



**PREMIUM  
GROUP**

**Premium Nutrients Berhad**

589272-D



Laporan Tahunan

**2008**

Annual Report

# Contents

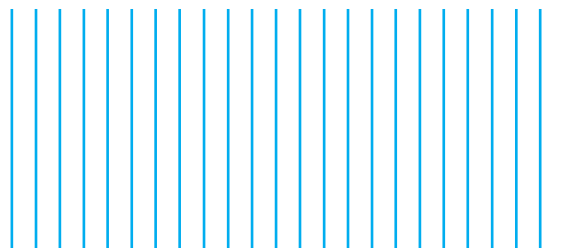
<b>2</b>	Notice of Seventh Annual General Meeting
<b>6</b>	Statement Accompanying Notice of Seventh Annual General Meeting
<b>7</b>	Corporate Information
<b>8</b>	Board of Directors
<b>10</b>	Profile of Directors
<b>12</b>	Statement of Corporate Governance
<b>18</b>	Statement on Internal Control
<b>20</b>	Report of Audit Committee
<b>24</b>	Premium Group Structure
<b>25</b>	Chairman's Statement
<b>31</b>	Financial Statements
<b>32</b>	Directors' Report
<b>36</b>	Statement of Directors
<b>37</b>	Statutory Declaration
<b>38</b>	Report of the Auditors
<b>40</b>	Income Statements
<b>41</b>	Balance Sheets
<b>42</b>	Statements of Changes in Equity
<b>43</b>	Cash Flow Statements
<b>45</b>	Notes to the Financial Statements
<b>85</b>	Analysis of Shareholdings
<b>87</b>	List of Properties
	Form of Proxy

# NOTICE OF SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the SEVENTH ANNUAL GENERAL MEETING OF PREMIUM NUTRIENTS BERHAD will be held at Auditorium Tan Sri K R Soma, Wisma Tun Sambanthan, No. 2 Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Monday, 15 June 2009 at 9.00 a.m. to transact the following business:

## **AS ORDINARY BUSINESS:**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of Directors and Auditors thereon. **Resolution 1**
2. To approve payment of the Directors' fees for the year ended 31 December 2008. **Resolution 2**
3. To re-elect the following Directors retiring in accordance with Article 87 of the Company's Articles of Association, and being eligible offer themselves for re-election:-
  - (a) Datuk Sahadivanaidu a/l Baliah **Resolution 3**
  - (b) Mr. Abdul Aziz Bin Mohamed Hussain **Resolution 4**
  - (c) Mr. Festus a/l A Christ Dhas **Resolution 5**
4. To consider and if thought fit, to pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-
  - (a) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Dato' Dr. K R Somasundram be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**
  - (b) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr. Subramaniam a/l Seenivasagam be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**
5. To re-appoint Messrs Raki Thomas & Ramanan (Firm No. AF 0363) as Auditors of the Company and to authorize the Directors to fix their remuneration. **Resolution 8**





**AS SPECIAL BUSINESS:**

**6. Ordinary Resolution**

**Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965** **Resolution 9**

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant government/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."


**7. Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions** **Resolution 10**

"THAT, all the recurrent related party transactions of a revenue or trading nature as set out in Section 2.1.2 of Part A of the Circular to Shareholders dated 23 May 2009 (Circular) which were entered into by its subsidiary company which involved the interests of Directors, major shareholders of the Company and/or its subsidiary companies from 25 October 2005 until the date of this Annual General Meeting (AGM), which were necessary for the Group's day-to-day operations and were carried out in the ordinary course of business, on terms not more favourable than those generally available to the public and are not detrimental to the minority Shareholders of the Company, be and hereby approved, confirmed and ratified.

