advice on special issues at the Company's expense to enable the Directors to discharge their duties with adequate knowledge on the matters being deliberated.

## **Directors' Training**

The Group acknowledges that continuous education is vital for the Board to discharge their responsibilities effectively. Besides attending seminars and conferences, all the Directors have attended Mandatory Accreditation Programme (MAP) organised by the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

## **Relationship with Shareholders**

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Group. Announcements and release of financial results on a quarterly basis provide the shareholders and investing public with an overview of the Group's performance and operations.

The Annual General Meeting and Extraordinary General Meetings provide a means of communication with shareholders. The Board as well as the auditors of the Company are present to answer questions raised at the meetings. The Board talks to the shareholders informally before and after the meetings.

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

In presenting the annual financial statements and quarterly announcements of its results, the Board ensured that they present a balanced and understandable assessment of the Group's position and prospects.

### **Directors Responsibility Statement**

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of their profit and loss and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

### **Internal Control**

The Directors acknowledge the responsibility of maintaining a good and efficient system of internal control, including risk management and the need to review its effectiveness regularly. The system is designed to mitigate and manage risk in the pursuit of the business objectives as well as safeguard the Group's assets and shareholders' investment in the Group. However, such system can only provide reasonable but not absolute assurance against misstatement, fraud or loss.

### **Relationship with Auditors**

The Company maintains a transparent relationship with the external auditors in seeking their professional advice and towards ensuring compliance with the accounting standards. The Company has appointed Messrs MustaphaRaj Sdn. Bhd. as the internal auditor.

Signed on behalf of the Board in accordance with the Audit Committee dated 26 August 2004.

## Other Information

i) Other Relationship

There was no family relationship among the Directors and/or major shareholders.

ii) Conflict of Interest

None of the Directors had any conflict of interest with Premium Nutrients Berhad

iii) Conviction of Offences

None of the Directors have convicted any offences within the past 10 years other than traffic offence of the directors.

iv) Corporate Proposal

In 2004, Premium Nutrients Berhad undertook an Islamic private debt securities programme called the MUNIF/IMTN which applies the underlying Syariah principles of Murabahah which is an agreement that refers to the sale and purchase transaction for the financing of an asset on a deferred payment basis with a pre-agreed payment period. The sale price included a profit margin.

The MUNIF/IMTN is available for a period of seven (7) years. Malaysian Rating Corporation Berhad has accorded a rating of "MARC-2/A".

The amount of RM85.0 million raised during MUNIF was applied towards agreed purposes

v) Share buyback

There was no share buyback exercise taken place in 2004.

vi) Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued during the financial year under review.

vii) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial year, the company did not sponsor any ADR or GDR programme.

viii) Sanctions and/or penalties

There was neither sanctions nor penalties imposed on the Company, Directors or management by the relevant regulatory bodies.

ix) Non-Audit Fees

There was RM103,800 non-audit fee paid to external auditors for the financial year 2004.

x) Deviation of 10% or more between the Profit After Tax and Minority Interest of the Audited Accounts and the announced Unaudited Results for the financial year ended 31 December 2004 pursuant to Paragraph 9.19(34) of the Listing Requirements

The Board of Directors has made announcement on 3<sup>rd</sup> May 2005 that the audited Group profit after tax for the financial year ended 31<sup>st</sup> December 2004 was RM6.028 million. The audited results was RM2.040 million lower than the unaudited results in the Interim Report for the same financial year announced on 28<sup>th</sup> February 2005 of RM8.068 million.

The deviation stated above was mainly due to the following reasons:

(Figures in thousands ('000')

1. Subsequent to the announcement of the unaudited results, a provision for RM608 was made towards bad and doubtful debts, as per requirement of auditors.
2. An additional provision of RM689 was made for deferred tax.
3. There was a valuation difference of RM422 in the valuation of stocks of our Indian subsidiary. This difference arose due to difference in valuation standard adopted by Statutory Auditors for Indian company and Messrs KPMG, the statutory auditors for the Group.

xi) Profit Shortfall

As per the Securities Commission's approval letter dated 26<sup>th</sup> December 2002, any shortfall in the actual profit against forecasted profit as disclosed in the Prospectus of the Company dated 30<sup>th</sup> June 2003, the principal vendors must repay the said deficit in cash within thirty (30) days after the accounts of Premium are audited i.e. 31<sup>st</sup> May 2004. As such the profit shortfall of RM1,240,000/- as calculated below was repaid by the principal vendors:

Profit forecast as disclosed in Prospectus	RM12 290 000
Actual profit for the year ended 31 <sup>st</sup> December 2003	<u>RM11 050 000</u>
Difference	<u>RM 1 240 000</u>

## Statement on internal control

The Board is committed to maintain a sound system of internal control and risk management practices towards good Corporate Governance. The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The Board is fully committed to ensuring that a proper control environment is maintained within the organization to govern the manner in which the Group and its employees conduct themselves.

It should be noted that the system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, these systems can only provide reasonable but not absolute assurance against material misstatement or loss. The system includes controls of a financial, operational, organisational and compliance nature.

During the financial year, the Board appointed Messrs MustaphaRaj Sdn. Bhd. as the internal auditor to examine the effectiveness of the Group's system of internal control, risk management process and compliance framework on behalf of the Board. The internal audit function prepares its annual audit plan to regularly review the business processes and conducts visits to key business units of the Group prior to reporting its findings and recommendations to the Audit Committee. The Board approved the internal audit charter on 18<sup>th</sup> March 2005. Generally, 4 areas of audit were planned for the year 2005, namely Sales and Marketing, Production, Procurement and Fixed Assets.

As part of the process to identify, evaluate and manage significant risks faced by the Group, the Board approved Risk Management Framework on 18<sup>th</sup> March 2005. The framework provides a structured approach for identifying, measuring, monitoring and managing principal business risks. A workshop was conducted on 19<sup>th</sup> April 2005 in Pasir Gudang, Johor for key senior members of

management to enhance their knowledge and understanding of risk management and how each identified risk could potential affect the Group's business objectives.

Besides risk management and internal audit, the other key elements of the Group's system of internal control are as follows:

- There is an organisation structure in place which formally defines lines of responsibility and delegation of authority.
- Established strategic planning and budgeting process requiring all operating units to prepare annual operating budget including capital and manpower budgets. The Board reviews and approves the budgets.
- Reporting systems are in place for performance review by management.
- Actual performance compared with budget and previous year is reviewed quarterly with explanation of any material variances.
- Policies and procedures of most operating units are documented in the ISO manual.
- Clearly defined approving authority of the managers and executives within the Group.
- The Group's system of internal control does not apply to associate companies because the Group does not have full management and control over them.

The external auditors contribute an independent perspective on certain aspects of the internal operating and financial control system arising from their responsibilities to the Audit Committee by way of Management Letter.

# Report of audit committee

The Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 31 December 2004.

## COMPOSITION

The present Audit Committee comprises of three (3) members of whom two (2) are Independent Non-Executive Directors and one (1) is Executive Director.

## MEMBERSHIP AND MEETINGS

A total of five ( 5) meetings were held during the year. Details of attendance of each Audit Committee member are as follow:

Members	Number of Meetings attended
Ab Rahim Bin Mohd Zain (Chairman - Independent Non-Executive Director)	5/5
Syed Mubarak Bin Syed Ahmad (Member – Independent Non-Executive Director)	5/5
Agarwal Pares Nath (Managing Director)	5/5

## SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2004, the activities of the Audit Committee include review of:

- i) the quarterly and year-end financial statements and recommend the same to the Board for approval and announcements to the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and Securities Commission;
- ii) the Company’s compliance in particular the quarterly and year end financial statements with the accounting standards issued by Malaysian Accounting Standards Board and the Listing Requirements of the Bursa Malaysia;
- iii) matters relating to corporate governance in compliance with the Listing Requirements of the Bursa Malaysia and the Malaysian Code on Corporate Governance;
- iv) related party transactions and the procedures in relation thereto;
- v) the risk management policy and methodology of the risk management framework.

## 1. CONSTITUTION

On 9<sup>th</sup> April, 2003 the Board of Directors resolved to establish a committee of the Board to be known as Audit Committee (AC).

## 2. OBJECTIVES

The objectives of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to internal control, corporate accounting and reporting practices of the Company and its subsidiaries ("Group"). The Audit Committee will endeavor to adopt certain practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to the Company's shareholders thereby strengthen the confidence of the public in the Group's reported results.

## 3. COMPOSITION

The AC is made up of the following members:

- **Ab Rahim bin Mohd Zain**  
Chairman of AC, Independent  
Non-Executive Director
- **Syed Mubarak bin Syed Ahmad**  
Member, Independent Non-Executive Director
- **Agarwal Pares Nath**  
Member, Group Managing Director

### Terms of Reference

On 18<sup>th</sup> November, 2003 the Board resolved to adopt the following terms of reference for the AC to be in line with Bursa Malaysia listing requirements.

