

laporan tahunan  
annual report **2006**



**PREMIUM  
GROUP**

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

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# Notice of Fifth Annual General Meeting

NOTICE IS HEREBY GIVEN That the Fifth Annual General Meeting of Premium Nutrients Berhad will be held at Auditorium, Wisma Tun Sambanthan, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on 18th June 2007 at 9.00 a.m. for following purposes:-

## AGENDA:

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2006 and the Directors' and Auditors' Reports thereon. **Resolution 1**
2. To approve the remuneration of the Directors for the year ended 31 December 2006. **Resolution 2**
3. To re-elect the following Directors retiring under the provisions of Article 87 of the Company's Articles of Association and offering themselves for re-election:-
  - a. Datuk Sahadivanaidu a/l Baliah (Article 87) **Resolution 3**
  - b. Mr. Agarwal Pares Nath (Article 87) **Resolution 4**
  - c. Mr. Festus a/l A Christ Dhas (Article 87) **Resolution 5**
4. To elect Mr. Tharumarajah a/l Thillarajah retiring under the provisions of Article 94 of the Company's Article 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: **Resolution 7**

" THAT Tan Sri Dato' Dr. K. R. Somasundram who retires in accordance with Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company and shall hold office until the next Annual General Meeting."
6. To re-appoint the retiring Auditors, Messrs. Raki Thomas & Ramanan, Chartered Accountants and to authorize 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

TIONG LING LING  
JEYA KUMAR A/L JEGATHISON  
Secretaries  
Kuala Lumpur,  
1st June 2007



## 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 presented 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 Secretaries, 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 of Fifth 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. Agarwal Pares Nath         | (Article 87) |
| c. Mr. Festus a/l A Christ Dhas   | (Article 87) |

The Directors retiring and offering himself for election is:-

- a. Mr. Tharumarajah a/l Thillarajah

Datuk Sahadivanaidu a/l Baliah and Mr. Agarwal Pares Nath have interest in the shares of the company.

Mr. Festus a/l A. Christ Dhas and Mr. Tharumarajah a/l Thilarajah, do not have interest in the shares of the company.

Further details of all the above Directors are furnished under the Profile of Directors on pages 6 to 9 of the annual report. Their shareholdings in the company are disclosed under Analysis of Shareholding on page 80 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 Fifth Annual General Meeting are as follows:

<b>Place</b>	<b>Date</b>	<b>Hour</b>
Auditorium, Wisma Tun Sambanthan, Jalan Sultan Sulaiman, 50000 Kuala Lumpur.	18th June 2007	9.00 a.m.

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

# Corporate Information

## Board of Directors

### CHAIRMAN

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

Non-Independent Non-Executive Director

### DIRECTORS

**Tharumarajah a/l Thillarajah**

Managing Director

**Ab Rahim bin Mohd Zain**

Executive Director

**Datuk Sahadivanaidu a/l Baliah**

Non-Independent Non-Executive Director

**Subramaniam a/l Seenivasagam**

Non-Independent Non-Executive Director

**Agarwal Pares Nath**

Non-Independent Non-Executive Director

**Festus a/l A Christ Dhas**

Non-Independent Non-Executive Director

**Abdul Aziz bin Mohamed Hussain**

Independent Non-Executive Director

**Dato' Faruk bin Othman**

Independent Non-Executive Director

**Syed Mubarak bin Syed Ahmad**

Independent Non-Executive Director

### Group Company Secretaries

Tiong Ling Ling

Jeya Kumar a/l Jegathison

### 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 Securities Berhad

## Bankers of Group Companies

Bumiputra-Commerce Bank Berhad

RHB Bank Berhad

Bank Muamalat Malaysia Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

Standard Chartered Bank Malaysia Berhad

ING Vysya Bank Limited

Indian Overseas Bank

Export-Import Bank of India

Syndicate Bank

Andhra Bank

Punjab National Bank

Bank of Maharashtra

## Solicitors

Sivananthan

Level 1A, Block B

Kompleks Pejabat Damansara

Jalan Dungun, Damansara Heights

50490 Kuala Lumpur

Tel:03 2095 6655

Fax:03 2095 9955

## Auditors

Messrs. Raki Thomas & Ramanan,

Chartered Accountants

Suite 1203, Holiday Plaza,

Jalan Dato Sulaiman

80250 Johor Bahru

Johor, Malaysia

Tel:07 3316 177

Fax:07 3328 252

# Profile of Directors & Chief Executive Officer

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



Tan Sri Dato' Dr K R Somasundram, a Malaysian, aged 77, was appointed to the Board on 9 April 2003. He is a planter by profession and is the promoter and Chairman of Premium Vegetable Oils Sdn. Bhd ("PVOSB") 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.

He is also Chairman of Nomination Committee and Remuneration Committee.

## **Tharumarajah a/l Thillarajah**



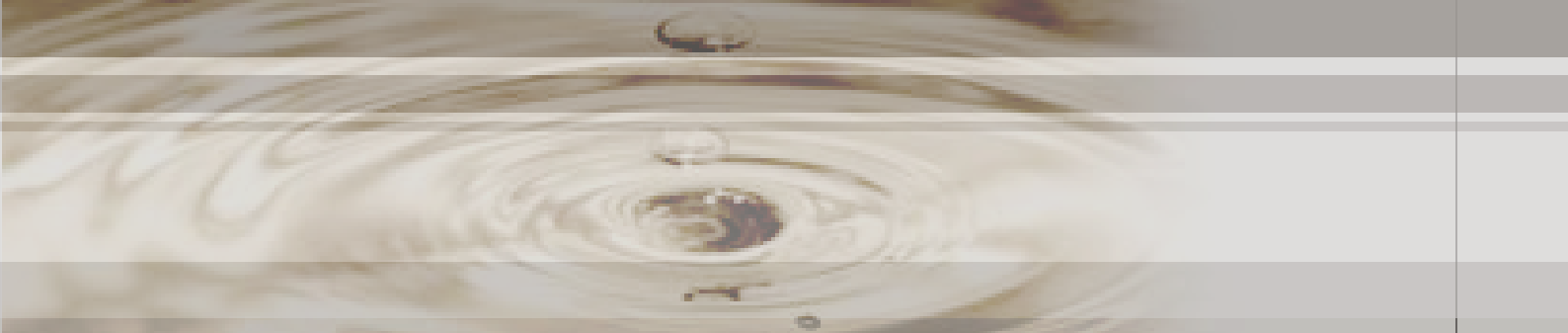
Tharumarajah a/l Thillarajah, a Malaysian, aged 60, was appointed to the Board and assumed the position of Managing Director with effect from 2nd May 2007. He did the external professional course in mechanical engineering, Council of Engineering Institute (U.K.) at University Technology Malaysia. He commenced his working career with Sime Darby Plantation in 1971 as Trainee Engineer and held several senior management positions within this company before retiring in 2001 as General Manager of Kempas Edible Oil, a leading manufacturer of edible oils and fats. He has extensive experience in General Management and internal marketing of edible oils and fats. From 2001 to date of joining the Board, he was employed as Chief Executive Officer of local Engineering Company who were the exclusive agents of Sillikel Germany specializing in industrial flooring system.

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



Datuk Sahadivanaidu a/l Baliah, a Malaysian, aged 55, was appointed to the Board on 9th April 2003. He is a Director of Premium Vegetable Oils Sdn. Bhd since 31st March 1998. He joined NLFCs in 1972, was promoted to the position of General Manager in 1985 and then promoted to the position of Chief Executive Officer in 1995. He holds the said position to date. He obtained a Diploma in Management from the Malaysian Institute of Management in 1984 and a Higher Diploma in Law from University of Wolverhampton, United Kingdom ("UK") in 1993. He subsequently obtained a Masters Degree in Management from Warnborough University, UK in 1999.

He is Chairman of Executive Committee and member of Nomination Committee.



**Agarwal Pares Nath**



Agarwal Pares Nath, an Indian, aged 61, was appointed to the Board on 9th April 2003 as Group Managing Director.

He has been redesignated as Non-Executive Director since 17th April 2007. He has been serving on the Board of Premium Vegetable Oils Sdn Bhd since 31st March 1998.

He is a Chartered Accountant and lawyer (Mcomm., LLB, FCA). He has more than 38 years working experience including 29 years in the oils and fats industry in Malaysia, Singapore, USA, Nigeria and India.

He is member of Audit Committee and Executive Committee.

**Abdul Aziz bin Mohamed Hussain**



Abdul Aziz bin Mohamed Hussain, a Singaporean, aged 56, was appointed to the Board on 9th April 2003. He was appointed to the Board of Premium Vegetable Oils Sdn. Bhd. on 7th 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 Method 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 4th June 1999.

He is member of Audit Committee, Nomination Committee and Remuneration Committee.

**Ab Rahim bin Mohd Zain**



Ab Rahim bin Mohd Zain, a Malaysian, aged 68, was appointed to the Board on 9th April 2003. Prior to that, he was on the Board of Premium Vegetable Oils Sdn. Bhd. since 21st November 1994. Since 1st March 2007, he has been appointed as Executive Director in charge of Research and Human Resource Development. He was in the Malaysian Civil Service from 1963 to 1994. He has held position as the Deputy Chairman of the Malaysian Fisheries Development Authority and the Director General of the Socio-Economic Research Unit of Prime Ministers Department. In 1988, he was seconded as 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**



Subramaniam a/l Seenivasagam, a Malaysian, aged 69, was appointed to the Board on 9th April 2003. He is a director of Premium Vegetable Oils Sdn. Bhd. since 13th 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 headquarters. His last posting was as 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.

He is member of Remuneration Committee and Executive Committee.

### **YBhg. Dato' Faruk Bin Othman**

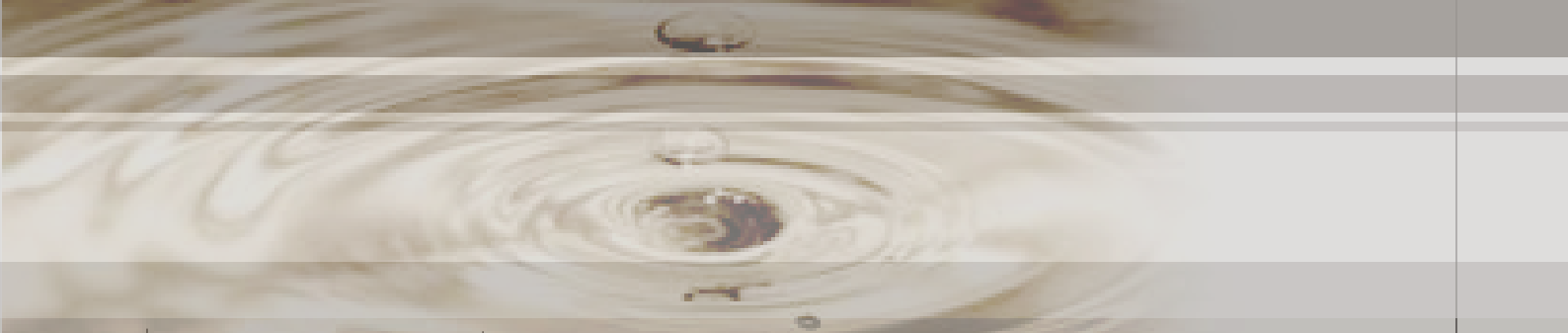


YBhg. Dato' Faruk Bin Othman, a Malaysian, aged 59, is the Director of the Company and was appointed to the Board on 9th April 2003.

He graduated in Business Studies from North East Essex College, England and 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, mainly in the stock broking and banking industry. His involvement in banking started when he joined Standard Chartered Bank in 1971 before leaving for United Asian Bank.

In 1981, he assumed the post of Assistant General Manager of Kwong Yik Bank Berhad for 8 years before taking over the post of Executive Director in Inter-Pacific Securities Sdn. Bhd in 1989. He is also the Executive Chairman of Furqan Business Organisation Berhad.



**Syed Mubarak bin Syed Ahmad**



Syed Mubarak bin Syed Ahmad, a Malaysian, aged 64, was appointed to the Board on 9th 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 Accountants and the Malaysian Institute of Taxation.

Syed Mubarak is currently practicing 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.

He is Chairman of Audit Committee and member of Executive Committee.