AND THAT, subject always to the Companies Act, 1965 (Act), the Articles of Association of the Company, other applicable laws, guidelines, rules and regulations, and the approvals of the relevant governmental / regulatory authorities, approval be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions involving the interests of the related parties as specified in Section 2.1.3 of Part A of the Circular, provided that such arrangements and/or transactions are:-

- i. recurrent transactions of a revenue or trading nature;
- ii. necessary for the day-to-day operations;
- iii. carried out in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
- iv. not detrimental to the minority Shareholders of the Company  
(the Mandate)





AND THAT, the Mandate shall continue to be in force until:-

- i. the conclusion of the next AGM of the Company following this AGM, at which time the Mandate will lapse unless by an ordinary resolution passed at that meeting, the Mandate is renewed; or
- ii. the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act, (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- iii. the Mandate is revoked or varied by ordinary resolution passed by Shareholders of the Company in general meeting,

whichever is the earlier;

AND THAT, the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate.”

8. To transact any other ordinary business of the Company.

By Order of the Board

**JEYA KUMAR JEGATHISON**

**SHIKHA DUTT**

Secretaries

Kuala Lumpur

23 May 2009



## Explanatory Notes to Special Business:

### 1. **Authority Pursuant to Section 132D of the Companies Act, 1965**

The proposed adoption of the Ordinary Resolution is primarily to give flexibility to the Board of Directors to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting. This authority unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting.

### 2. **Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions**

- i. will ratify the recurrent related party transactions entered into by the Company and/or its subsidiary companies from 25 October 2005 until the date of this Annual General Meeting; and
- ii. will enable the Company and/or its subsidiary companies to enter into recurrent transactions involving the interests of the Related Parties, which are of a revenue or trading nature and necessary for the Group's day to day operations, subject to the transactions being carried out in the ordinary course of business on terms not more favourable than those generally available to the public and not detrimental to the minority shareholders of the Company.

Further information on the Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions is set out in the Circular to Shareholders dated 23 May 2009, dispatched together with the Company's 2008 Annual Report.

## 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 authorized 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 authorized.
- 3) The instrument appointing the proxy must be deposited at the Share Registrar of the Company at 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 adjournment thereof.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### CHAIRMAN

**Tan Sri Dato' Dr. K R Somasundram**  
Non-Independent Non-Executive Director

### DIRECTORS

**Mr. Tharumarajah a/l Thillarajah**  
CEO/ Group Managing Director

**Datuk Sahadivanaidu a/l Baliah**  
Non-Independent Non-Executive Director

**Tuan Syed Mubarak bin Syed Ahmad**  
Independent Non-Executive Director

**Mr. Subramaniam a/l Seenivasagam**  
Non-Independent Non-Executive Director

**Dato' Faruk bin Othman**  
Independent Non-Executive Director

**Mr. Abdul Aziz bin Mohamed Hussain**  
Independent Non-Executive Director

**Mr. Festus a/l A Christ Dhas**  
Non-Independent Non-Executive Director

### GROUP COMPANY SECRETARIES

**Mr. Jeya Kumar Jegathison**  
**Ms. Shikha Dutt**

### REGISTERED OFFICE

Level 27 Wisma Tun Sambanthan  
No. 2 Jalan Sultan Sulaiman  
50000 Kuala Lumpur  
Tel: 03 2273 5033  
Fax: 03 2273 4340

### REGISTRAR

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

## STOCK EXCHANGE LISTINGS

Second Board - Bursa Malaysia Berhad

### BANKERS

Ambank (M) Berhad  
CIMB 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  
Punjab National Bank  
Indian Overseas Bank  
Export-Import Bank of India  
Syndicate Bank  
Andhra Bank  
Bank of Maharashtra

### SOLICITORS

**Sreenevasan Young**  
Level 1C, Block B  
Kompleks Pejabat Damansara  
Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur  
Tel: 03 2095 6655  
Fax: 03 2095 9955

### Lee Perara & Tan

No.55 Jalan Thambapillai  
Off Jalan Tun Sambanthan  
Brickfields  
50470 Kuala Lumpur  
Tel No: 03 2273 4307  
Fax No: 03 2273 5220

### AUDITORS

**Raki Thomas & Ramanan**  
Chartered Accountants  
10-4, 10th Floor, Wisma Bandar  
18, Jalan Tuanku Abdul Rahman  
51200 Kuala Lumpur.  
Tel: 03 2698 1090  
Fax: 03 2694 4090