## A. Composition :

The AC shall be appointed by the Board of Directors from amongst its members and shall comprise at least three (3) Directors. The majority of the members of the AC shall be Independent Non-Executive Directors.

At least one member of the AC shall be a member of the Malaysian Institute of Accountants or a person approved under Section 15.10(1)(c)(ii) of the Bursa Malaysia Listing Requirements. No Alternate Director shall be appointed as a member of the AC.

The Chairman of the AC shall be elected from amongst the members and he shall be an Independent Director. If a member of the Audit Committee resigns or for any reason ceases to be a member which result in the number of members less than the required number of three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of members. All members of the AC including the Chairman shall hold office until otherwise determined by the Board or until they cease to be a Director of the company.

One of the companies Secretaries shall be the secretary of the Audit Committee.

## **B. Functions:**

The AC shall discharge the following functions;

- I. Review the following and report same to the Board of Directors of the Company:-
  - i. with the external auditors, the audit plan, the scope of work and ascertain that it will meet the needs of the Board, the shareholders and the authorities;
  - ii. with the external auditors, their evaluation of the quality, effectiveness and the integrity of the Group's systems of internal control;
  - iii. with the external auditors, their audit report including management letter on internal control weakness and the management's response thereof;
  - iv. the assistance given by the employees of the Company to the external auditors;
  - v. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - vi. the internal audit program, processes, the results of the internal audit program, process and investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - vii. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on;
    - a. changes in or implementation of major accounting policy changes;
    - b. significant and unusual events;
    - c. compliance with accounting standards and other requirements, and the going concern assumption; and
    - d. the accuracy and adequacy of the information disclosed.
  - viii. any related party transactions and conflict of interest situations that may arise within the Group and with any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - ix. any letter of resignation from the external auditors of the Company;
  - x. whether there is a reason (supported by grounds) to believe that the Company's external auditors are not suitable for reappointment;
  - xi. nomination of external auditors and to fix their terms of appointment and remuneration;
  - xii. review controls relating to financial and operational matters including matters relating to compliance of Risk Management;
  - xiii. reviewing financial report for publication with a view to ensure that such report is balance and fair;
  - xiv. examining any areas of disagreement between management & external auditors with regards to presentation and content;

- xvi. to review Financial Reports;  
(The Committee should ensure that change in accounting policy are soundly based and disclosed, unusual items and trend are adequately explained accounts are prepared according to accounting standards and legal disclosure requirements.)
- xvii. any other matters as directed by the Board of Directors from time to time.

### **C. Authority**

In discharging the above functions AC shall at the cost of the Company:

- i. have the authority to investigate any matter within its terms of reference;
- ii. have the resources which are required to perform its duties;
- iii. have full and unrestricted access to any information pertaining to the Group;
- iv. have direct communication channels with the external auditors and person carrying out the internal audit function;
- v. be able to obtain independent professional and other advices and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- vi. be able to convene meeting with the external auditors excluding the attendance of the executive member of the Audit Committee, whenever deemed necessary.

### **D. Meetings**

The AC shall meet at least four (4) times a year and hold such additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least once a year the AC shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the AC if a request is made by any committee member, the Company's Managing Director, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and in conjunction with the Chairman, shall be responsible, for drawing up the agenda and circulating the necessary documents to Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the AC and circulating them to Committee members and the other members of the Board of Directors.

A quorum shall consist of a majority of Independent Directors.

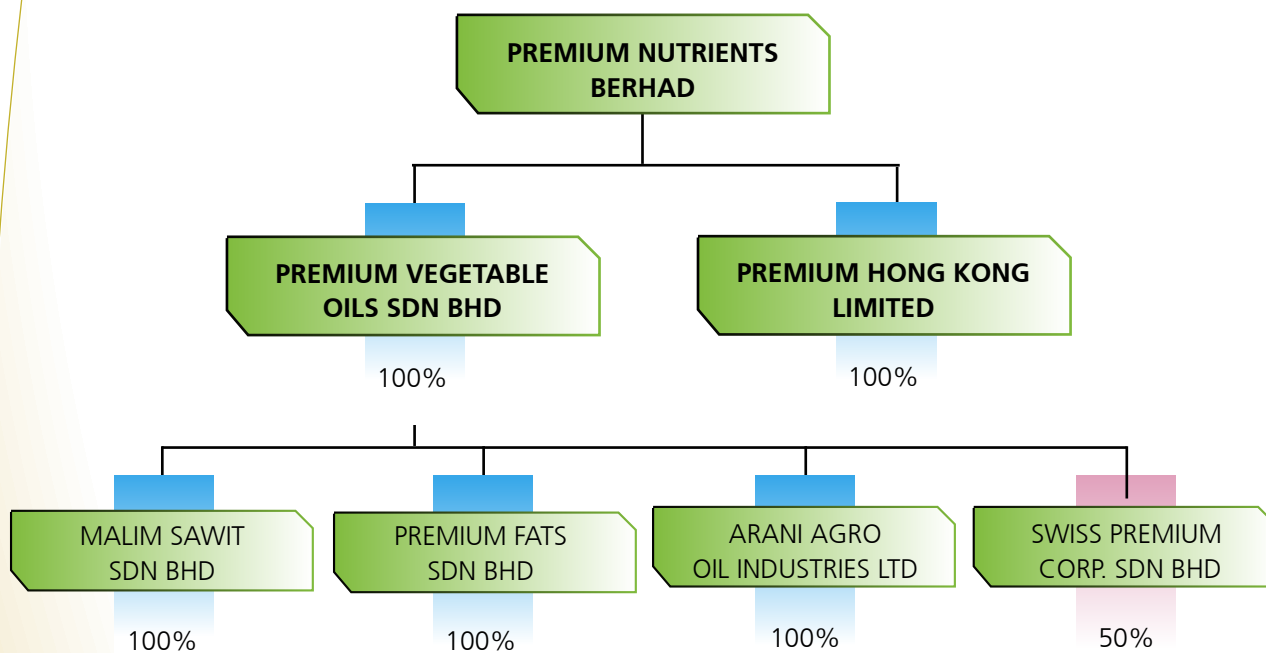
By invitation of the AC, the Company must ensure that other Directors and employees attend any particular Audit Committee meeting specific to the relevant meeting.

Decision of the AC shall be by a majority vote. When necessary, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the members attending the meeting shall have a second and casting vote. The AC may invite other Directors and employees of the Company and its subsidiaries to attend any meeting as it deemed fit.

## **E. Minutes**

Minutes of each meeting, signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be deemed a correct recording of the proceedings thereat without any further proof of the fact stated thereof. The minutes shall be kept by the Secretary. Copies of the minutes shall be distributed to all members of the AC and the Board of Directors for information.

## Premium group structure



### Principle activity of all the group companies

#### Premium Hong Kong Limited

General trading of oils and fats.

#### Premium Vegetable Oils Sdn Bhd

Manufacturing and sales of speciality oils and fats based on palm kernel oil, palm oil, coconut oil, rapeseed oil and soyabean oil including those refined and fractionated.

#### Malim Sawit Sdn Bhd

Processing of oil palm fruits, refining of palm oil and sale of refined products along with its by products.

#### Premium Fats Sdn Bhd

Manufacturing of downstream products, e.g. margarine.

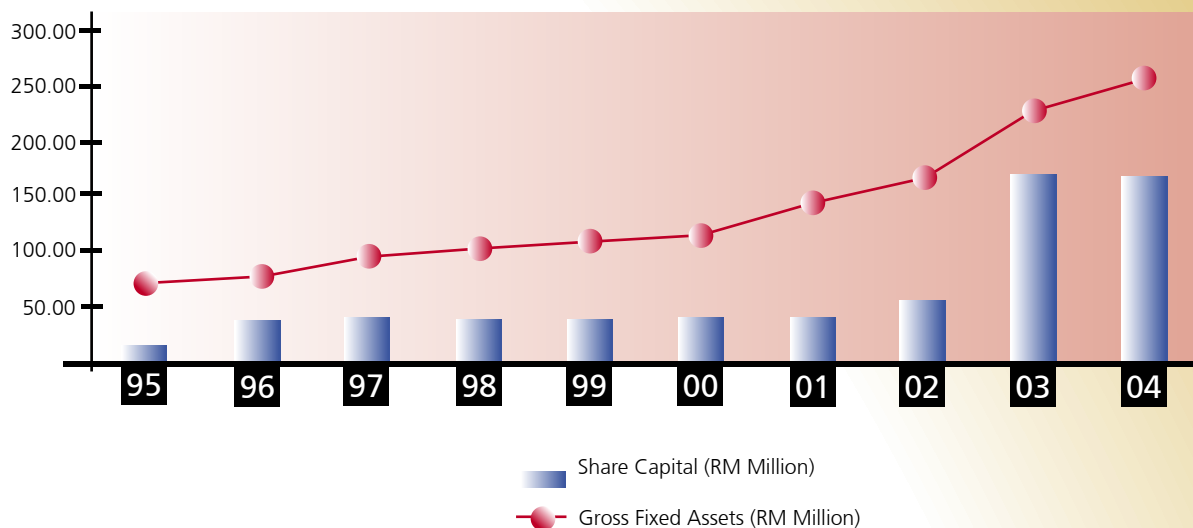
#### Arani Agro Oil Industries Ltd

Manufacturing and processing of sunflower oil, soyabean oil, palm oil, rice bran oil, and manufacturing of speciality fats.