**Festus a/I A Christ Dhas**



Festus a/I A Christ Dhas, a Malaysian, aged 55, was appointed to the Board on 29th November 2005. He is an accountant by profession having graduated with Chartered Institute of Management Accountant (UK) in 1978. He is a member of the Chartered Institute of Management Accountant (UK) and also a member of the Malaysian Institute of Accountants (MIA). He has over 36 years of working experience of these 30 years been with Tenaga Nasional Berhad. He held various Senior Management positions in TNB, and held Key Positions in few Private Limited Companies. Currently he is an Executive Director of Emrail Sdn Bhd, a company principally involved in railway related engineering works and constructions.

He is member of the Executive Committee.

**Chief Executive Officer**



**Mr. Rajalingam a/I RVR Singam**, a Malaysian, aged 55, was appointed as Chief Executive Officer of the Company on 1st January 2007. He has more than 30 years of experience in the areas of auditing, accounting, financial management and business entrepreneurship. Mr. Rajalingam is a Fellow of The Chartered Association of Certified Accountants (FCCA), a Chartered Member of the Malaysian Institute of Accountants (MIA) and a Chartered Member of the Institute of Internal Auditors (CMIIA). He has experience in the plantation and property sector having had served in two public listed companies at senior positions prior to his present appointment.

# Statement of Corporate Governance

The Board of Directors ("Board") is fully committed to ensure that the highest standard of corporate governance in the Malaysian Code on Corporate Governance ( Code ) are practised throughout the Group as a fundamental part of discharging its duties and responsibilities to protect and enhance shareholders' value and enhance the Group's growth. 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 set out below.

## The Board of Directors Board Responsibilities

The Board has the overall responsibility for corporate governance, direction, formulation of policies and overseeing the investment and business of the Group. Board meetings were held during the financial year ended 31 December 2006. Details of attendance by Directors are as follows:-

	No. of Meetings held during appointment	No. of Meetings attended	Attendance at Board of Directors' Meeting held in 2006									Date of Appointment	
			27/02	31/03	25/04	03/05	30/05	22/06	29/08	29/11	28/12		
Tan Sri Dato' Dr. K. R. Somasundram	9	9/9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	09.04.2003
Datuk Sahadivanaidu a/l Baliah	9	9/9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	09.04.2003
Subramaniam a/l Seenivasagam	9	9/9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	09.04.2003
Agarwal Pares Nath	9	8/9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	09.04.2003
Festus a/l A Christ Dhas	9	8/9	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	29.11.2005
Abdul Aziz Bin Mohamed Hussain	9	6/9	✓	✗	✓	✓	✓	✓	✓	✗	✗	✓	09.04.2003
Dato' Faruk Bin Othman	9	8/9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	09.04.2003
Ab Rahim Bin Mohd Zain	9	9/9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	09.04.2003
Syed Mubarak Bin Syed Ahmad	9	9/9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	09.04.2003
Chiong Kok Seng	5	5/5	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	23.12.2003 (Resigned on 22.06.2006)



## **Board Composition and Balance**

The Board currently has ten (10) members, comprising two (2) Executive Directors and eight (8) Non-Executive Directors with three (3) of the Directors being Independent Directors which complies with the Bursa Malaysia Securities Berhad Listing Requirements (“Bursa Malaysia Listing Requirements”) on Board composition.

The Board comprises of professionals and experts known for their competence in business, finance, banking, administration and technical field who provide sound advice for the benefit of the Company and its shareholders. A brief profile of each Director is presented on pages 6 to 9 of the Annual Report.

The role of the Chairman is separate from that of the Managing Director & Chief Executive Officer. The Chairman is responsible for ensuring the Board is functioning properly, with good corporate governance practices and procedures, whilst the Managing Director & Chief Executive Officer is responsible for managing the Group’s business, including the implementation of major strategies and initiatives adopted by the Board.

Three (3) Independent Non-Executive Directors plays 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.

The Board appoints members to four (4) Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and Executive 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 Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	38	290	328
Salaries	702	-	702
EPF	91	-	91
Allowance	-	-	-
Bonus	55	-	55
Benefits-in-kind	80	-	80
Consultation Fees	-	-	-
Total	966	290	1,256

### Analysis of Remuneration

Total Remuneration	Number of Executive Directors	Number of Directors Non-Executive	Total
RM 0 to RM 50,000	-	9	9
RM 50,001 to RM 1,000,000	1	-	1
Total	1	9	10

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 2006 is set out on pages 20 to 24.

### Nomination Committee

Members of the Nomination Committee are:

Tan Sri Dato' Dr K R Somasundram	(non-independent, non-executive Director) (Appointed on 17th December 2003)
Datuk Sahadivanaidu a/l Baliah	(non-independent, non-executive Director) (Appointed on 17th December 2003)
Abdul Aziz Bin Mohamed Hussain	(independent, non-executive Director) (Appointed on 17th 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 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 21st November 2003)
Subramaniam a/l Seenivasagam	(non-independent, non-executive Director) (Appointed on 21st November 2003)
Abdul Aziz Bin Mohamed Hussain	(independent, non-executive Director) (Appointed on 27th May 2004)

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

## Executive Committee

Members of Executive Committee are:

Datuk Sahadivanaidu a/l Baliah	(non-independent, non-executive Director) (Appointed on 7th November 2005)
Subramaniam a/l Seenivasagam	(non-independent, non-executive Director) (Appointed on 7th November 2005)
Syed Mubarak bin Syed Ahmad	(Independent Non-Executive Director) (Appointed on 7th November 2005)
Festus a/l A Christ Dhas	(Non-Independent Non-Executive Director) (Appointed on 29th November 2005)
Agarwal Pares Nath	(Non-Independent Non-Executive Director) (Appointed on 1st January 2006)

The Executive Committee amongst others is responsible for formulating policies regarding recruitment of senior executives in the Group, approving and monitoring capital expenditure, formulating policies and supervising implementation of succession plan and other strategic and important matters.

## 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 review and approve the quarterly financial statements and the annual audited financial statements in the meeting.

The Directors have access to the advice and services of the Company Secretary to assist them in furtherance of their duties. 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. All the Directors have attended Mandatory Accreditation Programme (MAP) organized by the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). In 2006, the Directors attended a seminar on latest updates of Bursa Malaysia and Securities Commission. The Directors will continue to attend other relevant training programmes to further enhance their skills and knowledge.



## **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.

## **Corporate Social Responsibilities**

The Company had conducted an in house seminar for Directors and employees to improve their knowledge and understanding on the corporate social responsibilities. The Company is committed to ensuring that its actions benefit its shareholders, its employees, the society and the environment.

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

In presenting the Group's quarterly and annual reports on the results to the shareholders, the directors take responsibility to present a balanced and fair assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information disclosed.

The Statement by Directors pursuant to section 169 (15) of the Companies Act, 1965 is set out on page 37. Of the Annual Report and the Statement explaining the Directors' responsibility for preparing the annual audited accounts pursuant to paragraph 15.27 ( a ) of the Listing Requirements of Bursa Malaysia Securities Behad is set out on page 38 of the Annual Report.

### **Internal Control**

The Board recognizes the importance of sound system of internal control and acknowledges its ultimate responsibilities in maintaining the same, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The internal control system covers all levels of personnel and business processes and is designed to safeguard the Group's assets and shareholders' interest. The Board is satisfied with the design of the existing internal control system, which would continue to be improved, reviewed and updated in line with changes in the operating environment.

The statement of internal Control on page 18 of the Annual Report provides an overview on the state of internal control within the Group.

### **Internal Audit**

During the year, the Group established an internal audit department replacing Messrs Mustapharaj Sdn Bhd. The internal audit department reports to the Audit Committee.

During the year, the internal auditors had four meetings with the Audit Committee. They reported on the Group's system of internal and operational controls with focus on key areas of business risks.

The internal auditors' audit plan, nature and scope of the audit were agreed with the Audit Committee prior to the commencement of their audit. They reported on weaknesses in control procedures and made recommendations on areas for improvements.

They also reviewed the extent to which their recommendations have been implemented by the Group.

### **Relationship with External Auditors**

The Board has established and maintains an active, transparent and professional relationship with the External Auditors through the Audit Committee.

The audit conducted by the External Auditors on the Group during the financial year provides reasonable assurance that the financial statements present a true and fair view of the Group's performance.

Any significant issues arising from the audit of the Group would be highlighted to the Board by the External Auditors through a Management letter.

The Board, through the Audit Committee also seeks the External Auditors' professional advice in ensuring compliance with the appropriate accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The functions of the Audit Committee and its relationship with the Auditors are set out on pages 22 to 24 of this Annual Report. The activities of the internal auditors relating to the operations of the Group during the financial year are set out on page 19 of this Annual Report.

The statement is made in accordance with the resolution adopted by the Board at its meeting held on 30th May 2007.

### **Other Information**

#### **i) Other Relationship**

There was no family relationship among the Directors and/or major shareholders and the Chief Executive Officer does not have any family relationship with any Directors and/or major shareholders.

#### **ii) Conflict of Interest**

All the Directors and the Chief Executive Officer do not have any conflicts of interest with the Company.

#### **iii) Conviction for Offences**

All the Directors and the Chief Executive Officer have not been convicted of any offence within the past 10 years.

#### **iv) Material Contracts**

The Group had not entered into any material contract which involved Directors' and /or major shareholders' interests, either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

#### **v) Material Contracts Related to loans**

During the financial year under review, there was no material contracts related to loans, entered by the Group which involved Directors' and /or major shareholders' interests.

#### **vi) Corporate Proposal**

A corporate restructuring was proposed at EGM held on 30th May 2006 which was approved unanimously. As a result of this, shares held by Premium Vegetable Oils Sdn Bhd in Arani Agro Oil Industries Ltd, Malim Sawit Sdn Bhd and Premium Fats Sdn Bhd will be transferred to Premium Nutrients Berhad at the carrying cost. This will rationalise the business activities of the Group.

#### **vii) Share buyback**

There was no share buy-back affected during the financial year ended 31 December 2006.

#### **viii) Profit Guarantee**

There were no profit guarantees during the financial year under review.

#### **ix) Options, Warrants or Convertible Securities**

There were no options, warrants or convertible securities issued by the Group during the financial year under review.

#### **x) American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) programme**

The Group did not sponsor any ADR or GDR programme during the financial year under review.

#### **xi) Revaluation Policy**

The Group adopted a policy to revalue its landed properties every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying amount.

#### **xii) Imposition of sanctions / penalties**

During the year under review, there were no sanctions and / or penalties imposed on the Group, Directors or Management by the relevant authorities except a penalty of RM37,000 and a public reprimand on all the directors for the late submission of the audited accounts for the year ended 31 December 2005 to the Bursa.

#### **xiii) Non-Audit Fees**

During the financial year under review, the non-audit fees paid to the external auditors or a firm or a company affiliated to the Auditor's firm amounted to RM10,000.

#### **xiv) Variation in Results**

There was no significant variance between the audited results for the financial year ended 31 December 2006 and the unaudited results announced previously.

#### **xv) Recognition of Intangible Asset**

The Board of Directors proposed that listing premium of RM32.0 million paid in 2003 be recognized as intangible asset. The shareholders at Extraordinary General Meeting held on 30th May 2006 approved the same. However the recognition of same has been deferred pending decision on the matter by relevant authority.

# Statement on Internal Control

The Board affirms its responsibility for maintaining a sound and effective system of internal control and risk management practices within the Group. It recognizes that reviewing the Group system of internal control is a concerted and continuing process. For the financial year under review, the management continued to progress in formalizing an effective system of internal control. Such a system is designed to manage rather than eliminate the risk of failure. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board has reviewed and confirmed that the system of internal control within the internal control framework was in place during the financial year under review. The Board also confirms that there were no material losses incurred during the financial year as a result of weaknesses in internal control.

## **Key Elements of Internal Control Framework**

The system of internal control currently applied in the Group operating units has the following key elements:

- **Control Environment**

The Board is committed to the integrity of staff at all levels, through comprehensive recruitment, appraisal and reward programmes. There is an effective Group organization structure within which business activities are planned, implemented, controlled and monitored.

The Group's values and employee code of conduct and discipline have been communicated to all employees through the Terms and Conditions of Employment handbook and / or letters of appointment.