BOARD OF  
**DIRECTORS**



**Tan Sri Dato' Dr. K R Somasundram**  
Chairman, Non-Independent Non-Executive Director



**Mr. Tharumarajah  
a/l Thillarajah**  
CEO/Group Managing Director



**Datuk Sahadivanaidu  
a/l Baliah**  
Non-Independent Non-Executive  
Director



**Tuan Syed Mubarak Bin Syed Ahmad**  
Independent Non-Executive Director



**Mr. Subramaniam a/l Seenivasagam**  
Non-Independent Non-Executive Director



**Dato' Faruk Bin Othman**  
Independent Non-Executive Director



**Mr. Abdul Aziz Bin Mohamed Hussain**  
Independent Non-Executive Director



**Mr. Festus a/l A Christ Dhas**  
Non-Independent Non-Executive Director

# PROFILE OF DIRECTORS

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

Tan Sri Dato' Dr. K R Somasundram, a Malaysian, aged 79 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 since 1992. In 1960, he joined National Land Finance Co-operative Society Limited ("NLFCS") as Plantation Manager, which is involved in plantation, real estate and manufacturing. He was promoted to the position of General Manager of NLFCS in 1974 and 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 the Chairman of Remuneration and Nomination Committee.

## **MR. THARUMARAJAH A/L THILLARAJAH**

Mr. Tharumarajah a/l Thillarajah, a Malaysian, aged 63, was appointed to the Board and assumed the position of Managing Director with effect from 2 May 2007. He is currently the Chief Executive Officer/Group Managing Director. He did the external Council of Engineering Institute (UK), professional course in Mechanical Engineering at University of Technology, Malaysia. He has attended the Management and Senior Management programme organised and conducted by Ashridge Management College (UK) and Harvard Business School. He commenced his working career with Sime Darby Plantations in 1971 as a 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 edible oils and fats business with direct involvement in international marketing.

He is a member of Remuneration Committee and Nomination Committee.

## **DATUK SAHADIVANAIDU A/L BALIAH**

Datuk Sahadivanaidu a/l Baliah, a Malaysian, aged 57, 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 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 a Member of Nomination Committee.

## **TUAN SYED MUBARAK BIN SYED AHMAD**

Tuan Syed Mubarak bin Syed Ahmad, a Malaysian, aged 66, 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.

Tuan Syed Mubarak is a member of the Association of Chartered Certified Accountants (UK), Malaysian Institute of Accountants, (MIA) Institute of Chartered Secretaries & Administrators (ICSA,UK) and the Malaysian Institute of Taxation.

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

He is the Chairman of Audit Committee.



### **MR. SUBRAMANIAM A/L SEENIVASAGAM**

Mr. Subramaniam A/L Seenivasagam, a Malaysian, aged 73, 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 a member of Remuneration Committee.

### **DATO' FARUK BIN OTHMAN**

Dato' Faruk Bin Othman, a Malaysian, aged 61, 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.

He is a member of Audit Committee.

### **MR. ABDUL AZIZ BIN MOHAMED HUSSAIN**

Mr. Abdul Aziz bin Mohamed Hussain, a Singaporean, aged 58, was appointed to the Board on 9th April 2003. He was appointed to the Board of Premium Vegetable Oils Sdn.Bhd. on the 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 and was the Managing Director of Pica (M) Corporation Berhad ("PMCB") from October 1992 until 4th June 1999.

He is member of the Audit Committee and Remuneration Committee.

### **MR. FESTUS A/L A CHRIST DHAS**

Mr. Festus A/L A Christ Dhas, a Malaysian, aged 58, 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 Accountants (UK) and also a member of the Malaysian Institute of Accountants (MIA). He has over 36 years of working experience of which 30 years have been with Tenaga Nasional Berhad (TNB). He held various Senior Management positions in TNB, and held key positions in a few Private Limited Companies. Currently he is a Finance Consultant of Emrail Sdn.Bhd, a company principally involved in railway related engineering works and constructions.

He is a member of Audit Committee.

# STATEMENT ON CORPORATE GOVERNANCE

The Board recognises the paramount importance of good corporate governance to the success of the Group. It strives to ensure that a high standard of corporate governance is being practised throughout the Group in ensuring continuous and sustainable growth for the interests of all its stakeholders.