#### Swiss Premium Corporation Sdn Bhd

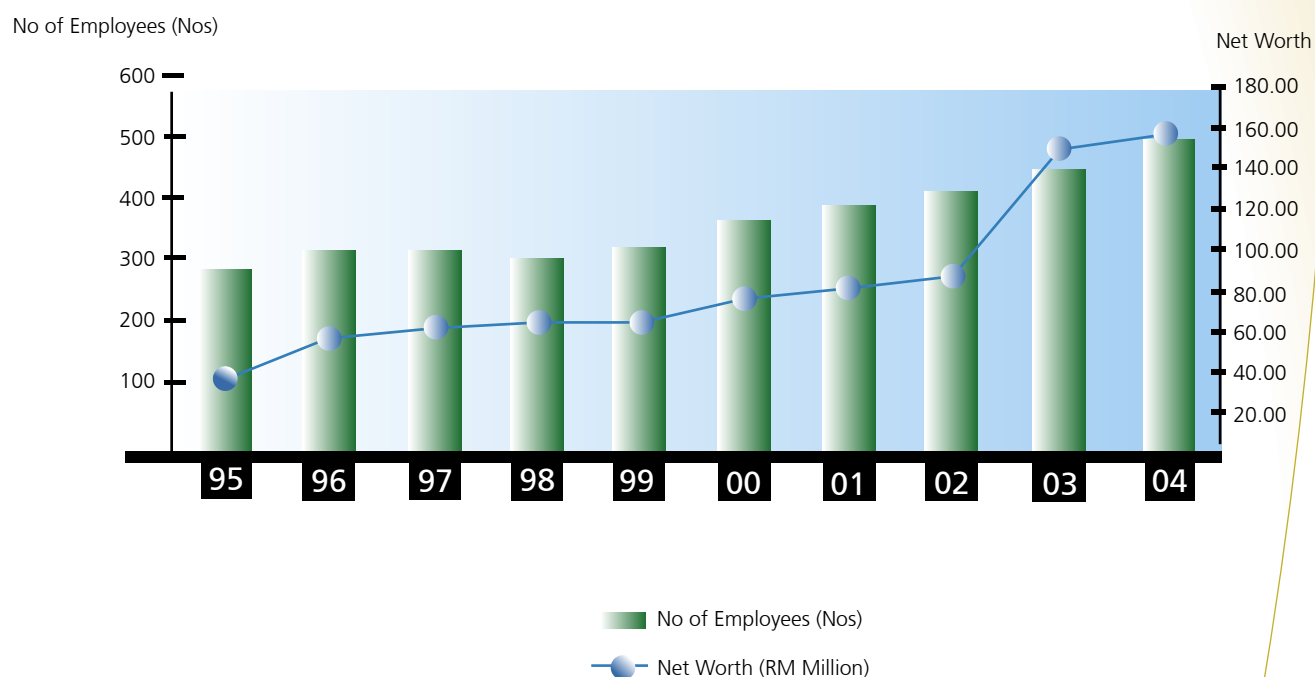
General Trading of oils and fats. Manufacturing of speciality fats.

## Premium group statistics



Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Share Capital (RM Million)	13.81	39.90	39.90	39.90	39.90	39.90	39.90	54.86	168.50	168.50
Gross Fixed Assets (RM Million)	71.46	79.12	95.12	100.33	109.32	115.73	140.10	165.84	229.60	258.40
No of Employees (Nos.)	284	315	315	307	322	371	389	418	454	509
Net Worth (RM Million)	30.08	50.80	57.82	60.91	60.37	71.26	78.10	82.23	147.87	154.91
NTA Per Share	2.18	1.27	1.45	1.53	1.51	1.79	1.94	1.49	* 0.36	* 0.38

\*Share of nominal value of RM 0.50



# Chairman's Statement



**O**n behalf of the Board of Directors, I am pleased to present the Annual Report for the financial year ended 31 December 2004.

## **FINANCIAL PERFORMANCE**

The Group achieved a turnover of RM403 million for the financial year ended 31 December 2004 as compared to RM364 million recorded in the previous year. The Group's profit after taxation recorded a figure of RM6 million.

## **OUTLOOK OF THE GLOBAL ECONOMY**

Growth momentum in the global economy in 2005 is expected to decelerate slightly as major economies tighten monetary policies to contain inflationary.

Concerns over the possibility of higher oil prices and the slowing down of China's economy are other factors that can dampen the growth. External elements will continue to impact the Malaysian economy in 2005 but stronger fundamentals, high domestic demand and broad-based growth should see the country meeting its 6% growth target.

The Malaysian oil palm industry recorded an impressive performance in 2004. The industry continued to contribute significantly to the country's economic development and foreign exchange earnings. Export earnings of oil palm products rose to a commendable RM30.41 billion despite facing strong competition from other palm oil producing countries and unfavourable tariff treatment in some market.

The projected slow growth in domestic production and steady export demand is expected to reduce the impact of a slight recovery in world oils and fats supply situation and higher local palm oil carry-over stocks. This is expected to mitigate the pressure on local CPO price in 2005. On the production front, CPO production is projected to increase marginally to 14.24 million tonnes.

Overall, global growth is projected at 4.4% in 2005 against 4.6% this year, under pressure from high oil prices, inflation, higher interest rates and a possible slowdown in China's economy.



The oil palm industry continued to contribute significantly to the country's economic development and foreign exchange earnings.



The Group has also been continuously diversifying and expanding its activities to minimize risks as well as increase avenues of income.

## MAJOR INVESTMENTS / CAPITAL EXPENDITURE

The Group entered into another Memorandum of Understanding with Elstar Oils Ltd, on 24<sup>th</sup> August 2004, a Polish company located in Poland which is engaged in the manufacturing of rapeseed oil by expelling, processing of (refining, modification) rapeseed oil, soyabean oil and sunflower oil to jointly set up a joint venture company to undertake future manufacturing and marketing exercise for mutual benefits.

Arani Agro Oil Industries Ltd ("AOL"), a wholly owned subsidiary in India, which was acquired last year, has started commencing production. AOL is also in the process of getting listed in the Bombay Stock Exchange, India by acquiring a shelf listed company, Shricon Industries Ltd in India ("Shricon"). A Memorandum of Understanding was entered into between Premium Vegetable Oils Sdn Bhd and Shricon's Directors and substantial shareholders on 12<sup>th</sup> September 2004.

On 27<sup>th</sup> October 2004, the Group has incorporated Premium Hong Kong Ltd located in Hong Kong with HK\$1.00. It acts as a representative Company for the Group.

In addition to the above, the Group also invested in Premium Fats Sdn Bhd ("PFSB") to undertake manufacture of downstream consumer product related to oils and fats. This Company has long term objective to reach out to consumer market.

The Company has always been investing into new equipment for updating and maintaining the plant in state-of-art condition. The Group has also been continuously diversifying and expanding its activities to minimize risks as well as increase avenues of income.

The main focus of the Group had been in research and development and had been substantially investing in this area as well. (Two (2) of the products of the Group are in the process of being patented).





## FUTURE PLANS AND STRATEGIES

- (i) The involvement of Premium Vegetable Oils Sdn Bhd ("PVO SB") in the production of speciality fats is in line with the Government's policy of producing higher value added downstream products from primary products such as palm oil and palm kernel as outlined in the Second Industrial Master Plan;
- (ii) The rapid advancement in food technology and product development will provide ample opportunities for PVO SB to further diversify into new product development such as various grades of Cocoa Butter Replacer, Cocoa Butter Equivalent and Milk Fat Replacer. In addition, PVO SB is also exploring the possibility to diversify into various industries such as animal feed, organic candle manufacturing and ingredients for cosmetic and pharmaceutical industry;
- (iii) The Group has the capability to diversify into upstream and downstream products of speciality fats as it has a fully equipped centralized strong research and development team which constantly keeps abreast with the changing needs of the customers as well as updates of technical know-how in the development of new products and recipes for various applications. However, at this juncture, the management of PVO SB is of the view that PVO SB would concentrate only on its niche speciality fats industry in order to tap into the continuous growth facing the industry;
- (iv) The Group had started a plant in India in 2002 for the manufacturing of speciality fats products which to be continue to tap into the huge potential market in India;
- (v) Malim Sawit Sdn Bhd ("MSSB"), a wholly owned subsidiary of PVO SB, has set up a refining and fractionation plant at its premises in Kulai and this will enable MSSB to produce special grade palm oil / olein which enhances the quality of PVO SB's products, and creates its own niche market for producing small volume quality products. The fractionation plant will also be used to manufacture crude olein and crude stearin that can be exported or further processed to produce high quality products; and

The fully equipped strong research and development team keeps abreast with the changing needs of the customers as well as updates of technical know-how in the development of new products





- (vi) The Group is also intending to set up a speciality fats manufacturing plant in China as well as having strategic tie-ups with renowned and well-established companies in the European countries.