- **Risk Management**

The Board views structured Enterprise Risk Management as the logical step in the pursuit of its corporate governance objectives towards protecting shareholders. Management regularly review, identify, evaluate, monitor and manage significant investment and safeguarding organizational assets.

The ERM programme provides sufficient documentation and groundwork for the implementation of a risk based audit approach. The internal auditors besides performing audit on the adequacy and integrity of internal controls also provide assurance on how effectively the risks are being managed through the risk based audit approach.

## **Reporting & Review**

The Executive Committee ( EXCO ) reviews and monitors on matters pertaining to the business operations of units of the Group based on performance reports which provide comprehensive information on financial performance and other key non-financial indicators.

## **Tender Award System**

A policy on awarding of tenders has been established to enhance coordination and control on the purchase of goods and services. The policy serves to increase efficiency and places assurance on the effectiveness of the system of internal control embedded in the process of awarding tenders.



## **Management Information System**

Critical information of the Group such as financial data, human resource data, debtors' records are captured within the various information systems that have been developed to keep track of the Group operations.

## **Internal Audit and Audit Committee**

The internal audit function assesses the effectiveness, adequacy and integrity of the system of internal control of the Group. The internal audit team advises executive and operational management on areas for improvement. The findings are submitted to the Audit Committee, which in turn will review the findings with the management at its quarterly meetings. The internal audit team will subsequently follow-up to determine the extent of their recommendations that have been implemented. As such, the internal audit function provides assurance to the Board on the Group's system of internal controls.

The Audit Committee reports to the Board the activities of the internal audit function, significant findings and the necessary recommendations in relation to the adequacy and effectiveness of the system of internal controls and accounting procedures of the Group.

## **Conclusion**

The Board is of the opinion that the existing system of internal control is adequate to achieve the business objectives of the Group. The board will continuously assess the adequacy of the system of internal control of the Group and make improvements and enhancement to the system as and when necessary.

The statement on Internal Control is made in accordance with the resolution adopted by the Board at its meeting held on 30th May 2007.

# 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 2006.

## CONSTITUTION

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

## 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' shareholders thereby strengthen the confidence of the public in the Group's reported results.

## COMPOSITION

The Audit Committee of Premium Nutrients Berhad ("Audit Committee") presently comprises three (3) Directors of the Board of Premium Nutrients Berhad ("Board"), the majority of whom, including the Chairman are Independent Non-Executive Directors.

The Audit Committee is made up of the following members :-

<b>- Syed Mubarak bin Syed Ahmad</b>	Chairman of Audit Committee, Independent Non Executive Director
<b>- Abdul Aziz bin Mohamed Hussain</b>	Member, Independent Non Executive Director (Appointed on 1st March 2007)
<b>- Agarwal Pares Nath</b>	Member, Non- Independent Non-Executive Director

## MEMBERSHIP AND MEETINGS

A total of six (6) meetings were held during the year. Details of attendance of each Audit Committee member are as follow :-

	<b>Number of Meetings attended</b>
<b>Syed Mubarak Bin Syed Ahmad</b> (Chairman- Independent Non-Executive Director)	6/6
<b>Ab Rahim Bin Mohd Zain(Member</b> - Independent Non-Executive Director) Resigned on 1st March 2007.	5/6
<b>Agarwal Pares Nath(Non</b> - Independent Non-Executive Director)	6/6

Mr. Syed Mubarak Bin Syed Ahmad, being a member of the Malaysian Institute of Accountants, fulfills the requirement of paragraph 15.10 (1) (c) of the Listing Requirements of Bursa Malaysia Securities Berhad.

## SUMMARY OF ACTIVITIES

The Audit Committee met at scheduled times during the year; with due notices of meetings issued, and with agendas planned.

- i) Review of the Group's compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, MASB and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements;
- ii) Review of the Annual Report and the Audited financial statements of the Group prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial Statements with the provisions of the Companies Act, 1965 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board (MASB);
- iii) Review of the Audit plans for the financial year prepared by the External and Internal Auditors;
- iv) Review of related party transactions which arose within the Group;
- v) Review of the unaudited financial results announcements before recommending them for the Directors' approval;
- vi) Considered and recommended to the Board of Directors the re-appointment of External Auditors.

### Terms of Reference

On 18th November, 2003 the Board resolved to adopt the following terms of reference for the Audit Committee to be in line with Bursa Malaysia listing requirements.

#### A. Composition :

The Audit Committee 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 Audit Committee shall be Independent Non-Executive Directors.

At least one member of the Audit Committee 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 Audit Committee.

The Chairman of the Audit Committee 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 Audit Committee 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 Company Secretaries shall be the secretary of the Audit Committee.

**B. Functions:**

The Functions of the Audit Committee include the functions set below and such other functions as may be determined by the Board from time to time.

The Audit Committee shall review, appraise, report and make appropriate recommendations to the Board on:

- The quality and effectiveness of the entire accounting and internal control systems of the Group;
- The effects of any change in accounting principles or any development emanating from the accounting profession or any statutory authority;
- The quarterly results and year end financial statements;
- 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;
- The internal audit programme, ensure co-ordination between the Internal and External Auditors;
- The findings of internal audit and investigations and Management's response thereon;
- The related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of integrity;
- To discuss with The External Auditors, their audit plan, the nature and scope of the audit, evaluation of the Company's system of internal controls and audit reports on the Annual Financial Statements;
- The assistance given by the employees of the Group to the External Auditors;
- The External Auditors' letter to Management and Management's response thereon;
- Any other matters requested from time to time.

**C. Authority**

The Audit Committee shall have:-

- The authority to seek any information relevant to its activities from employees of the Company and Group;
- The necessary resources required to carry out its duties and is authorized to obtain such independent professional advice it considers necessary; and
- Full and unlimited access to any information and documents pertaining to the Company and the Group.

#### **D. Internal Audit**

In the discharge of its duties, the Audit Committee is supported by the internal auditors. The internal auditors' role is to independently and objectively evaluate and report on the adequacy, integrity and effectiveness of the Group's overall system of internal control for assurance purposes.

The internal auditors report directly to the Audit Committee.

The internal auditors carried out audit programmes which focused on the management of the Group's significant corporate risks and executed audit plans approved by the Audit Committee. In conducting their independent audit, the internal auditors placed emphasis on a risk-based auditing approach. The audit findings and recommendations, which also highlight areas of non-compliance with Group policies, procedures and guidelines, were communicated to the Audit Committee to enable a timely evaluation of the adequacy and integrity of the Group internal control system.

#### **E. Meetings**

The Audit Committee 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 Audit Committee shall meet with the external auditors without executive Board members present.

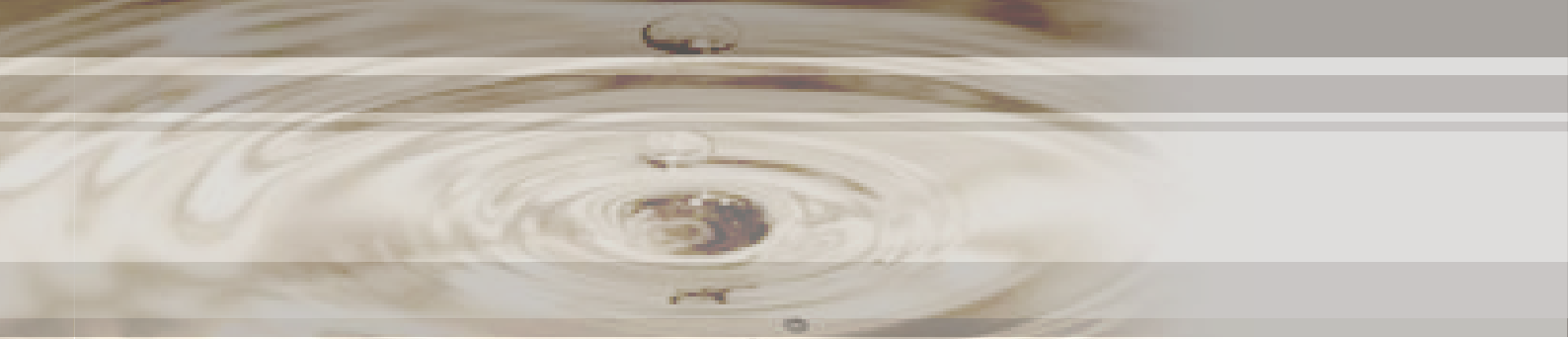
In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

One of the Company Secretaries 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 Audit Committee 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.

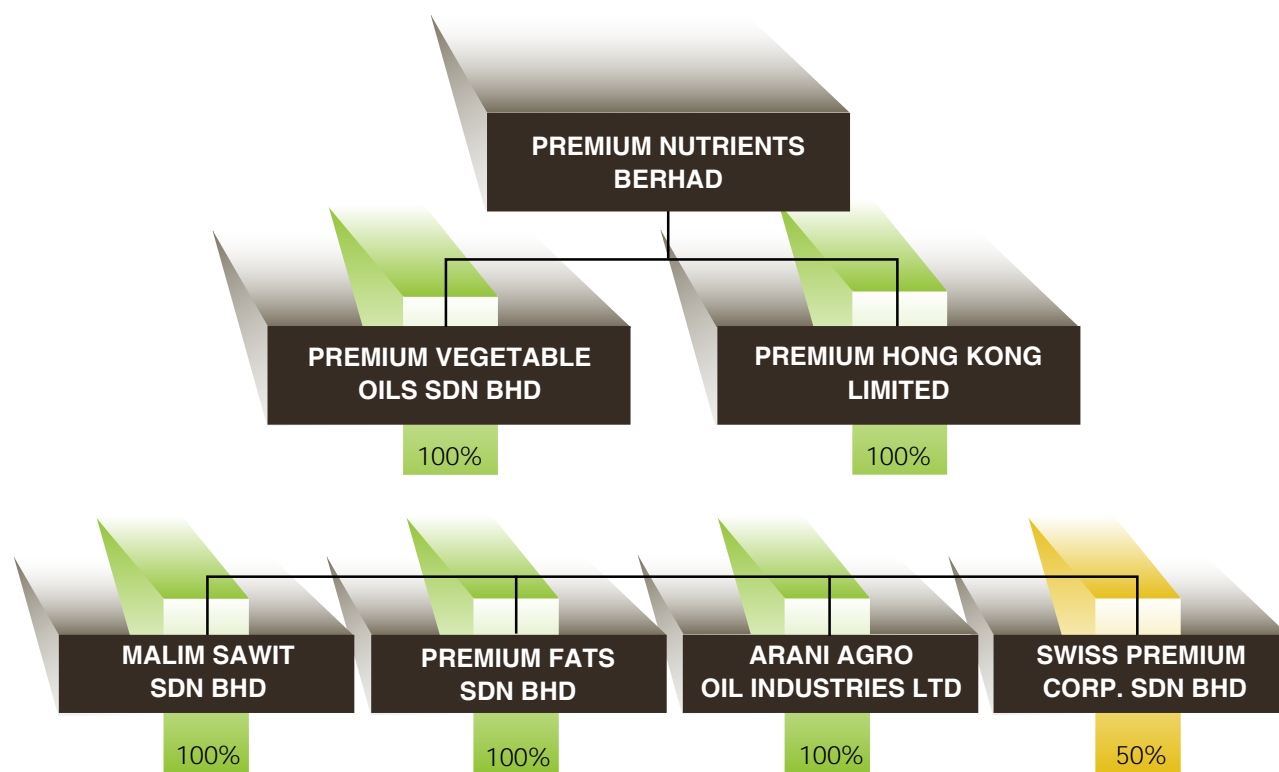
Decision of the Audit Committee shall be by a majority vote. When necessary, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the members attending the meeting shall have a second and casting vote. The Audit Committee may invite other Directors and employees of the Company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



**F. 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 Audit Committee and the Board of Directors for information.

# Premium Group Structure



## PRINCIPAL ACTIVITIES OF ALL THE GROUP COMPANIES

### Premium Hong Kong Limited (PHK)

Marketing of speciality oils and fats, procurement of raw materials for the Group and general trading.

### Premium Vegetable Oils Sdn Bhd (PVO SB)

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

### Malim Sawit Sdn Bhd (MSSB)

Processing of palm oil fruits, refining of palm oil and sale of refined and fractionated products along with the by-products, mainly packed cooking oil/ghee.

### Premium Fats Sdn Bhd (PFSB)

Manufacturer of downstream products i.e. margarine, whipping cream, etc.

### Arani Agro Oil Industries Ltd. (AAO)

Refining and processing of vegetable oils like palm oil, palm olein, sunflower oil, soybean and manufacturer and sales of speciality oils fats based on palm kernel oil, palm oil, coconut oil, rapeseed oil and soybean oil or any other oil available in India.

### Swiss Premium Corporation Sdn Bhd (SPCSB)

General trading of oils and fats and manufacturing of speciality fats.



*Dear Shareholders,*

*On behalf of the  
Board of Directors,  
it is my pleasure  
to present the  
Annual Report of  
Premium Nutrients  
Berhad for the  
financial year ended  
31 December 2006.*

## Operating Environment

Despite formidable challenges posed by the global environment, the Malaysian economy continued to demonstrate its resilience to achieve a healthy growth rate of 5.8% in 2006. The global palm oil market in 2006 was characterized by record high production and buoyant palm oil market environment.

Crude Palm oil (CPO) and Palm Kernel (PK) prices were stable in the first half of 2006 with increased volatility in the second half of the year under review. Price increases of rapeseed and sunflower oils coupled with increase demand from Biodiesel companies shifted demand towards palm oils in a sort of domino effect and pushed palm oil prices higher.

## Financial Performance and Operation Review

During the financial year under review, revenue of the group increased by 23.7 % to RM554.1million. The Group's profit before taxation increased by 102% to RM11.0million from RM5.4million in 2005. The Group's profit attributable to equity shareholders increased by 2.5% to RM6.9million.

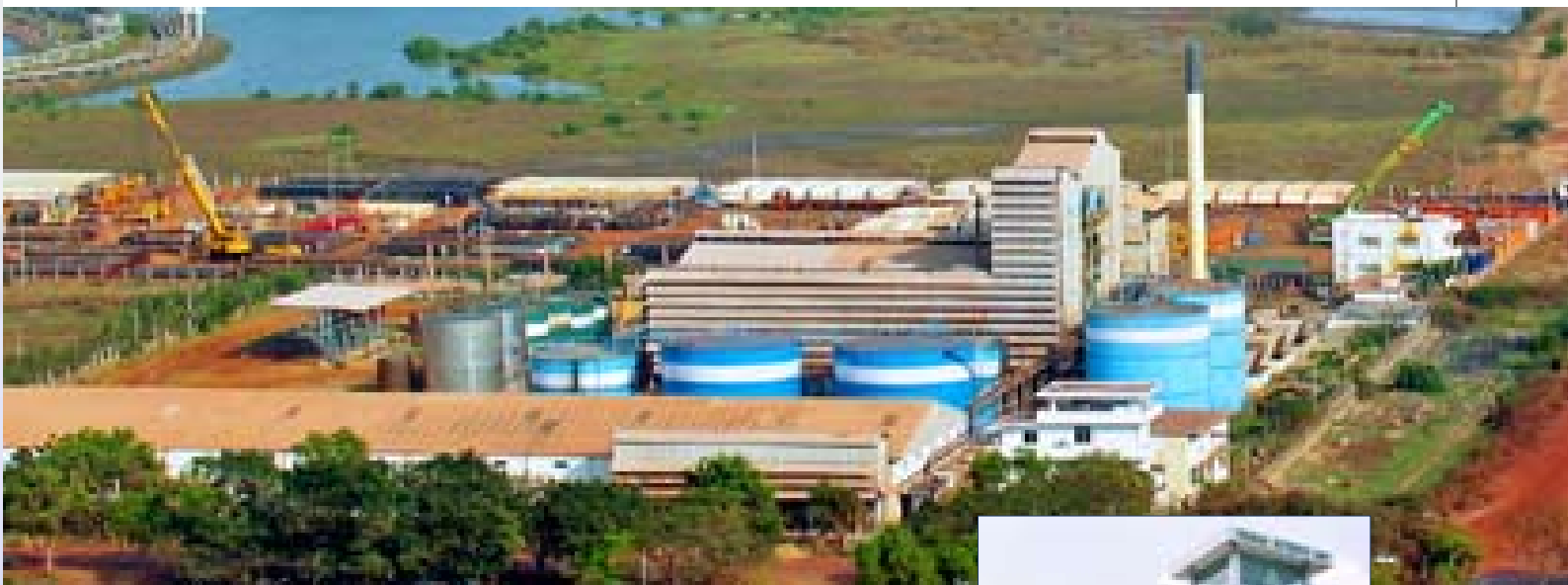
The stronger profit before tax performance in 2006 was driven to a large extent by new markets and high production efficiency. Our fully equipped research and development team keeps abreast with



The stronger profit before tax performance in 2006 was driven to a large extent by new markets and high production efficiency.

Our fully equipped research and development team keeps abreast with changing needs of customers.





changing needs of customers as well as updates of technical know-how in the development of new products. This has resulted in the introduction of new products particularly in the overseas market. One of our patented products used in the production of margarine was well received in overseas market. This product has the ideal effect of increasing HDL Cholesterol and reducing LDL-cholesterol.

## Prospects

The year ahead will continue to be a competitive year with rising raw material costs. Barring any unforeseen circumstances and aided by an anticipated favourable economic environment, the growth of the Group should continue in 2007. The Company has been continuously diversifying and expanding its activities to minimize its risks as well as to increase revenue. At the operational level, the Group will continue to leverage on its human capital, efficiency and initiatives through R&D.





## Dividend

In line with the Group's performance, the Company had declared an interim dividend of 2.6% tax exempted on 337,000,004 ordinary shares for financial year ending 31 December 2007. This had resulted in a distribution of RM4.38 million to shareholders.





The Company  
has been  
continuously  
diversifying and  
expanding its  
activities  
to minimize  
its risks.



## Appreciation

On Behalf of the Board, I would like to express my appreciation to the management and staff of the Group for their hard work, dedication and contributions during the year. I also thank our valued shareholders, business associates and the relevant government authorities for their continued support and guidance.



**Tan Sri Dato` Dr K R Somasundram**

Chairman



# Financial Statement

For The Year Ended 31 December 2006

## **PREMIUM NUTRIENTS BERHAD (589272-D)**

(Incorporated in Malaysia)

CONSOLIDATED FINANCIAL STATEMENTS

### **Registered office:**

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

### **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, Andhrapradesh  
India

### **DIRECTORS:**

Tan Sri Dato' Dr. K R Somasundram  
Mr. Agarwal Pares Nath  
Datuk Sahadivanaidu a/l Baliah  
Mr. Subramaniam a/l Seenivasagam  
Mr. Abdul Aziz bin Mohamed Hussain  
Dato' Faruk bin Othman  
Mr. Ab. Rahim bin Mohd Zain  
Mr. Syed Mubarak bin Syed Ahmad  
Mr. Festus a/l A Christ Dhas

### **SECRETARY:**

Tiong Ling Ling

### **BANKERS:**

Bumiputra-Commerce Bank Berhad  
Bank Muamalat Malaysia Berhad

### **AUDITORS:**

Raki Thomas & Ramanan

# Directors' Report

## For The Year Ended 31 December 2006

The directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2006.

### 1. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are as stated in Note 13(a) to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

### 2. RESULTS FOR THE FINANCIAL YEAR

	<b>Group</b> <b>RM'000</b>	<b>Company</b> <b>RM'000</b>
Profit before taxation	11,057	1,204
Taxation	(4,086)	-
Profit after taxation from continuing operations attributable to equity holders of the Company	6,971	1,204

All material transfers to or from reserves or provisions during the year are as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### 3. 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.

### 4. ISSUE OF SHARES AND DEBENTURES

No shares or debentures were issued by the Company during the financial year.

### 5. OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted by the Company during the financial year. There were no unissued shares under options at the end of the financial year.

## 6. DIRECTORS

The directors in office 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  
Mr. Abdul Aziz bin Mohamed Hussain  
Dato' Faruk bin Othman  
Mr. Ab. Rahim bin Mohd Zain  
Mr. Syed Mubarak bin Syed Ahmad  
Mr. Festus a/l A Christ Dhas

## 7. DIRECTORS' INTERESTS

The interest of directors in office at the end of the financial year in the shares of the Company were as follows:-

Name	Interest	No. of ordinary shares of RM 0.50 each			Balance as at 31.12.2006
		Balance as at 01.01.2006	Acquired	Disposed	
Tan Sri Dato' Dr. K R Somasundram	-Direct	36,248,351	1,092,300	(200,000)	37,140,651
	-Deemed	497,608			497,608
Mr. Agarwal Pares Nath	-Deemed	20,670,777	302,600	(1,066,000)	19,907,377
Datuk Sahadivanaidu a/l Baliah	-Direct	210,945	-	-	210,945
Mr. Subramaniam a/l Seenivasagam	-Direct	49,761	-	-	49,761

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the company or any of its subsidiaries during the year.

## 8. DIRECTORS' BENEFITS

Since the end of the previous financial year no director has received or has become entitled to receive any benefit (other than those disclosed 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 he is a member or with a Company in which he has a substantial financial interest except as disclosed in notes 7(c) and 30 to the financial statements.

Neither during nor at the end of the financial year, was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 9. 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:

- (a) the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts was satisfactory and all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the directors are not aware of any circumstances which would render:

- (a) the amounts written off or provided for bad and doubtful debts respectively of the Group and of the Company in adequate to any substantial extent or the values attributed to current assets of the Group and of the Company misleading ; and
- (b) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report :-

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and of the Company for the current financial year ; and
- (b) no charge has arisen on the assets of the Group and of the Company which secures the liability of any other person nor has any contingent liability arisen in the Group and in the Company.

No contingent 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 affect the ability of the Group and the Company to meet their obligations as and when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

## 10. AUDITORS

The auditors, Messrs Raki Thomas & Ramanan, Chartered Accountants, have expressed their willingness to continue in office.

Signed at Kuala Lumpur on behalf of the Board of Directors in accordance with their resolution dated 30 April 2007.

### **TAN SRI DATO' DR. K R SOMASUNDRAM**

Chairman

### **MR. AB. RAHIM BIN MOHD ZAIN**

Director

## **Statement By Directors**

Pursuant To Section 169(15) Of The Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 40 to 79 are drawn up in accordance with the provision of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities other than Private Entities so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006 and of the results and cash flows of the Group and of the Company for the year then ended.

Signed at Kuala Lumpur on behalf of the Board of Directors in accordance with their resolution dated 30 April 2007.

**TAN SRI DATO' DR. K R SOMASUNDRAM**

Chairman

**MR. AB. RAHIM BIN MOHD ZAIN**

Director

## **Statutory Declaration**

Pursuant To Section 169(15) Of The Companies Act, 1965

I, **Jeya Kumar Jegathison**, the Officer primarily responsible for the financial management of, PREMIUM NUTRIENTS BERHAD do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 40 to 79 are 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.

**MR. JEYA KUMAR JEGATHISON**

Subscribed and solemnly declared

at Kuala Lumpur on 30 April 2007.

Before me,

# Raki Thomas & Ramanan

CHARTERED ACCOUNTANTS

2 - 5 -11, 5th Floor, Menara KLH Business Centre, No. 2, Jalan Kasipillay,  
Off 2 1/2 Miles Jalan Ipoh, 51200 Kuala Lumpur.

## Report of The Auditors

to The Members of Premium Nutrients Berhad (589272-D)

We have audited the financial statements as set out on pages 40 to 79. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit 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 towards any other person for the contents of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements have been properly drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of their results and cash flows for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report of the subsidiary companies of which we have not acted as auditors, which is indicated in Note 13(a) to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification or any comment made under subsection (3) of Section 174 of the Act.

Signed at Kuala Lumpur on 30 April 2007.