#### **OUR PEOPLE**

The Group has always maintained a cordial relationship with its staff and employees. The growth of this asset is also our primary objective.



#### **ACKNOWLEDGEMENT**

On behalf of my colleagues, I would like to take this opportunity to express our appreciation to management and staff of the Group for their dedicated service and contributions during the year. We also wish to thank our business associates and the relevant government authorities for their continued support and guidance. To our loyal shareholders, we thank you once again for your continued support.



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



# Financial statements for the

year ended 31 December 2004

## **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.**

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

### **Premium Fats Sdn. Bhd.**

PLO 66, Jalan Timah Dua

Pasir Gudang Industrial Estate

81707 Pasir Gudang

Johor, Malaysia

### **Arani Agro Oil Industries Ltd**

Near NFCL Park, New Port Area

ADB Road

533003 Kakinada, Andhra Pradesh

India

## **DIRECTORS:**

Tan Sri Dato' Dr. K R Somasundram - Chairman

Agarwal Pares Nath - Managing Director

Datuk Sahadivanaidu a/l Baliah

Subramaniam a/l Seenivasagam

Tan Sri Dato' Hari Narayanan a/l Govindasamy

Abdul Aziz bin Mohamed Hussain

Dato' Faruk bin Othman

Ab. Rahim bin Mohd Zain

Syed Mubarak bin Syed Ahmad

Chiong Kok Seng

## **SECRETARY:**

Kali Dass a/l Arumugam

## **BANKERS:**

Bumiputra-Commerce Bank Berhad

HSBC Bank Malaysia Berhad

RHB Bank Berhad

Bank Muamalat Malaysia Berhad

## **AUDITORS:**

KPMG

# Directors' report

for the year ended 31 December 2004

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 2004.

## 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

	<b>Group RM'000</b>	<b>Company RM'000</b>
<b>Net profit/(loss) for the year</b>	6,028	(92)

## Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

## 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

Mr. Agarwal Pares Nath

Datuk Sahadivanaidu a/l Baliah

Mr. Subramaniam a/l Seenivasagam

Tan Sri Dato' Hari Narayanan a/l Govindasamy (appointed on 11 March 2005)

En. Abdul Aziz bin Mohamed Hussain

Dato' Faruk bin Othman

En. Ab. Rahim bin Mohd Zain

En. Syed Mubarak bin Syed Ahmad

Mr. Chiong Kok Seng

## Directors' interests

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

Name of Directors	Interest	Number of ordinary shares of RM0.50 each			At 31.12.2004
		At 1.1.2004	Bought	Sold	
<b>Company</b>					
Tan Sri Dato' Dr. K R Somasundram	Direct	32,332,834	3,761,717	(200,000)	35,894,551
	Deemed	597,608	—	(100,000)	497,608
Datuk Sahadivanaidu a/l Baliah	Direct	810,945	—	(600,000)	210,945
En. Ab. Rahim bin Mohd Zain	Deemed	8,179,604	752,000	(8,921,583)	10,021
Mr. Agarwal Pares Nath	Direct	19,989,528	888,500	(5,934,367)	14,943,661
	Deemed	15,066,725	5,907,283	(3,443,217)	17,530,791
Mr. Subramaniam a/l Seenivasagam	Direct	20,039,289	—	(19,989,528)	49,761
Dato' Faruk bin Othman	Deemed	15,280,600	—	(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 year, 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 loans from certain Directors and companies and transportation services rendered by a company in which certain Directors have substantial financial interests as disclosed in Note 27 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

There were no changes in the issued and paid-up capital of the Company during the financial year.

### 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) all known bad debts have been written off and adequate provision has been 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 the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, 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 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item,

## 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: 28 April 2005

# Statement by directors pursuant to

Section 169(15) of the Companies Act, 1965

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transaction or event occurred in the interval between the end of that financial year and the date of this report.

In the opinion of the Directors, the financial statements set out on pages 40 to 71, 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 2004 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: 28 April 2005

# Statutory declaration pursuant to

Section 169(16) of the Companies Act, 1965

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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 40 to 71 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 28 April 2005.

**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 40 to 71. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved 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 2004 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**

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

Johor Bahru,  
Date: 28 April 2005

# Balance sheets

at 31 December 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Property, plant and equipment</b>	2	181,709	158,715	8	4
<b>Investments in subsidiaries</b>	3	—	—	137,713	137,713
<b>Investment in an associate</b>	4	—	—	—	—
<b>Other investment</b>	5	174	—	—	—
<b>Loan to subsidiaries</b>	6	—	—	38,896	—
<b>Intangible assets</b>	7	27,515	27,333	—	—
		209,398	186,048	176,617	137,717
<b>Current assets</b>					
Inventories	8	77,979	58,253	—	—
Trade and other receivables	9	89,459	52,488	6,966	7,998
Loan to subsidiaries	6	—	—	40,062	—
Cash and cash equivalents	10	6,290	1,773	1,374	8
		173,728	112,514	48,402	8,006
<b>Current liabilities</b>					
Trade and other payables	11	41,961	34,087	373	505
Borrowings	12	112,698	81,239	45,200	9,550
Taxation		146	1,178	139	9
		154,805	116,504	45,712	10,064
<b>Net current assets/(liabilities)</b>		18,923	(3,990)	2,690	(2,058)
		228,321	182,058	179,307	135,659
Financed by:-					
<b>Capital and reserves</b>					
Share capital	13	168,500	168,500	168,500	168,500
Reserves	14	(13,589)	(20,626)	(31,693)	(32,841)
		154,911	147,874	136,807	135,659
<b>Long term and deferred liabilities</b>					
Deferred tax liabilities	15	22,014	21,060	—	—
Borrowings	12	51,396	13,124	42,500	—
		73,410	34,184	42,500	—
		228,321	182,058	179,307	135,659

The financial statements were approved and authorised for issue by the Board of Directors on 28 April 2005.  
The accompanying notes form an integral part of the financial statements.

# Income statements

for the financial year ended 31 December 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Revenue</b>					
Sale of goods		403,269	363,874	—	—
Cost of sales		(335,918)	(300,484)	—	—
<b>Gross profit</b>		67,351	63,390	—	—
Distribution costs		(32,358)	(28,248)	—	—
Administration expenses		(20,803)	(16,170)	(610)	(368)
Other operating expenses		(88)	(427)	(88)	(427)
Other operating income		2,642	3,191	—	—
<b>Operating profit/(loss)</b>	16	16,744	21,736	(698)	(795)
Interest income		33	—	5,764	228
Financing costs	17	(10,790)	(7,900)	(5,028)	(265)
Restructuring cost	18	—	(32,000)	—	(32,000)
<b>Profit/(Loss) before tax</b>		5,987	(18,164)	38	(32,832)
Tax income/(expense)	19	41	(2,786)	(130)	(9)
<b>Net profit/(loss) for the year</b>		6,028	(20,950)	(92)	(32,841)
Earnings per share (sen)	20	1.79	(6.87)		

# Statement of changes in equity

for the financial year ended 31 December 2004

	Note	Share capital RM'000	Non Distributable Translation reserve RM'000	Accumulated losses RM'000	Total RM'000
<b>Group</b>					
<b>At 1 January 2003</b>					
Issue of shares	13	—	—	—	—
- Acquisition of PVO and its subsidiaries		136,500	—	—	136,500
- Exchange of BHB shares		1,000	—	—	1,000
- Settlement to creditors of BHB		31,000	—	—	31,000
Exchange differences on translation of the financial statements of foreign entity		—	324	—	324
Net loss for the year		—	—	(20,950)	(20,950)
<b>At 31 December 2003</b>		168,500	324	(20,950)	147,874
Exchange differences on translation of the financial statements of foreign entity		—	(231)	—	(231)
Profit guarantee	21	—	—	1,240	1,240
Net profit for the year		—	—	6,028	6,028
<b>At 31 December 2004</b>		168,500	93	(13,682)	154,911
<b>Company</b>					
<b>At 1 January 2003</b>					
Issue of shares	13	—	—	—	—
- Acquisition of PVO and its subsidiaries		136,500	—	—	136,500
- Exchange of BHB shares		1,000	—	—	1,000
- Settlement to creditors of BHB		31,000	—	—	31,000
Net loss for the year		—	—	(32,841)	(32,841)
<b>At 31 December 2003</b>		168,500	—	(32,841)	135,659
Profit guarantee	21	—	—	1,240	1,240
Net loss for the year		—	—	(92)	(92)
<b>At 31 December 2004</b>		168,500	—	(31,693)	136,807