**RAKI THOMAS & RAMANAN**

(No. AF 0363)

Chartered Accountants

**VENKATRAMANAN VISWANATHAN**

(No.1284/12/07 (J/ph))

Partner

# Income Statement

For The Year Ended 31 December 2006

	NOTE	GROUP		COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Continuing operations</b>					
Revenue		554,189	447,930	-	-
Cost of goods sold		(474,694)	(375,921)	-	-
Gross profit		79,495	72,009	-	-
Other operating income		526	1,064	-	-
Distribution cost		(35,211)	(37,310)	-	-
Administration expenses		(20,161)	(18,561)	(926)	(871)
Other operating cost		(1,893)	(2,692)	(104)	(839)
Profit/(loss) from operations	7	22,756	14,510	(1,030)	(1,710)
Interest income		170	189	7,272	5,630
Finance cost	8	(11,869)	(9,236)	(5,038)	(2,754)
Profit before taxation		11,057	5,463	1,204	1,166
Taxation	9	(4,086)	1,337	-	-
Profit after tax for the year from continuing operations attributable to equity holders of the Company		6,971	6,800	1,204	1,166
Basic earnings per share attributable to equity holders of the Company	10	2.06 sen	2.01 sen	0.35 sen	0.34 sen

The above income statement is to be read in conjunction with the notes to the financial statements on pages 45 to 79.

# Balance Sheet

As At 31 December 2006

ASSETS	NOTE	GROUP		COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Non-current assets</b>					
Property, plant and equipment	11	179,742	181,194	6	9
Prepaid land lease payments	12	6,984	7,140	-	-
Investment in subsidiaries	13	-	-	138,189	137,713
Due from subsidiaries	13	-	-	39,881	41,629
Other investment	15	166	177	-	-
Long term deposits		748	626		
Intangible assets	16	27,954	27,796	-	-
		215,594	216,933	178,076	179,351
<b>Current assets</b>					
Inventories	17	96,546	86,043	-	-
Trade receivables	18	62,817	67,189	-	-
Other receivables	19	26,571	20,668	1,317	667
Due from subsidiaries	13	-	-	43,720	41,911
Cash and cash equivalents	20	14,920	6,876	1,438	1,444
		200,854	180,776	46,475	44,022
<b>Total assets</b>		<b>416,448</b>	<b>397,709</b>	<b>224,551</b>	<b>223,373</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	21	168,500	168,500	168,500	168,500
Reserves	22	725	(6,341)	(29,323)	(30,527)
<b>Total equity</b>		<b>169,225</b>	<b>162,159</b>	<b>139,177</b>	<b>137,973</b>
<b>Non-current liabilities</b>					
Borrowings	23	44,864	50,768	42,500	42,500
Deferred sales tax liabilities	24	2,817	2,195	-	-
Deferred taxation	25	24,253	20,398	-	-
		71,934	73,361	42,500	42,500
<b>Current liabilities</b>					
Trade payables		30,609	24,477	-	-
Other payables	26	22,027	14,744	298	324
Taxation		324	286	76	76
Borrowings	23	122,329	122,682	42,500	42,500
		175,289	162,189	42,874	42,900
<b>Total liabilities</b>		<b>247,223</b>	<b>235,550</b>	<b>85,374</b>	<b>85,400</b>
<b>Total equity and liabilities</b>		<b>416,448</b>	<b>397,709</b>	<b>224,551</b>	<b>223,373</b>

The above balance sheet is to be read in conjunction with the notes to the financial statements on pages 45 to 79.

# Statement Of Changes In Equity

## For The Year Ended 31 December 2006

GROUP	← Attributable to Equity Holders of the Company →			
	Share Capital RM'000	Non-distributable Foreign Exchange Fluctuation Reserve (Non-distributable) RM'000	(Accumulated Losses)/ Retained earnings RM'000	Total RM'000
As at 1 January 2005	168,500	93	(13,682)	154,911
Arising during the year	-	448	-	448
Net profit for the year from continuing operations	-	-	6,800	6,800
As at 31 December 2005	168,500	541	(6,882)	162,159
Arising during the year	-	95	-	95
Net profit for the year from continuing operations	-	-	6,971	6,971
As at 31 December 2006	168,500	636	89	169,225

COMPANY	← Attributable to Equity Holders of the Company →		
	Share Capital RM'000	Accumulated Losses RM'000	Total RM'000
As at 1 January 2005	168,500	(31,693)	136,807
Net profit for the year from continuing operations	-	1,166	1,166
As at 31 December 2005	168,500	(30,527)	137,973
Net profit for the year from continuing operations	-	1,204	1,204
As at 31 December 2006	168,500	(29,323)	139,177

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements on pages 45 to 79.

# Cash Flow Statement

## For The Year Ended 31 December 2006

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>				
Profit before taxation from continuing operations	11,057	5,463	1,204	1,166
Adjustments for :				
Allowance for trade receivables	1,558	321	-	-
Amortisation of prepaid land lease payments	156	156	-	-
Depreciation of property, plant and equipment	7,788	5,737	3	3
Effect of foreign exchange rate retranslation	2,070	1,290	-	-
Interest expense	11,869	9,236	4,341	2,754
Interest income	(170)	(189)	(7,272)	(5,630)
Gain on disposal of property, plant and equipment	(146)	(15)	-	-
Receivables written off	57	503	-	-
Operating profit/(loss) before working capital changes	34,239	22,502	(1,724)	(1,707)
Inventories	(10,503)	(8,064)	-	-
Trade and other receivables	(3,268)	152	(650)	903
Trade and other payables	13,415	(2,740)	(26)	(49)
Cash generated from/(used in) operations	33,883	11,850	(2,400)	(853)
Interest paid	(1,097)	(2,006)	-	-
Taxation paid	(87)	(91)	-	(63)
Net cash generated from/(used in) operating activities	32,699	9,753	(2,400)	(916)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(8,428)	(13,408)	-	(4)
Proceeds from disposal of property, plant and equipment	168	20	-	-
Increase in investment in subsidiaries	-	-	(476)	-
Trademarks and patents	(158)	(281)	-	-
Increase in pledged deposits placed with licensed bank	2,517	(395)	(45)	(42)
Purchase of investment	-	(8)	-	-
Interest received	170	189	-	-
Net cash used in investing activities	(5,731)	(13,883)	(521)	(46)

The above cash flow statement is to be read in conjunction with the notes to the financial statements on pages 45 to 79.

## Cash Flow Statement

For The Year Ended 31 December 2006 (Cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net short term borrowings	929	10,923	-	-
Due from subsidiaries	-	-	(61)	814
Repayment of lease creditors	(72)	(2,616)	-	-
Repayment of term loans	(3,291)	(2,733)	-	(2,700)
Interest paid	(10,772)	(7,230)	(4,341)	(2,754)
Interest received	-	-	7,272	5,630
Deferred sales tax	622	2,195	-	-
Net cash generated from financing activities	(12,584)	539	2,870	990
Net increase/(decrease) in cash and cash equivalents	14,384	(3,591)	(51)	28
Cash and cash equivalents brought forward	(14,105)	(10,514)	82	54
Cash and cash equivalents at end of year(Note 20)	279	(14,105)	31	82

The above cash flow statement is to be read in conjunction with the notes to the financial statements on pages 45 to 79.

# Notes To The Financial Statements

## For The Year Ended 31 December 2006

### 1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise disclosed in the financial statements, to comply with the applicable MASB Approved Accounting Standards for Entities other than Private Entities in Malaysia and the provisions of the Companies Act, 1965.

At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully on note 2.

The financial statements are presented in Ringgit Malaysia and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2. ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs made mandatory for financial periods beginning on or after 1 January 2006:

FRS 3	Business Combinations
FRS 5	Non- current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 123	Investment in Associates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

In addition, the Group has early adopted the following new and revised FRSs for the financial period beginning 1 January 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

## 2. ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (CONT'D)

The Group has chosen not to early adopt the deferred FRS 139 - Financial Instruments: Recognition and Measurement.

The following new and revised FRSs are not relevant to the Group's operations:

FRS 2	Share - based Payments
FRS 131	Interests in Joint Ventures
FRS 140	Investment Property

The adoption of new and revised FRSs are consistent with current practices and do not have any significant impact on the financial statements of the Group except for the effects of the following changes in accounting policies stated below:-

(a) FRS 101; Presentation of Financial Statements

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with comparatives restated to conform with the current periods presentation. These changes in presentation have no impact on the Group's financial statements.

(b) FRS 117; Leases

Prior to 1 January 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings thereon. Leases of land are now classified as long term operating leases (Note 6(e)), while buildings are treated as property, plant and equipment (Note 6(c)).

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2006, the unamortised amount of leasehold land is retained at the surrogate carrying amount of prepaid lease payments. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in note 12, certain comparatives have been restated.

The effects on the consolidated balance sheet as at 31 December 2006 are set out in note 33. There is no effect on the consolidated income statement for the year ended 31 December 2006.

(c) FRS 136; Impairment of Assets

Prior to 1 January 2006, intangible assets with an indefinite useful life were carried at cost less accumulated impairment losses. The changes to FRS 136 has resulted in the Group revising its impairment policy to test these assets for impairment annually or more frequently if events or changes in existence indicate that it might be impaired as detailed in note 6(n). This has been applied prospectively and has no impact on the Group's financial statements.

(d) FRS 121; The effects of changes in foreign exchange rates

Prior to 1 January 2006, the presentation currency of the Company's financial statements and the consolidated financial statements was in Ringgit Malaysia. The adoption of the FRS 121 has resulted in the subsidiaries of the Company having to translate their respective functional currencies into the presentation currency of the consolidated financial statements, as detailed in note 6 (l).

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

#### (a) Judgements

In the process of preparing these financial statements, there were no significant judgments made in applying the accounting policies of the management which may have significant effects on the amounts recognised in the financial statements.

#### (b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

##### (i) Impairment of intangible assets

The method of testing for impairment is detailed in note 6(n). This requires management to determine the recoverable amount which is the higher of an asset or cash generating units (CGU) fair value less cost to sell or its value in use.

The determination of value in use requires an estimation of the future cash flows of the respective CGU and a suitable discount rate. The determination of an asset or CGU's fair value requires an estimation of its future earnings and earnings multiple.

The carrying value of intangible assets are disclosed in note 16.

##### (ii) Depreciation of plant and machinery

The cost of plant and machinery for the manufacture of speciality fats is depreciated on a straight-line basis over the assets's useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 26 years. These are common life expectancies applied in the speciality fats industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### 4. GENERAL INFORMATION

#### (a) PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are as stated in Note 13(a) to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

#### (b) LISTING STATUS

The Company is listed on the Second Board of the Bursa Malaysia Securities Berhad.

#### (c) DATE OF AUTHORISATION OF ISSUE OF FINANCIAL STATEMENTS

These financial statements of the Group and of the Company were authorised for issue by the Board of Directors on 30 April 2007.

## 5. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the objectives and policies in respect of each of these are set out as follows:

### (a) Foreign Currency Exchange Risk

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollar and Indian Rupee. The Group manages its foreign currency risk by, inter-alia, entering into forward foreign exchange contracts as and when considered necessary to limit its foreign exchange exposure.

### (b) Interest Rate Risk

#### Financial assets

The Group places surplus funds in fixed deposits with financial institutions and licensed banks to earn interest income based on prevailing market rates. The Group manages its exposure to interest rate fluctuation by placing its deposits on short tenures.

#### Financial liabilities

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed through the use of fixed and floating rate debt.

### (c) Credit Risk

Credit risk arises when inventories are consigned and sales are made on credit terms. The credit risk is controlled and managed by evaluation and monitoring of customers' credit standing.

### (d) 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 futures contracts with the objective of managing and hedging the Group's exposure to price volatility in the commodity markets.

### (e) Liquidity and Cash Flow Risks

The Group seeks to maintain a balance between certainty of funding and a flexible, cost-effective borrowing structure. This is to ensure that projected net borrowing needs are covered by available committed facilities, and that the amount of debt maturing in any one year is not beyond the Group's ability to repay or refinance.

## 6. SIGNIFICANT ACCOUNTING POLICIES

### (a) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary which has the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Acquisition of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill (Note 6(d)).

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

A subsidiary company is not consolidated where the ability to transfer funds are significantly impaired and the Group ceases to have control over the financial and operating policies of the subsidiary.

Intra-group transactions and balances resulting in unrealised gains or losses are eliminated fully on consolidation and the consolidated financial statements reflect external transactions only.

### (b) INVESTMENT IN AN ASSOCIATE COMPANY

Associates are those enterprises in which the Company has significant influence, but not control, over the financial and operating policies. Investment in an associate company is stated at cost less impairment losses, if any (Note 6(n)).