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

# Cash flow statements

for the financial year ended 31 December 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Cash flows from operating activities</b>					
Profit/(Loss) before tax		5,987	(18,164)	38	(32,832)
Adjustments for:					
Depreciation		5,788	5,674	2	1
Interest expense		7,517	6,956	2,935	265
Interest income		(33)	—	(5,764)	(228)
Gain on disposal of property, plant and equipment		(26)	(129)	—	—
Restructuring cost		—	32,000	—	32,000
Operating profit/(loss) before working capital changes		19,233	26,337	(2,789)	(794)
Changes in working capital:					
Inventories		(19,726)	(16,490)	—	—
Trade and other receivables		(36,971)	5,733	1,032	(7,770)
Trade and other payables		5,721	(10,366)	(132)	239
Cash (used in)/generated from operations		(31,743)	5,214	(1,889)	(8,325)
Interest paid		(2,712)	(3,497)	—	—
Income taxes paid		(37)	(119)	—	—
<b>Net cash (used in)/generated from operating activities</b>		<b>(34,492)</b>	<b>1,598</b>	<b>(1,889)</b>	<b>(8,325)</b>
<b>Cash flows from investing activities</b>					
Proceeds from profit guarantee	21	1,240	—	1,240	—
Purchase of property, plant and equipment	22	(21,778)	(6,250)	(6)	(5)
Proceeds from disposal of property, plant and equipment		26	164	—	—
Intangible assets		(182)	(83)	—	—
Increase in pledged deposits placed with licensed banks		(2,496)	(472)	(1,320)	—
Acquisition of subsidiaries, net of cash acquired/ Investments in subsidiaries	23	—	(5,831)	—	(1,212)
Purchase of additional shares in subsidiaries		—	(1,001)	—	—
Purchase of investment		(174)	—	—	—
Interest received		33	—	—	—
<b>Net cash used in investing activities</b>		<b>(23,331)</b>	<b>(13,473)</b>	<b>(86)</b>	<b>(1,217)</b>

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

# Cash flow statements

for the financial year ended 31 December 2004

## Cash flow statements for the financial year ended 31 December 2004 (continued)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Cash flows from financing activities</b>				
Net short term borrowings	(17,702)	12,282	(6,850)	9,550
Proceeds from issuance of Murabahah Underwritten Notes	85,000	—	85,000	—
Loan to subsidiaries	—	—	(78,958)	—
Repayment of hire purchase and lease creditors	(5,339)	(4,015)	—	—
Repayment/Drawdown of term loans	(4,061)	2,682	—	—
Interest paid	(4,805)	(3,459)	(2,935)	—
Interest received	—	—	5,764	—
Dividends paid	—	(394)	—	—
<b>Net cash generated from/(used in) financing activities</b>	<b>53,093</b>	<b>7,096</b>	<b>2,021</b>	<b>9,550</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,730)</b>	<b>(4,779)</b>	<b>46</b>	<b>8</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>(5,215)</b>	<b>—</b>	<b>8</b>	<b>—</b>
Foreign exchange differences on opening balances	(569)	(436)	—	—
<b>Cash and cash equivalents at end of year</b>	<b>(10,514)</b>	<b>(5,215)</b>	<b>54</b>	<b>8</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and bank balances	2,486	465	54	8
Bank overdrafts (secured)	(13,000)	(5,680)	—	—
	<b>(10,514)</b>	<b>(5,215)</b>	<b>54</b>	<b>8</b>

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

# Notes to the financial statements

## 1. 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 years.

### (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 off 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.

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.

**(c) Associates (continued)**

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 Group 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.

**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 less accumulated impairment losses. 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 Group and 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 Group's incremental borrowing rate is used.

## **(g) Investments**

Long term investments other than in subsidiaries and an associate are stated cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary. Investments in subsidiaries and associates are stated at cost in the Company, less impairment loss where applicable.

## **(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 and loan to subsidiaries are stated at cost less allowance for doubtful debts.

## **(j) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## **(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 associates) 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.

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.

## **(l) Impairment (continued)**

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) Capitalisation of borrowing costs**

Borrowing costs incurred on capital work-in-progress are capitalised. Exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs, are also capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific capital work-in-progress in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

## **(n) 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, after deducting tax credits (including Reinvestment Allowances). 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.

# Notes to the financial statements

## (o) Foreign currency

### 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.

### 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:

	<b><u>2004</u></b>	<b><u>2003</u></b>
	<b>RM</b>	<b>RM</b>
1 US Dollar	3.80	3.80
100 Indian Rupees	8.70	8.30

## (p) 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.

## (q) 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.

**(r) Expense**

**i) *Operating lease payments***

Payments made under operating leases are recognised in the income statement on a straightline 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.

**ii) **Financing costs****

All interest and other costs incurred in connection with borrowings, other than that capitalised in accordance with Note 1(m), 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.

**(s) Interest income**

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

**(t) Employee benefits**

**i) **Short term employee benefits****

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees 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, if any and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

**ii) **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

	<b>Land and buildings RM'000</b>	<b>Plant and machinery RM'000</b>	<b>Motor vehicles, furniture, fittings and office equipment RM'000</b>	<b>Construction -in -progress RM'000</b>	<b>Total RM'000</b>
<b>Group Cost</b>					
Opening balance	31,695	188,079	4,206	5,617	229,597
Additions	369	10,282	470	16,487	27,608
Disposals	—	—	(59)	—	(59)
Transfers	1,133	1,223	—	(2,356)	—
Exchange differences	226	341	3	650	1,220
Closing balance	33,423	199,925	4,620	20,398	258,366
<b>Depreciation</b>					
Opening balance	3,973	63,694	3,215	—	70,882
Charge for the year	676	4,819	293	—	5,788
Disposals	—	—	(59)	—	(59)
Exchange differences	13	32	1	—	46
Closing balance	4,662	68,545	3,450	—	76,657
<b>Net book value</b>					
At 31 December 2004	28,761	131,380	1,170	20,398	181,709
At 31 December 2003	27,722	124,385	991	5,617	158,715
Depreciation charge for the year ended 31 December 2003	650	4,678	346	—	5,674

	<b>Furniture, fittings and office equipment RM'000</b>
<b>Company</b>	
<b>Cost</b>	
Opening balance	5
Additions	6
Closing balance	11
<b>Depreciation</b>	
Opening balance	1
Charge for the year	2
Closing balance	3
<b>Net book value</b>	
At 31 December 2004	8
At 31 December 2003	4
Depreciation charge for the year ended 31 December 2003	1

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At net book value of land and buildings</b>		
Freehold land	1,273	1,273
Short term leasehold land	7,296	7,452
Buildings	20,192	18,997
	28,761	27,722

#### **Assets under hire purchase and leases**

Included in plant and equipment of the Group are plant and machinery acquired under hire purchase and lease agreements with net book value of RM15,436,000 (2003: RM14,854,000).

#### **Security**

All the property, plant and equipment of the Group have been charged to banks for banking facilities granted to the Group/ Company as disclosed in Note 12.

#### **Borrowing costs**

Included in construction-in-progress of the Group is interest expenses capitalised amounting to RM376,000 (2003: NIL).

# Notes to the financial statements

## 3 Investments in subsidiaries

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	137,713	137,713

Details of the subsidiaries are as follows:

Company	Principal activities	Place of incorporation	Effective ownership interest	
			2004 %	2003 %
Premium Vegetable Oils Sdn. Bhd. ("PVO")	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	100
Premium Hong Kong Limited ("PHK")@	Intended principal activities of trading in oils and fats, food ingredients and related products	Hong Kong	100	—
<b>Subsidiaries of PVO</b>				
Malim Sawit Sdn. Bhd. ("MSSB")	Processing of oil palm fruits, refining of palm oil and sale of refined products	Malaysia	100	100
Premium Fats Sdn. Bhd. ("PFSB")	Manufacturing downstream products from palm oil	Malaysia	100	100
Arani Agro Oil Industries Ltd ("AAO")#	Refining and processing of vegetable oils	India	100	100

# Audited by other firm of accountants

@ Recently incorporated during the year and no financial statements have been prepared yet.

#### 4. Investment in an associate

	Group	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	50	50
Less: Share of post acquisition losses	(50)	(50)
	—	—

The associate is Swiss Premium Corporation Sdn. Bhd., a company incorporated in Malaysia in which the Group holds an equity interest of 50% (2003: 50%). The Company was set up to undertake manufacturing of speciality fats.

#### 5. Other investment

	Group	
	2004 RM'000	2003 RM'000
Foreign mutual fund, At cost	174	—
At market value	176	—

#### 6. Loan to subsidiaries

	Group	
	2004 RM'000	2003 RM'000
Current	40,062	—
Non-current	38,896	—
	78,958	—

The loan to subsidiaries represents a portion of the RM85 million Islamic Murabahah Note Issuance Facilities which is on lent to the subsidiaries for the purpose of retiring their existing term loans and for working capital purposes.

Loan to subsidiaries has no fixed term of repayment and carries interest at 7% per annum.

#### 7. Intangible assets

Group	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
<b>Cost</b>			
Opening balance	27,207	126	27,333
Additions	21	161	182
Closing balance	27,228	287	27,515

## Notes to the financial statements

### 8 Inventories

	Group	
	2004 RM'000	2003 RM'000
<b>At cost</b>		
Finished goods	47,940	37,646
Raw materials	21,941	8,297
Work-in-progress	—	192
Spares and consumables	8,098	7,320
	77,979	53,455
<b>At net realisable value</b>		
Finished goods	—	4,798
	77,979	58,253

### 9 Trade and other receivables

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables	70,590	34,953	—	—
Other receivables, deposits and prepayments	18,869	17,535	1,570	—
Due from subsidiaries	—	—	5,396	7,998
	89,459	52,488	6,966	7,998

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Insurance claims receivable	1,917	533	—	—
Custom duty receivable	2,028	1,726	—	—
Advances to raw material suppliers	4,309	3,295	—	—
Proceeds from disposal of property, plant and equipment	1,590	5,115	—	—
Due from Directors	671	—	671	—
Claim from a statutory body	1,302	1,302	—	—
	11,817	11,971	671	—

The amounts due from subsidiaries are trade in nature.

The amount due from Directors has been fully repaid subsequent to year end.

## 10 Cash and cash equivalents

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and bank balances	2,486	465	54	8
Fixed deposits with licensed banks	3,804	1,308	1,320	—
	6,290	1,773	1,374	8

The fixed deposits are pledged to banks for banking facilities granted to the Group/Company.

## 11 Trade and other payables

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables	22,045	18,373	—	—
Other payables and accrued expenses	19,916	15,714	373	505
	41,961	34,087	373	505

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property, plant and equipment suppliers	4,292	2,975	—	—
Utilities, freight and forwarding	1,146	1,140	—	—
Accrued expenses	1,036	1,367	—	—
Consumables suppliers	1,885	2,108	—	—
Custom duty payable	5,985	—	—	—
	14,344	7,590	—	—

# Notes to the financial statements

## 12 Borrowings

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current Secured</b>				
Murabahah Underwritten Notes Issuance Facilities	42,500	—	42,500	—
Al-Murabahah revolving financing	18,500	—	—	—
Bank overdrafts	13,000	5,680	—	—
Bills discounting	—	4,189	—	—
Bankers' acceptances	26,913	47,750	—	—
Term loans	2,977	3,499	—	—
Hire purchases and lease creditors	3,883	4,020	—	—
<b>Unsecured</b>				
Loan from shareholders	2,700	10,855	2,700	8,000
Loan from a Director	—	1,550	—	1,550
Loan from a third party	1,115	2,000	—	—
Loan from a company in which a Director has substantial financial interest	1,110	1,696	—	—
	112,698	81,239	45,200	9,550
<b>Non-current Secured</b>				
Murabahah Underwritten Notes Issuance Facilities	42,500	—	42,500	—
Term loans	6,751	10,290	—	—
Hire purchases and lease creditors	2,145	2,834	—	—
	51,396	13,124	42,500	—
	164,094	94,363	87,700	9,550

During the year, the Company entered into the Murabahah Underwritten Note Issuance Facilities (MUNIF). The facility has an availability period of seven years during which the Company may issue notes in multiples of RM1 million up to a maximum outstanding amount of RM85 million. The notes have a maturity period ranging from one to twelve months.

A portion of the MUNIF are classified as non-current even though certain notes are due to be settled within twelve months of the balance sheet date as the Company can and will continue to utilise the facilities to finance its obligations on a long term basis. The MUNIF bears yield of 3.20% to 3.99% per annum.

In connection with the facilities, the Company has entered into the following significant covenants with the lenders:

- i) not to create or have outstanding any Security Interest on or over its property or assets present or future, except for the liens arising solely by operation of law and in the ordinary course of business (and such liens must be discharged within seven days after it arises unless being contested in good faith and by appropriate proceedings) and any other security created or outstanding with the prior consent in writing of the facility agent, and such security as disclosed to the facility agents;

## 12 Borrowings (continued)

- ii) not to sell, transfer, lease, encumber or otherwise dispose of or in any case cease to exercise control over the whole or substantial part of the Company's undertaking business or assets save and except in the ordinary course of business;
- iii) the debt: equity ratio of the Group shall not exceed 1.25:1 and financial service cover ratio shall be at least 1.5:1; and
- iv) the Company shall open and maintain the finance service reserve account for the purpose of receiving the amount of notes and finance service cover maturing next and disbursement accounts which shall be operated solely by the Security Trustee in accordance with the deed of assignment of the designated accounts and sinking fund account.

The term loans are subjected to interest at fixed rate of 15.5% (2003: 15.5%) and 2% to 3% (2003: 2%) per annum above prime landing rates.

The term loans are repayable in equal half yearly and monthly instalments over periods ranging from 4 years to 6 years.

The bank overdrafts, bankers' acceptances and bills discounting carry interests at 3.05% to 7.25% (2003: 3.05% to 8.00%) per annum. Interest rate on Al-Murabahah revolving financing is at 4.95% to 5.04% (2003: NIL) 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% (2003: 8%, 12% and 9%) per annum respectively.

The secured borrowings of the Group are secured by way of fixed and floating charges on all the property, plant and equipment of the Group.

Finance lease and hire purchase liabilities are payable as follows:

	2004			2003		
	Payments RM'000	Interest RM'000	Principal RM'000	Payments RM'000	Interest RM'000	Principal RM'000
<b>Group</b>						
Less than one year	4,313	430	3,883	4,477	457	4,020
Between one and five years	2,484	339	2,145	3,230	396	2,834
	6,797	769	6,028	7,707	853	6,854

Hire purchases are subject to a fixed rate ranging from 3.7% to 7.0% (2003: 4.3% to 10.0%) per annum.

# Notes to the financial statements

## 13 Share capital

	<b>Group/Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Ordinary shares of RM0.50 each		
Authorised:		
Opening balance	250,000	100
Increase of shares	—	249,900
Closing balance	250,000	250,000
Issued and fully paid:		
Opening balance	168,500	—
Issue of shares		
- for acquisition of PVO and its subsidiaries	—	136,500
- for exchange of BHB shares	—	1,000
- for settlement to creditors of BHB	—	31,000
Closing balance	168,500	168,500

## 14 Reserves

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-distributable</b>				
Translation reserve	93	324	—	—
Accumulated losses	(13,682)	(20,950)	(31,693)	(32,841)
	(13,589)	(20,626)	(31,693)	(32,841)

The accumulated losses since the inception of the Group and of the Company comprise:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating profit/(loss) after tax	17,078	11,050	(933)	(841)
Restructuring cost	(32,000)	(32,000)	(32,000)	(32,000)
Profit guarantee	1,240	—	1,240	—
	(13,682)	(20,950)	(31,693)	(32,841)

## 15 Deferred tax liabilities

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

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment		
- capital allowances	19,312	16,838
- revaluation	12,017	12,017
Unabsorbed capital allowances	(1,884)	(1,052)
Unutilised reinvestment allowances	(4,389)	(3,786)
Unutilised tax losses	(3,657)	(2,957)
Taxable temporary differences	615	—
	22,014	21,060

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

## 16 Operating profit/(loss)

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Operating profit/(loss) is arrived at after charging</b>				
Audit fees	129	111	15	15
Depreciation	5,788	5,674	2	1
Directors:				
- Remuneration	794	664	—	—
- Fees	221	255	222	243
Allowance for doubtful debts	608	—	—	—
Rental of land and building	849	660	27	—
Rental of equipment	90	103	—	—
<b>and after crediting</b>				
Realised gain on foreign exchange	1,047	1,413	—	—
Gain on disposal of property, plant and equipment	26	129	—	—
Claim from a statutory body	—	1,302	—	—

The estimated monetary value of Directors' benefits-in-kind of the Group is RM80,400 (2003: RM80,400).

## Employee information

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Staff costs (including Executive Directors' remuneration)	12,019	10,566	185	26

# Notes to the financial statements

## 16 Operating profit/(loss) (continued)

Staff costs of the Group and of the Company include contributions to the Employees' Provident Fund of RM1,006,000 (2003: RM906,000) and RM19,000 (2003: RM1,000) respectively.

The numbers of employees (including Executive Directors) of the Group and of the Company at the end of the year were 522 (2003: 435) and 2 (2003: 1) respectively.