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, when the associate operates under severe long term restrictions that impairs the ability to transfer funds, or when the share of losses of the associates has exceeded the Group's interest in the associates.

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 and is stated at cost less accumulated impairment losses, if any (Note 6(n)).

### (c) PROPERTY, PLANT AND EQUIPMENT

Freehold land and construction-in-progress are stated at cost less accumulated impairment losses, if any (Note 6(n)).

All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any (Note 6(n)). Subsequent cost is only recognised when there are future economic benefits that will flow to the Group and when it can be measured reliably. The carrying amounts of the replaced parts are derecognised. All repair and maintenance costs are charged to the income statement in the period in which they are recognised.

Depreciation of property, plant and equipment is provided on the straight line basis calculated to write off the cost of the assets over their estimated useful lives. The principal annual rates of depreciation used are :

	%
Buildings	2.38
Plant and machinery	3.80-20
Furniture, fittings and office equipment	20
Motor vehicles	20

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.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss account and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

### (d) INTANGIBLE ASSETS

#### (i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less impairment losses, if any (Note 6(n)). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## **(ii) Trademarks and patents**

Trademarks and patents, which comprise expenditure incurred in respect of registration and patenting of the Group's products. Patents and trademarks have an indefinite useful lives as there is no foreseeable limit to the period over which the trademarks and patents are expected to generate net cash flow to the Group. Patents and trademarks are stated at cost less accumulated impairment losses, if any (Note 6(n)). Annual renewal fees for trademark and patent are charged to income statement.

## **(e) LEASES**

A finance lease/hire purchase is where the Group substantially assumes all the benefits and risk of ownership. All other leases are classified as operating leases.

### **(i) Hire Purchase/Finance leases**

Assets acquired by way of hire purchase and finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are stated as lease creditors or hire purchase creditors. The interest element is charged to the income statement over the lease.

### **(ii) Operating leases**

Operating lease payments are recognised as an expense in the income statement on a straight - line basis over the term of the relevant lease.

### **(iii) Prepaid land lease payments**

The minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and building elements in proportion to the relative fair values at the inception of the lease. The building portion is treated as property, plant and equipment as stated in note 6(c). The prepaid land lease portion is amortised over the tenure of the lease period of 48 years.

## **(f) 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 cost incidental in bringing these inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the cost necessary to make the sale.

**(g) 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 applicable statutory tax rates, 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 amount in the financial statements. Temporary differences are not recognised for 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 applicable statutory tax rates.

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.

**(h) BORROWING COST**

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 construction is interrupted. All other borrowing costs are recognised as an expense in the income statement in the period in when they are incurred.

**(i) FINANCIAL INSTRUMENTS**

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The accounting policies and methods adopted, including the basis of measurement is disclosed in the individual policy statements detailed below:-

**(i) Share capital**

Ordinary shares are recorded at nominal value and proceeds received in excess of the nominal value of shares issued are accounted for as share premium. Ordinary shares and share premium are classified as equity. Dividends to shareholders are recognised in equity in the period in which they are paid.

**(ii) Investments**

Long term investments are stated cost less accumulated impairment losses, if any (Note 6(n)). An allowance for impairment loss is made where, in the opinion of the Directors, there is a permanent decline in the value of the investments.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

**(iii) Receivables**

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

**(iv) Payables**

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services.

**(v) Interest bearing loans**

Interest bearing loans are initially recorded at the fair value of proceeds received, net of transaction costs. All interest bearing borrowing costs are charged to the income statement in the year in which they are incurred.

**(vi) Derivative financial instruments**

The Group uses derivative financial instruments, including commodity futures 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.

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

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

**(viii) Cash and cash equivalents**

These are short term, highly liquid assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(j) REVENUE RECOGNITION**

**i) 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.

**ii) Dividend income**

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

**iii) Interest income**

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

**(k) PROVISIONS**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**(l) FOREIGN CURRENCY CONVERSIONS**

**(i) Functional and presentation currency**

The financial statements of each entity in the Group is measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Ringgit Malaysia. The consolidated financial statements are presented in Ringgit Malaysia (RM).

## (ii) Foreign currency transactions

Transactions in currencies other than the entity's functional currency are translated to the functional currencies at exchange rates prevailing at the dates of the transactions or at contracted rates where applicable. Monetary and non monetary items are translated at the rates prevailing on the balance sheet date. Non monetary items carried at fair value are translated at rates prevailing on the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not translated. All exchange differences are taken to the income statement except for exchange differences, arising on monetary items that form part of the group's net investment in foreign operations where the monetary items are denominated in either the functional currency of the reporting entity or the foreign operations, and on translation of non monetary items in respect of which gains and losses are recognised directly in equity these are taken directly to the foreign exchange fluctuations reserves.

The results and financial position of a foreign operation that has a functional currency that differs from the presentation currency of the consolidated financial statements are translated into RM as follows:

- (a) Assets and liabilities for each balance sheet presented shall be translated at the closing rate at the date of that balance sheet;
- (b) Income and expenses for each income statement item shall be translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (c) All resulting exchange differences are taken to the foreign exchange fluctuation reserve.

## (iii) Closing rates

The principal closing rates used in translation of foreign currency amounts are as follows:

	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>RM</b>	<b>RM</b>
Foreign currency		
1 US Dollar	3.52	3.77
100 Indian Rupees	7.94	8.44

## (m) 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 plans are recognised as an expense in the income statement as they are incurred.

## (n) IMPAIRMENT OF NON-FINANCIAL ASSETS

### (i) Intangible assets

The carrying values of intangible assets which have indefinite useful lives, are reviewed for impairment annually or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of intangible assets, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss on goodwill is not reversed.

Subsequent increase in the recoverable amount of an intangible asset other than goodwill is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

### (ii) Other non-financial assets

The carrying values of non-financial assets are reviewed for impairment when there is an indication that the assets might be impaired. Any impairment loss, so recognised, is charged to the income statement immediately. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

## (o) SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's 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 liabilities comprise of tax liabilities.

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 is no business segment reporting as the Group's principal activities comprise mainly of manufacturing of edible oils and related products.

## 7. PROFIT/(LOSS) FROM OPERATIONS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>(a) Profit from continuing operations is stated after charging/(crediting):</b>				
Auditor's remuneration	156	153	11	25
Depreciation of property, plant and equipment	7,788	5,737	3	3
Amortisation of leasehold land	156	156	-	-
Allowances for doubtful debts	1,558	321	-	-
Rental	1,445	771	-	-
Trade receivables written off	20	-	-	-
Sundry receivables written off	37	503	-	-
<b>and after crediting</b>				
Realised gain on foreign exchange	(13)	(641)	-	-
Rental income	(1)	(2)	-	-
Gain on disposal of property, plant and equipment	(146)	(15)	-	-
<b>(b) Employee benefits</b>				
Salaries, allowances and bonus	11,076	11,632	148	299
Contributions to social security plans	803	1,046	1	1
Contributions to defined contribution plans	222	109	17	32
	12,101	12,787	166	332
<b>(c) Directors' remuneration</b>				
(i) Directors of the Company				
Executive Directors- salary and other emoluments	966	907	35	27
Non-Executive Directors- fees	290	218	286	250
	1,256	1,125	321	277
(ii) Directors of Subsidiaries				
Executive Directors- salary and other emoluments	34	17	-	-

The estimated monetary value of Directors' benefits-in-kind of the Group is RM80,400 (2005: RM80,400).

## 8. FINANCE COSTS

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest expenses :				
Bank overdraft	1,569	515	-	-
Banker's acceptances	1,936	1,397	-	-
Al-Murabahah revolving financing	1,136	973	-	-
Bills discounting	168	117	-	-
Loan from a shareholder	-	39	-	-
Loan from a company which a a Director has financial interest	96	80	-	-
Loan from third party	-	40	-	19
Term loans	760	641	-	-
Hire purchase and leases	337	485	-	-
MUNIF loan facility	5,038	2,735	5,038	2,735
	11,040	7,022	5,038	2,754
Other finance costs	829	2,214	-	-
	11,869	9,236	5,038	2,754

## 9. TAXATION

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Tax charge for the current year				
- Malaysia	-	-	-	-
- Overseas	231	208	-	-
Deferred taxation for the current year				
- Malaysia	49	(594)	-	-
- Overseas	896	(264)	-	-
Tax attributable to current year	1,176	(650)	-	-
Tax attributable in respect of prior years				
Income tax				
- Malaysia	-	71	-	-
Deferred taxation				
- Malaysia	2,910	(758)	-	-
	4,086	(1,337)	-	-

## 9. TAXATION (CONT'D)

Reconciliation of effective tax charge is as follows :

	2006 RM'000	GROUP 2005 RM'000	2006 RM'000	COMPANY 2005 RM'000
Profit before taxation	11,057	5,463	1,204	1,166
Taxation at Malaysian statutory tax rate of 28%	3,096	1,530	337	326
Adjusted for tax effects of :-				
Effect of different tax rate - overseas	289	(214)	-	-
Expenses not deductible for tax purposes	1,294	1,528	365	695
Double deduction of expenses	(185)	(38)	-	-
Utilisation of reinvestment allowances	(2,549)	(1,764)	-	-
Utilisation of previously unrecognised tax losses	-	(342)	-	-
Income not subject to tax	(769)	(1,308)	(702)	(1,021)
Tax losses of subsidiaries	-	(42)	-	-
Effective taxation	1,176	(650)	-	-
Effective tax rate	10.63%	(11.89%)	-	-

## 10. EARNINGS PER SHARE

### **Basic earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM6,971,000 (2005: RM6,800,000) and the weighted average number of ordinary shares outstanding during the year of 337,000,004 (2005:337,000,004).

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Motor vehicles, furniture, fittings and office equipment RM'000	Construction -in progress RM'000	Total RM'000
<b>GROUP</b>					
<b>Cost</b>					
Opening balance	25,975	215,444	4,875	15,790	262,084
Additions	531	3,692	168	4,037	8,428
Disposals	-	-	(109)	-	(109)
Transfers	1,879	15,170	134	(17,183)	-
Exchange differences	(354)	(1,047)	(5)	(784)	(2,190)
Closing balance	28,031	233,259	5,063	1,860	268,213
<b>Depreciation</b>					
Opening balance	3,808	73,310	3,772	-	80,890
Charge for the year	583	6,294	911	-	7,788
Disposals	-	-	(87)	-	(87)
Exchange differences	(28)	(89)	(3)	-	(120)
Closing balance	4,363	79,515	4,593	-	88,471
<b>Net book value</b>					
At 31 December 2006	23,668	153,744	470	1,860	179,742
At 31 December 2005	22,167	142,134	1,103	15,790	181,194
Depreciation charge for the year ended 31 December 2005	560	4,850	327	-	5,737

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

	Furniture, fittings and office equipment RM'000
<b>COMPANY</b>	
<b>Cost</b>	
Opening balance	15
Additions	1
Disposal	(1)
Closing balance	15
<b>Depreciation</b>	
Opening balance	6
Charge for the year	3
Closing balance	9
<b>Net book value</b>	
At 31 December 2006	6
At 31 December 2005	9
Depreciation charge for the year ended 31 December 2005	3

	<b>GROUP</b>	
	<b>2006</b>	<b>2005</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
Buildings	22,395	20,894
	<u>23,668</u>	<u>22,167</u>

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

### 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 RM10,754,000 (2005:RM16,929,000).

### Additions under hire purchase

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM3,786,000 (2005: RM13,408,000) of which RM807,000 (2005:RM1,224,000) were acquired by hire purchase and lease agreements.

### Security

All property, plant and equipment of the Group have been pledged to secure banking facilities granted to the Group/ Company as disclosed in note 23.

### Borrowing costs

Included in construction-in-progress of the Group is interest expenses capitalised amounting to RM376,000 (2005: RM376,000).