## 17 Financing costs

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest expense:				
Bank overdraft	868	342	—	—
Banker's acceptances	1,199	2,583	—	—
Al-Murabahah revolving financing	420	—	—	—
Bills discounting	225	572	—	—
Loan from a shareholder	115	422	—	—
Loan from a company which a Director has financial interest	401	347	287	221
Loan from a third party	259	240	—	—
Term loans	681	1,338	—	—
Hire purchase and leases	624	732	—	—
Loan from a Director	20	44	20	44
Preference share dividend paid to minority shareholder	77	336	—	—
Murabahah Underwritten Note Issuance Facilities	2,628	—	2,628	—
	7,517	6,956	2,935	265
Other finance costs	3,273	944	2,093	—
	10,790	7,900	5,028	265

## 18 Restructuring cost

### Group/Company

The restructuring cost related to one-off cost incurred for the restructuring of Bridgecon Holdings Berhad (Special Administrators Appointed) ("BHB") and the transfer of listing status of BHB on the Second Board of MSEP to the Company in prior year.



# Notes to the financial statements

## 20 Earnings per share - Group

### Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM6,028,000 (2003: RM20,950,000) and the weighted average number of ordinary shares outstanding during the year of 337,000,004 (2003: 305,000,004) after adjusting for new issues during the year as follows:

### Weighted average number of ordinary shares:

	Group/Company	
	2004	2003
Issued ordinary shares at beginning of the year	337,000,004	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	<u>337,000,004</u>	<u>305,000,004</u>

## 21 Profit guarantee

### Group/Company

The profit guarantee is in respect of shortfall in profit after tax for the financial year ended 31 December 2003 disclosed to the Securities Commission, to be made good by the principal vendors as defined in the Company's prospectus dated 30 June 2003 to the Company.

## 22 Purchase of property, plant and equipment

### Group

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM27,608,000 of which RM4,513,000 were acquired by hire purchase and lease agreements and RM4,292,000 (2003: RM2,975,000) is included in other payables.

## 23 Acquisition of subsidiaries

On 9 April 2003, the Company acquired all the shares in PVO and its subsidiaries for a consideration totalling 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.

### 23 Acquisition of subsidiaries (continued)

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

	<b>At date of acquisition RM'000</b>
Property, plant and equipment	154,305
Goodwill of consolidation	750
Current assets	101,839
Current liabilities	(114,317)
Long term liabilities	(11,882)
Deferred tax liabilities	(19,439)
Net assets	111,256
Goodwill on acquisition	26,457
Total consideration	137,713
Cash and cash equivalents acquired	4,618
Consideration discharged by shares issued	(136,500)
Net assets acquired	5,831

#### **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 ended 31 December 2003 were as follows:

	<b>From date of acquisition RM'000</b>
Revenue	363,874
Operating costs	(349,206)
Profit before tax	14,668
Tax expense	(2,777)
Increase in the Group's net profit at the end of financial year	11,891

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

	<b>RM'000</b>
Property, plant and equipment	158,710
Goodwill on consolidation	750
Current assets	112,662
Current liabilities	(114,311)
Long term liabilities	(13,124)
Deferred tax liabilities	(19,860)
Net assets acquired	124,827
Goodwill on acquisition	26,457
Increase in Group's net assets	151,284

# Notes to the financial statements

## 24 Operating leases

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

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than one year	40	36
Between one and five years	227	163
More than five years	694	754
	961	953

## 25 Capital commitment

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Plant and machineries</b>		
Contracted but not provided for	—	13,690

## 26 Contingent liabilities (secured)

### Group

- i) Contingent liabilities in respect of bill discounted with banks amounted to RM3.6 million (2003: RM10.9 million).
- ii) In prior year, a statutory body filed an appeal in the Federal Court against the judgment by the Court of Appeal dismissing the claims made by the statutory body against a subsidiary. The Federal Court decided in favour of the subsidiary and ordered the statutory body to refund the cess payment together with interest and cost thereon. Hence, an amount of RM1.3 million receivable from the statutory body was included in other operating income in 2003.

Subsequently, the Act authorising the collection of cess was amended following which the statutory body issued notice of demand for payment of arrears of cess from 1989 to 1999 amounting to RM4 million.

The Directors are of the opinion following advice from its solicitors based on the judgment of Federal Court that the subsidiary is not liable to pay the cess as demanded and as such no provision has been made in the financial statements.

- iii) One of the subsidiaries is claiming liquidated damages for a sum of Rs245.7 million (equivalent to RM21.4 million) against a third party for breach of terms of contract and a direction for the same party to acquire the plant and machinery purchased for the purpose as stated in the contract for the amount of Rs20 million (equivalent to RM1.7 million) with 15% interest thereon in an arbitration proceeding. However, the same party has also counter claim for liquidated damages for an amount of Rs283 million (equivalent to RM24.6 million) for liquidated damages, deprivation of sales tax benefit and interest thereon.

Based on the legal opinion, the subsidiary stands a good chance in succeeding in the arbitration proceeding based on merits of the case and hence, no provision has been made in the financial statements.

### Company

As at 31 December 2004, corporate guarantees given to banks for banking facilities granted to the subsidiaries amounted to RM43,500,000 (2003: NIL).

## 27 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		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Tan Sri Dato' Dr. K R Somasundram, a Director</b>				
Loan received	—	1,550	—	1,550
Interest on loan received	20	44	20	44

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

	—	221	—	—
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### **Company in which Tan Sri Dato' Dr. K R Somasundram has financial interest**

Syarikat Pooram Sdn. Bhd.  
- Transportation services

	150	150	—	—
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### **Company in which Tan Sri Dato' Dr. K R Somasundram is a director**

Minsawi Industries (Kuala Kangsar) Sdn. Bhd.  
- Interest on loan received

	114	184	—	—
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Interest on loan received is charged at 9% per annum.

### **National Land Finance Co-operative Society Limited ("NLFCS"), shareholder**

- Rental of premises	108	155	—	—
- Loan received	—	5,000	—	5,000
- Interest on loan received	128	314	66	138

Interest on loan received is charged at 8% per annum.

# Notes to the financial statements

## 27 Related parties (continued)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Company in which a Director, Mr. Agarwal Pares Nath has substantial financial interest</b>				
Sunworth Corporation Sdn. Bhd.				
- Loan received	—	3,000	—	3,000
- Interest on loan received	221	83	221	83

Interest on loan received is charged at 8% per annum.

### Subsidiaries

Interest income receivable	—	—	5,731	228
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Interest on loan received is charged at 7% per annum.

### Balances

Loan from Tan Sri Dato' Dr K R Somasundram	—	1,594	—	1,594
Loan from NLFCS	—	7,993	—	5,138
Loan from Sunworth Corporation Sdn. Bhd.	2,844	3,083	2,844	3,083
Loan from Minsawi Industries (Kuala Kangsar) Sdn. Bhd.	1,110	1,696	—	—

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

## 28 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.

### 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.

## 28. Segmental information (continued)

	Malaysia		India		Eliminations		Consolidated	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Geographical segments</b>								
<b>by location of assets</b>								
Revenue from external customers	324,038	259,296	79,231	104,578	—	—	403,269	363,874
Revenue from transactions with other segments assets	13,466	48,953	—	—	(13,466)	(48,953)	—	—
<b>Total revenue</b>	<b>337,504</b>	<b>308,249</b>	<b>79,231</b>	<b>104,578</b>	<b>(13,466)</b>	<b>(48,953)</b>	<b>403,269</b>	<b>363,874</b>
<b>Segment result</b>	<b>17,374</b>	<b>20,406</b>	<b>1,040</b>	<b>5,707</b>	<b>(1,670)</b>	<b>(4,377)</b>	<b>16,744</b>	<b>21,736</b>
Interest income							33	—
Financing costs							(10,790)	(7,900)
Restructuring cost							—	(32,000)
<b>Profit/(Loss) before tax</b>							<b>5,987</b>	<b>(18,164)</b>
Tax income/(expense)							41	(2,786)
<b>Net profit/(loss) for the year</b>							<b>6,028</b>	<b>(20,950)</b>
Segment assets	341,928	393,928	67,309	32,801	(26,111)	(128,167)	383,126	298,562
Segment liabilities	(190,004)	(136,922)	(46,027)	(20,116)	7,816	6,350	(228,215)	(150,688)
Capital expenditure	13,816	6,869	15,474	2,475	(1,682)	—	27,608	9,344
Depreciation	5,386	5,294	402	380	—	—	5,788	5,674
Non cash expenses	(26)	129	—	—	—	—	(26)	129

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							
- 2004	98,241	134,747	100,863	38,423	44,461	(13,466)	403,269
- 2003	67,278	178,139	117,932	10,952	38,526	(48,953)	363,874

# Notes to the financial statements

## 29 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 at balance sheet date and the periods in which they reprice or mature, whichever is earlier.