## 12. PREPAID LAND LEASE PAYMENTS

	GROUP	
	2006 RM	2005 RM
Short term leasehold land		
At 1 January	7,140	7,296
Amortisation for the year	(156)	(156)
At 31 December	6,984	7,140
Cost	8,700	8,700
Accumulated amortisation	(1,716)	(1,560)
Carrying amount	6,984	7,140

### 13. SUBSIDIARIES

#### (a) INVESTMENT IN SUBSIDIARIES

	GROUP	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost		
As at 1 January	137,713	137,713
Additions during the year	476	-
As at 31 December	138,189	137,713

Details of the subsidiaries are as follows:

Company	Principal activities	Country of incorporation	Equity interest	
			2006 %	2005 %
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")#	Trading of speciality fats based on palm kernel oil, palm oil, coconut oil, rapeseed oil and soya bean oil including those refined and fractionated, interesterified products.	Hong Kong	100	100
Companies held through Premium Vegetables Oils Sdn Bhd	Principal activities	Country of incorporation	Equity interest 2006 %	Equity interest 2005 %
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 for manufacture and sale of speciality fats.	India	100	100

# Subsidiaries not audited by Raki Thomas and Ramanan.

### 13. SUBSIDIARIES (CONT'D)

#### (b) DUE FROM SUBSIDIARIES

	COMPANY	
	2006 RM'000	2005 RM'000
Current		
Loan to subsidiaries	32,181	31,191
Advance to subsidiaries	11,539	10,720
	43,720	41,911
Non-current		
Loan to subsidiaries	39,881	41,629
	83,601	83,540

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 are unsecured, have no fixed terms of repayment and carries interest at 9% per annum.

Advances to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

### 14. INVESTMENT IN AN ASSOCIATE COMPANY

	GROUP	
	2006 RM'000	2005 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% (2005: 50%). The Company was set up to undertake manufacturing of speciality fats.

The Group has discontinued the recognition of its share of losses of Swiss Premium Corporation Sdn. Bhd., as the share of losses has exceeded the Group's interest in the associate.

### 15. OTHER INVESTMENT

	GROUP	
	2006 RM'000	2005 RM'000
<b>At cost</b>		
Foreign mutual fund		
As at 1 January	177	174
Exchange differences	(11)	(5)
Additions during the year	-	8
As at 31 December	166	177
Fair value	166	177

## 16. INTANGIBLE ASSETS

GROUP	Goodwill	Patents/ trademarks	Total
	RM'000	RM'000	RM'000
<b>Cost</b>			
As at 1 January	27,228	568	27,796
Additions during the year	-	158	158
As at 31 December	27,228	726	27,954

The carrying amount of the goodwill arising on consolidation and patents and trademarks are attributable to the Group's manufacturing segment. The recoverable amount of this goodwill has been determined based on the segment's fair value less cost to sell. The fair value is determined essentially on the segment's earnings based valuation. The key assumptions made are:

- Budgeted gross margin is expected to be maintainable.
- The growth rate used is maintainable and adjusted for planned business expansion.
- The earning multiple is the industry average.

Management believes that any reasonable change to the above key assumptions is not likely to materially cause the recoverable amount to be significantly lower than the carrying values.

## 17. INVENTORIES

	GROUP	
	2006 RM'000	2005 RM'000
<b>At cost</b>		
Finished goods	10,335	55,268
Raw materials	24,345	22,442
Spares and consumables	7,400	8,333
	42,080	86,043
<b>At net realisable value</b>		
Finished goods	54,360	-
Spares and consumables	106	-
	96,546	86,043

## 18. TRADE RECEIVABLES

	GROUP	
	2006 RM'000	2005 RM'000
Trade receivables	66,179	69,494
Less: Allowances for doubtful debts	(3,362)	(2,305)
	62,817	67,189

**19. OTHER RECEIVABLES**

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sundry receivables	23,400	18,495	329	63
Less: Allowances for doubtful debts	(150)	(150)	-	-
	23,250	18,345	329	63
Prepayments	3,321	2,323	988	604
	26,571	20,668	1,317	667

**20. CASH AND CASH EQUIVALENTS**

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	8,318	2,677	31	82
Fixed deposits with licensed banks	6,602	4,199	1,407	1,362
	14,920	6,876	1,438	1,444
Bank overdraft (Note 23(c))	(12,959)	(16,782)	-	-
Less: Fixed deposit pledged to licensed banks	(1,682)	(4,199)	(1,407)	(1,362)
	279	(14,105)	31	82

The fixed deposits with licensed banks are pledged under lien for banking facilities granted to the company.

**21. SHARE CAPITAL**

	GROUP/COMPANY	
	2006 RM'000	2005 RM'000
Ordinary shares of RM0.50 each :		
Authorised; 500,000 ordinary shares	250,000	250,000
Issued and fully paid; 337,000 ordinary shares	168,500	168,500

## 22. RESERVES

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Non-distributable</b>				
Foreign exchange fluctuation reserve	636	541	-	-
<b>Distributable</b>				
Retained earnings/(accumulated losses)	89	(6,882)	(29,323)	(30,527)
	725	(6,341)	(29,323)	(30,527)

### Retained earnings/(accumulated losses)

The retained earnings/(accumulated losses) since the inception of the Group and of the Company comprise:

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating profit after tax	32,089	25,118	2,677	1,473
Restructuring cost	(32,000)	(32,000)	(32,000)	(32,000)
	89	(6,882)	(29,323)	(30,527)

### Foreign exchange fluctuation reserve

This reserve comprises all foreign exchange differences arising from the translations of financial statements of subsidiaries whose functional currencies are different from that of the Group's presentation currency and the differences arising from the translation the Group's net investment in foreign operations.

## 23. BORROWINGS

	NOTE	GROUP		COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Current</b>					
MUNIF facility	23(a)	42,500	42,500	42,500	42,500
Term loans	23(b)	2,372	229	-	-
Short term borrowings	23(c)	73,844	76,753	-	-
Finance leases	23(d)	2,308	1,910	-	-
Other loans	23(e)	1,305	1,290	-	-
		122,329	122,682	42,500	42,500
<b>Non current</b>					
MUNIF facility	23(a)	42,500	42,500	42,500	42,500
Term loans	23(b)	1,332	6,766	-	-
Finance leases	23(d)	1,032	1,502	-	-
		44,864	50,768	42,500	42,500

### (a) MUNIF facility

The Company entered into the Murabahah Underwritten Note Issuance Facility (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 is 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 property or assets present or future of subsidiaries as defined under debenture agreement dated 10 February 2004 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;
- (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.

This facility is secured by way of fixed and floating charges on all the property, plant and equipment of the Group as defined under debenture agreement dated 10 February 2004.

**(b) Term loans**

	<b>GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Payable within one year	2,372	229
Payable within two to five years	1,332	6,766
	3,704	6,995

These term loans obtained from licensed banks are secured by way of a fixed charged over all the property, plant and equipment of a foreign subsidiary.

These loans are repayable in monthly installments over periods ranging from 1 to 3 years and bear interest ranging from 12.25% to 14.5% (2005:12.25% to 14.5%).

**23. BORROWINGS (CONT'D)****(c) Short term bank borrowings**

	<b>GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Al-Murabahah revolving financing	20,000	20,000
Bill discounting	518	-
Bank overdrafts	12,959	16,782
Bankers' acceptance	40,367	39,971
	73,844	76,753

These banking facilities obtained from licensed banks are secured by way of a fixed and floating charge over all the assets of the Group.

These borrowings bear interest at 3.97% to 13.5% (2005:3.97% to 13.5%).

**(d) Finance Leases**

	<b>GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Payable within a year	2,549	1,939
Payable within two to five years	1,146	1,903
	3,695	3,842
Less: Interest in suspense	(355)	(430)
	3,340	3,412
<b>Analysed as:</b>		
Due within 12 months	2,308	1,910
Due after 12 months	1,032	1,502
	3,340	3,412

The fair value of finance leases liabilities are as follows:

	<b>GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>2006</b>		
Not later than 1 year	2,219	1,836
Due after 12 months	1,121	1,576
	3,340	3,412

Finance leases bear interest ranging from 3.65% to 5.00% (2005:3.65% to 5%) per annum.

## 23. BORROWINGS (CONT'D)

### (e) Other loans

	GROUP	
	2006 RM'000	2005 RM'000
Loan from shareholders	-	-
Loan from a third party	79	-
Loan from a company in which a shareholder has substantial financial interest	1,226	1,290
	<u>1,305</u>	<u>1,290</u>

The above loans bear interest at 8% (2005:8%) per annum.

## 24. DEFERRED SALES TAX LIABILITY

This liability incurred in a foreign jurisdiction is payable after 7 years.

## 25. DEFERRED TAX LIABILITIES

	GROUP	
	2006 RM'000	2005 RM'000
Balance as at 1 January	20,398	22,014
Transfer (to)/from income statement (Note 9)	3,855	(1,616)
Balance as at 31 December	<u>24,253</u>	<u>20,398</u>
<b>Recognised in the financial statements presented after appropriate set off:</b>		
Deferred tax assets	(8,266)	(9,406)
Deferred tax liabilities	32,519	29,804
	<u>24,253</u>	<u>20,398</u>
<b>Deferred tax liabilities</b>		
Property, plant and equipment		
-temporary differences	20,502	17,787
-revaluation of plant and machinery	12,017	12,017
	<u>32,519</u>	<u>29,804</u>
<b>Deferred tax assets</b>		
Unabsorbed capital allowances	(3,905)	(2,899)
Unutilised reinvestment allowances	-	(3,192)
Unutilised tax losses	(4,361)	(3,315)
	<u>(8,266)</u>	<u>(9,406)</u>

## 26. OTHER PAYABLES

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sundry payables	10,286	13,188	-	-
Accruals	11,741	1,556	298	324
	22,027	14,744	298	324

## 27. OPERATING LEASES

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

	GROUP	
	2006 RM'000	2005 RM'000
Payable within one year	40	40
Payable two to five years	227	227
More than five years	614	654
	881	921

## 28. CAPITAL COMMITMENT

	GROUP	
	2006 RM'000	2005 RM'000
Plant and machineries Contracted but not provided for	-	2,600

## 29. CONTINGENT LIABILITIES (UNSECURED)

### GROUP

- (i) In the prior year, a statutory body filed an appeal in the Federal Court against a judgement by the Court of Appeal dismissing the claims made by the statutory body against the company. The Federal Court decided in favour of the Company and ordered the statutory body to refund the cess payment together with interest and cost thereon. Hence, an amount of RM 1.3 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 a notice of demand for payment of arrears of cess from 1989 to 1999 amounting to RM 4 million.

The directors are of the opinion following advice from the Company's solicitors based on the judgement of Federal Court that the Company is not liable to pay the cess as demanded and as such no provision has been made in the financial statements.

- (ii) A foreign subsidiary company has made an appeal with the Commissioner of Appeals against the demand notice of RM224,000 from Assistant Commissioner of Customs and Central Excise of a foreign country for short payment of Excise Duty.
- (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 claimed 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 in respect of the counter claim.

### COMPANY

As at 31 December 2006, corporate guarantees given to banks for banking facilities granted to the subsidiaries amounted to RM65,500,000 (2005: RM55,500,000).

### 30. RELATED PARTIES TRANSACTION AND BALANCES

#### (i) Transaction with Directors and key management personnel

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) Interest paid on loans				
Minsawi Industries (Kuala Kangsar) Sdn. Bhd. A company in which Tan Sri Dato' Dr. K R Somasundram is a director	80	80	-	-
Sunworth Corporation Sdn. Bhd. A company in which Mr Agarwal Pares Nath has a substantial financial interest	-	144	-	19
(b) Transportation services				
Syarikat Pooram Sdn. Bhd. A company in which Tan Sri Dato' Dr. K R Somasundram has financial interest.	123	123	-	-
(c) Rental of premises				
National Land Finance Co-operative Society Limited ('NLFCS')	108	108	-	-
(d) Interest income receivable from subsidiaries	-	-	-	5,569

#### (ii) Loan balances due to

	GROUP		COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Minsawi Industries (Kuala Kangsar) Sdn. Bhd.	1,206	1,206	-	-

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

### 30. RELATED PARTIES TRANSACTION AND BALANCES (CONT'D)

(iii) Significant related party transactions

Remuneration paid to directors of the Group and of the Company all of which have been determined on an arms' length basis, are disclosed in note 7(c).