<b>Group 2004</b>	<b>Effective interest rate per annum %</b>	<b>Total RM'000</b>	<b>Within 1 year RM'000</b>	<b>1-5 years RM'000</b>
<b>Financial assets</b>				
Fixed deposits	3.00	3,804	3,804	—

## 29 Financial instruments (continued)

<b>Group 2004</b>	Effective interest rate per annum <b>%</b>	Total <b>RM'000</b>	Within 1 year <b>RM'000</b>	1-5 year <b>RM'000</b>
<b>Financial liabilities</b>				
Bank overdrafts	6.80	13,000	13,000	—
Bankers' acceptances	4.28	26,913	26,913	—
Term loans	13.09	9,728	9,728	—
Loan from shareholders	8.00	2,700	2,700	—
Loan from a third party	12.00	1,115	1,115	—
Loan from company in which a Director has substantial financial interest	9.00	1,110	1,110	—
<hr/>				
<b>2003</b>				
<b>Financial assets</b>				
Fixed deposits	2.90	1,308	1,308	—
<hr/>				
<b>Financial liabilities</b>				
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	—
<hr/>				
<b>Company 2004</b>				
<b>Financial assets</b>				
Loan to subsidiaries	7.00	78,958	78,958	—
Fixed deposits	3.00	1,320	1,320	—
<hr/>				
<b>Financial liabilities</b>				
Loan from shareholders	8.00	2,700	2,700	—
<hr/>				
<b>2003</b>				
<b>Financial assets</b>				
Due from subsidiaries	8.00	7,998	7,998	—
<hr/>				
<b>Financial liabilities</b>				
Loan from shareholders	8.00	8,000	8,000	—
Loan from a Director	8.00	1,550	1,550	—
<hr/>				

# Notes to the financial statements

## 30. Financial instruments (continued)

### 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.

### 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 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.

No disclosure of fair value is made on loan from shareholders, third party and a company in which a Director has substantial financial interest as is not practicable to determine the fair value with sufficient reliability since the amounts have no fixed terms of repayment.

The carrying amounts of term loan, being a floating rate term loan, would approximate its fair value as its effective interest rate changes accordingly to movements in the market interest rate.

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

Group	2004		2003	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans				
- Fixed rates	—	—	2,557	2,507
- Floating rates	9,728	9,728	11,232	11,232
	9,728	9,728	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 one year:

Group	2004		2003	
	Contracted amount RM'000	Fair value RM'000	Contracted amount RM'000	Fair value RM'000
Sales contracts	80,623	80,268	8,907	9,791
Purchase contracts	38,827	38,522	24,610	26,036

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

## Analysis of shareholdings

<b>List of Top 30 Holders as at 30.04.2005</b>		<b>Holdings</b>	<b>%</b>
1	Mayban Securities Nominees (Tempatan) Sdn Bhd	65,792,428	19.52
2	National Land Finance Co-operative Society Limited	43,624,093	12.94
3	K.R Somasundram	30,350,851	9.01
4	Sunworth Corporation Sdn Bhd	16,037,231	4.76
5	MIDF Sisma Nominees (Tempatan) Sdn Bhd	13,258,000	3.93
6	HSBC Nominees (Tempatan) Sdn Bhd	9,644,231	2.86
7	Tasec Nominees (Tempatan) Sdn Bhd	7,078,120	2.10
8	TCL Nominees (Asing) Sdn Bhd	5,943,762	1.76
9	RHB Nominees (Tempatan) Sdn Bhd	5,719,906	1.70
10	Mayban Nominees (Tempatan) Sdn Bhd	4,614,132	1.37
11	Bank Kerjasama Rakyat Malaysia Berhad	4,199,385	1.25
12	Tay Teck Ho	3,600,000	1.07
13	HSBC Nominees (Asing) Sdn Bhd	3,154,986	0.94
14	Balaram a/l Petha Naidu	3,148,145	0.93
15	RHB Capital Nominees (Tempatan) Sdn Bhd	3,009,802	0.89
16	Public Nominees (Tempatan) Sdn Bhd	2,785,105	0.83
17	Su Ming Keat	2,463,527	0.73
18	Unggul Pekerti Sdn Bhd	2,200,000	0.65
19	Ng Sin Hin	2,025,100	0.60
20	Citicorp Nominees (Tempatan) Sdn Bhd	1,953,301	0.58
21	Employees Provident Fund Board	1,900,000	0.56
22	Gan Soong Tee	1,845,000	0.55
23	TA Nominees (Tempatan) Sdn Bhd	1,830,626	0.54
24	Amsec Nominees (Tempatan) Sdn Bhd	1,739,224	0.52
25	PB Securities Nominees (Tempatan) Sdn Bhd	1,329,521	0.39
26	Ng Yee	1,069,006	0.32
27	Cimsec Nominees (Tempatan) Sdn Bhd	1,014,500	0.30
28	Nora Ee Siong Chee	1,000,000	0.30
29	Arumugam a/l Kalimuthu	956,000	0.28
30	HDM Nominees (Tempatan) Sdn Bhd	936,100	0.28

**Holders with 5% or >**

		<b>Holdings</b>	<b>%</b>
1	Mayban Securities Nominees (Tempatan) Sdn Bhd	65,792,428	19.52
2	National Land Finance Co-operative Society Limited	43,624,093	12.94
3	K.R Somasundram	30,350,851	9.01

**Analysis of shareholdings as at 30.04.2005 (Malaysian & Foreign - Combine)**

<b>Size of Holdings</b>	<b>No. of holders</b>	<b>%</b>	<b>No. of holdings</b>	<b>%</b>
1 - 99	207	2.44	4,659	0.01
100 - 1000	2,664	31.42	1,426,558	0.42
1000 - 10000	3,875	45.70	20,927,992	6.21
10001 - 100000	1,544	18.21	51,464,211	15.27
100001 - 16849999 (*)	185	2.18	140,099,580	41.57
16850000 and above (**)	4	0.05	123,077,004	36.52
	<hr/> 8,479	100.00	337,000,004	100.00

Remark:

\* - Less than 5% issued Holdings

\*\* - 5% and Above issued Holdings

**Directors' interests in share**

as at 30th April 2005 (as shown in the register of directors' shareholdings)

<b>Interest in Share</b> <b>Name of Directors</b>	<b>Nationality / Races</b>	<b>Direct</b>	<b>Percentage (%)</b>	
			<b>Deemed</b>	<b>Direct Deemed</b>
Tan Sri Dato' Dr K R Somasundram	Malaysian / Indian	35,549,351	497,608	10.55 0.15
Agarwal Pares Nath	Indian / Indian	5,943,662	17,280,791	1.76 5.13
Datuk Sahadivanaidu a/l Baliah	Malaysian / Indian	210,945	Nil	0.06 Nil
Subramaniam a/l Seenivasagam	Malaysian / Indian	49,761	Nil	0.01 Nil
Abdul Aziz Bin Mohamed Hussain	Malaysia P.R / Malay	Nil	Nil	Nil Nil
Syed Mubarak Bin Syed Ahmad	Malaysian / Malay	Nil	Nil	Nil Nil
Dato' Faruk Bin Othman	Malaysian / Malay	Nil	Nil	Nil Nil
Ab Rahim bin Mohd Zain	Malaysian / Malay	Nil	Nil	Nil Nil
Chiong Kok Seng	Malaysian / Chinese	Nil	Nil	Nil Nil
Tan Sri Dato' Hari Narayanan a/l Govindasamy	Malaysian / Indian	Nil	Nil	Nil Nil

## List of Properties

	<b>Registered Owner/Lessee</b>	<b>Description and Location</b>	<b>Land Area/ (Built-up Area) Sq feet</b>	<b>Tenure/ (Age of Building)</b>	<b>*Net Book Value As At 31 December 2004 RM'000</b>	<b>Year of Acquisition/ (Revaluation)</b>	<b>Usage</b>
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)	4,366	1985 / (2003)	Crushing
				PTD 84772, H.S. (D) 274412 (Leasehold for 60 years expiring on 22.01.2049)  Building	2,931  10,724	1987 / (2003)	Refinery  Crushing, Storage, Compressor.
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  4,402	1993 / (2001)  2001	Mill and Refinery
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	Refinery

# Form of proxy

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member(s) of PREMIUM NUTRIENTS BERHAD holding \_\_\_\_\_  
shares hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held on Wednesday, 29 June 2005 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 2004 and the Directors' and Auditors' Reports thereon.		
2	Approval of the remuneration of the Directors for the year ended 31 December 2004		
3	Re-election of the following Directors retiring under the provisions of Article 87 of the Company's Articles of Association:- Datuk Sahadivanaidu a/l Baliah (Article 87)		
4	Mr Subramaniam a/l Seenivasagam (Article 87)		
5	Dato' Faruk Bin Othman (Article 87)		
6	Election of Tan Sri Dato' Hari Narayanan a/l Govindasamy ceasing to be a Director under the provisions of Article 94 of the Company's Articles of Association.		
7	Passing the following resolution pursuant to Section 129 (6) of the Companies Act 1965: "THAT Tan Sri Dato' Dr. K R Somasundram be and is hereby re-appointed as a Director of the Company and shall hold office until the next Annual General Meeting pursuant to section 129 of the companies Act, 1965."		
8	Appointment of Auditors 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 thinks fit.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

\_\_\_\_\_  
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 tile Corporation duly authorised.
- 3) The instrument appointing the proxy must be deposited at the Registrar Office at not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof

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Stamp

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

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