(iv) Compensation of key management personnel

The compensation of key management personnel during the year were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Director's remuneration (Note (7(c)))	966	907	35	27

## 31. SEGMENTAL INFORMATION

	Malaysia		India		Hong Kong		Elimination		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Geographical segments by location of assets</b>										
Revenue from external customers	384,585	311,958	134,435	101,329	35,169	34,643	-	-	554,189	447,930
Revenue from transactions with other segments assets	14,702	34,895	-	-	19,855	1,418	(34,557)	(36,313)	-	-
<b>Total revenue</b>	<b>399,287</b>	<b>346,853</b>	<b>134,435</b>	<b>101,329</b>	<b>55,024</b>	<b>36,061</b>	<b>(34,557)</b>	<b>(36,313)</b>	<b>554,189</b>	<b>447,930</b>
<b>Segment results</b>										
Interest income	19,131	11,339	3,240	3,035	385	136	-	-	22,756	14,510
Financing costs									170	189
									(11,869)	(9,236)
<b>Profit before tax</b>									11,057	5,463
Taxation									(4,086)	1,337
<b>Profit for the year</b>									<b>6,971</b>	<b>6,800</b>
Segments assets	335,345	323,852	86,383	71,624	8,830	2,337	(14,110)	(104)	416,448	397,709
Segments liabilities	(170,221)	(181,852)	(60,363)	(45,027)	(8,219)	(2,437)	16,157	16,146	(222,646)	(212,671)
Unallocated liabilities	(22,195)	(19,160)	(2,382)	(3,433)	-	-	-	-	(24,577)	(22,879)
<b>Total liabilities</b>	<b>(192,416)</b>	<b>(200,799)</b>	<b>(62,745)</b>	<b>(48,460)</b>	<b>(8,219)</b>	<b>(2,437)</b>	<b>16,157</b>	<b>16,146</b>	<b>(247,223)</b>	<b>(235,550)</b>
Capital expenditure	4,146	6,573	4,282	7,116	-	-	-	-	8,428	13,689
Depreciation	6,978	5,077	810	660	-	-	-	-	7,788	5,737
Amortisation of leasehold land	156	156	-	-	-	-	-	-	156	156
Non cash expenses	137	235	1,332	574	-	-	-	-	1,469	809

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

	Malaysia	India	Asia	Europe	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from sales to external customers by location of customers							
-2006	88,312	188,399	105,974	164,849	41,212	(34,557)	554,189
-2005	101,414	140,500	84,964	118,778	38,587	(36,313)	447,930



## 32. FINANCIAL INSTRUMENTS

### GROUP/COMPANY

#### A. FAIR VALUES

##### *Recognised in financial statements.*

**(i) Receivable, cash and cash equivalents, short term borrowings and payables.**

The carrying amounts of the above financial assets and financial liabilities of the Company approximated their fair values at the balance sheet date due to the short term nature of these financial instruments.

**(ii) Related company balances.**

It is not practicable to estimate the fair value principally due to the lack of fixed repayment terms and the balances being unsecured. However, the directors are of the opinion that the carrying amounts approximate fair values.

**(iii) Term loans (Note 23(b))**

The fair values of term loans are estimated to be RM2,980,000 (2005:RM4,767,000) using the discounted cash flow analysis based on the current effective interest rates.

**(iv) Long term deposits**

Fair value is estimated to be RM577,000 (2005:RM483,000) which has been determined by using estimated discounted future cashflows. The discount rate used is the current market incremental borrowing rate of the respective subsidiary.

**(v) Finance lease creditors and other investments.**

The fair values are stated in Note 23(b) and 15 respectively.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### (vi) Contingent liabilities

It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, cost and eventual outcome.

### (vii) 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	2006		2005	
	Contracted amount RM'000	Fair value RM'000	Contracted amount RM'000	Fair value RM'000
Sales contracts	64,311	64,311	74,892	74,892
Purchase contracts	63,490	63,490	41,159	41,159

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

## B. EFFECTIVE INTEREST RATES

The following table indicates the effective interest rates prevailing as at balance sheet dates.

	GROUP		COMPANY	
	2006 %	2005 %	2006 %	2005 %
<b>Financial Assets</b>				
Fixed deposits with licensed banks	3.90	3.56	3.20	3.10
Loan to subsidiaries	-	-	9.00	7.00
<b>Financial Liabilities</b>				
Al-Murabahah revolving facility	5.86	5.70	-	-
Bank overdrafts	10.36	10.10	-	-
Bankers acceptance	5.28	5.28	-	-
Bills discounting	7.75	6.50	-	-
MUNIF loan facility	4.70	4.50	-	-
Term loans	14.00	14.00	-	-
Loan from a company in which a Shareholder has financial interest in	-	9.00	-	9.00

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### C. Credit terms

- i. The Group's normal trade credit terms given to customers range from 30 to 90 days.
- ii. Trade credit terms granted to the Group by suppliers range from 30 to 90 days.
- iii. Credit terms of sundry receivables are assessed and approved on a case by case basis.

### D. Foreign currency exchange exposure

The currency exposure profile of the Group are as follows:

Group	Trade receivables RM'000	Trade payables RM'000	Other receivables RM'000	Other payables RM'000	Cash and bank balances RM'000
<b>2006</b>					
In Ringgit Malaysia	11,707	9,158	20,708	9,630	6,840
In US Dollar	44,852	5,870	335	815	2,478
In India Rupee	6,258	15,581	5,528	11,582	5,602
	62,817	30,609	26,571	22,027	14,920
<b>2005</b>					
In Ringgit Malaysia	7,430	11,666	10,712	3,857	2,301
In US Dollar	55,475	-	3,832	65	228
In India Rupee	4,284	12,811	6,124	10,822	4,347
	67,189	24,477	20,668	14,744	6,876

## 33. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with new and revised FRS's

Group	As Previously Stated RM	FRS 117 RM	FRS 101 RM	Restated RM
<b>Non current assets</b>				
Property, plant and equipment	188,334	(7,140)	-	181,194
Prepaid land lease payments	-	7,140	-	7,140
Long term deposits	-	-	626	626
<b>Current assets</b>				
Other receivables	21,294	-	(626)	20,668

# Analysis of Shareholdings

## List of Top 30 Holders as at 30.04.2007

		Holdings	%
1	National Land Finance Co-operative Society Limited	88,844,388	26.36
2	Tan Sri Dato' Dr. K. R. Somasundram	37,140,651	11.02
3	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Antara Consolidated Sdn Bhd	22,000,000	6.53
4	Wong Ah San	21,582,300	6.40
5	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sunworth Corporation (M) Sdn Bhd	10,786,177	3.20
6	Dato' Balaram a/l Petha Naidu	8,595,307	2.55
7	Tay Teck Ho	5,140,000	1.53
8	Tan Pak Nang	3,809,700	1.13
9	Muthuvelu a/l Thangavelu	3,344,004	0.99
10	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ridfan Bin Abd Hamid	2,651,800	0.79
11	Su Ming Yaw	2,463,527	0.73
12	Teoh Hooi Bin	2,032,000	0.60
13	Ng Sin Hin	2,014,100	0.60
14	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Nik Radiah Binti Nik Hassan	1,991,800	0.59
15	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ridfan Bin Abd Hamid (CEB)	1,856,400	0.55
16	Gan Soong Tee	1,845,000	0.55
17	Bank Kerjasama Rakyat Malaysia Berhad	1,725,085	0.51
18	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leow Kay Pin	1,700,000	0.50
19	Koay Teng Choon	1,659,900	0.49
21	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Mak Ngia Ngia @ Mak Yoke Lum	1,510,600	0.45
20	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lu Thian Tack	1,225,702	0.36
22	Mak Ngia Ngia @ Mak Yoke Lum	1,485,200	0.44
23	Arumugam a/l Kalimuthu	1,000,000	0.30
24	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Chuah Ah Bee	1,000,000	0.30
25	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Datuk Ketheeswaran a/l M. Kanagaratnam	987,500	0.29
26	MIDF Sisma Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Paramjit Singh Gill	980,000	0.29
27	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Nyuk Thin	956,000	0.28
28	M.I.T Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Tiam Chi	800,000	0.24
29	S. Logesvari a/p Sathasivam	692,000	0.21
30	RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Leow Kay Pin	675,000	0.20

# Premium Nutrients Berhad

## Holders with 5% or more

		Holdings	%
1	National Land Finance Co-operative Society Limited	88,844,388	26.36
2	Tan Sri Dato' Dr K R Somasundram	37,140,651	11.02
3	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Antara Consolidated Sdn Bhd	22,000,000	6.53
4	Wong Ah San	21,582,300	6.40

## Analysis of shareholdings as at 30.04.2007 (Malaysian & Foreign - Combine)

Size of Holdings	No. of holders	%	No. of holdings	%
1-99	320	4.28	5,728	0
100-1,000	2,349	31.38	1,255,106	0.37
1,001-10,000	3,162	42.24	17,389,390	5.16
10,001-100,000	1,446	19.32	48,614,841	14.42
100,001-16,849,999	202	2.70	100,167,600	29.73
16,850,000 and above	6	0.08	169,567,339	50.32
	7,485	100.00	337,000,004	100.00

## Directors' Interests in Share as at 30.04.2007

(as shown in the Register of Directors' Shareholdings)

Name of Directors	Nationality / Races	Interest in Share		Percentage (%)	
		Direct	Deemed	Direct	Deemed
Tan Sri Dato' Dr K R Somasundram	Malaysian / Indian	37,140,651	497,608	11.02	0.15
Agarwal Pares Nath	Indian / Indian	Nil	10,786,177	Nil	3.20
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
Festus a/l A Christ Dhas	Malaysian / Indian	Nil	Nil	Nil	Nil

# List of Properties

Registered Owner/Lessee	Description and Location	Land Area/ (Built-up Area) Sq feet	Tenure/ (Age of Building)	Net Book Value As At 31 December 2006 RM'000	Year of Acquisition/ (Revaluation)	Usage
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 / (165,960)	PTD 64908, H.S. (D) 151965 (Leasehold for 60 years expiring on 15.09.2044)	4,176	1985 / (2003)	Crushing
			PTD 84772, H.S. (D) 274412 (Leasehold for 60 years expiring on 22.01.2049)	2,808	1987 / (2003)	Refinery and other process plants- DO -
			Building	10,637	1985 / (2004)	
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	1,568,151/ (68,310)	Freehold  Building	1,273  4,372	1993 / (2001)  2001	Oil mill and process plants
Arani Agro Oil Industries Limited	Survey No. 314 of Suryaraopet, Indrapalem Gram Panchayat Limits, East Godavari District, India	217,777 / (93,319)	Lease hold for 19 years expiring on 21.06.2021  Building	Nil  6,948	2002	
Kakinada Sea Port Limited, leased by Arani Agro Oil Industries Limited						
Arani Agro Oil Industries Ltd	Survey No. 49/4, 49/3, & 51/1 Ameeravalli Gram Panchayat, Kothapali Mandalam, Pithapuram, East Godavari distt. India	100,170	Freehold Land	12.00	2004	
Freehold						

# 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 Fifth Annual General Meeting of the Company to be held on 18th day, June 2007 at 9.00 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 2006 and the Directors' and Auditors' Reports thereon.		
2	Approval of the remuneration of the Directors for the year ended 31 December 2006		
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. Agarwal Pares Nath (Article 87)		
5	Mr. Festus a/l A Christ Dhas (Article 87)		
6	Election of Mr. Tharumarajah a/l Thillarajah retiring under the provisions of Article 94 of the Company's Articles of Association.		
7	Passing the following resolution pursuant to Section 129 of the Companies Act 1965:  "That Tan Sri Dato' Dr K R Somasundram who retires in accordance with Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company in accordance with Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting".		
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 \_\_\_\_\_ 2007.

\_\_\_\_\_  
Signature

## NOTES:

- 1) A member of the Company entitled to attend and vote at the abovementioned meeting is entitled to appoint one proxy but not more than two proxies, to attend and vote in his stead. Such proxy need not be a member of the Company, and where there are two proxies, the number of shares to be represented by each proxy must be stated.
- 2) The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be either given under its common seal or under the hand of an officer or attorney of the Corporation duly authorised.
- 3) The instrument appointing the proxy must be deposited 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 Secretaries,  
c/o Symphony Share Registrars Sdn Bhd  
Level 26, Menara Multi Purpose, Capital Square,  
No. 8 Jalan Munshi Abdullah,  
50100 Kuala Lumpur

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