This statement explains how the Company has applied the key principles and the extent of its compliance with the best practises set out in Malaysian Code on Corporate Governance which was revised in 2007 ("the Code").

## A. THE BOARD OF DIRECTORS

### 1. Principal Responsibilities of the Board

The Board's role is to control and provide stewardship of the Group's business and affairs on behalf of shareholders. By pursuing its objectives of creating shareholders' value the Board takes the interest of all stakeholders in its decision making.

The Board's responsibilities include providing strategic direction and approving corporate ambitions and targets, monitoring and reviewing corporate performance, ensuring adequate systems for good internal control and risk management are in place, and overseeing the development of company's future leaders and human capital.

### 2. Board Composition and Balance

The Board of Premium Nutrients Berhad (PNB) currently has eight (8) Directors comprising the Chairman, (Non-Independent Non-Executive), one (1) Executive director, six (6) Non-Executive directors of which three (3) are Independent Directors. The Independent Directors meet the definition set out in the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities" or "Bursa Malaysia").

There were changes to the composition of the Board during the year following the resignation of Mr. Ab Rahim Bin Mohd Zain. His position has not been replaced as The Board is satisfied that the current composition of directors provides the appropriate balance and size in the Board necessary to promote all shareholder interests and to govern the Group effectively. It also fairly represents the ownership structure of the Company with appropriate representations of minority interests through the Independent Directors.

#### **Division of roles and responsibilities between the Chairman and CEO/Group Managing Director**

There is a clear division of responsibility between the Chairman and the CEO/Group Managing Director to ensure that there is a balance of power and authority. The Chairman leads the Board and facilitates its work. He engages directly with the CEO/Group Managing Director to understand and oversee the strategic implementation and performance delivery. He is responsible for ensuring the processes of the Board are effective in carrying out its duties and responsibilities, including the

timely provision of sufficient relevant information on financial and non-financial matters. The Chairman, in conjunction with the CEO, CFO and Company Secretary, sets agendas for the meetings of the Board that focus on strategic direction and performance of the Group.

The CEO/Group Managing Director is responsible for the day-to-day management of the Group's operations and business as well as implementation of the Board's policies and decisions.

### 3. Board Meetings

The Board has at least four (4) scheduled meetings annually, with additional meetings for particular matters convened as and when necessary.

The Board met seven (7) times during the year and a summary of the attendance of each Director at the Board Meetings held during the financial year under review are as follows:

#### Board of Directors' Meetings held in 2008

DIRECTORS	MEETINGS ATTENDED	%
Tan Sri Dato' Dr. K R Somasundram	7/7	100
Mr. Tharumarajah a/l Thillarajah	7/7	100
Datuk Sahadivanaidu a/l Baliah	7/7	100
Tuan Syed Mubarak Bin Syed Ahmad	7/7	100
Mr. Subramaniam a/l Seenivasagam	7/7	100
Dato' Faruk Bin Othman	6/7	85
Mr. Abdul Aziz Bin Mohamed Hussain	7/7	100
Mr. Festus a/l A Christ Dhas	7/7	100
Mr. Ab Rahim Zain Bin Mohd Zain (Resigned on 8 September 2008)	5/5	100

#### Supply of and Access to Information

All Board members are supplied with information in a timely manner. Board reports are circulated prior to the Board meetings to enable the Directors to obtain further information and explanation, where necessary, before the meetings.

The Board has the services of two (2) Company Secretaries who are responsible to the Board for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with. These include obligations on Directors relating to disclosure of interests and disclosure of any conflict of interests in transactions with the Group. The Company Secretaries are also charged with highlighting all issues which they feel ought to be brought to the Board's attention. Besides Company Secretaries, independent directors also have unfettered access to the financial and legal officers as well as the internal auditors of the Company.

In exercising their duties, Board committees are entitled to obtain professional opinions or advice from external consultants such as merchant bankers, valuers, human resource consultant, etc.

#### **Training and Development of Directors**

All the Directors have completed the Mandatory Accreditation Programme (MAP) pursuant to the Listing Requirements of Bursa Securities.

Training needs as deemed appropriate by individual Board members are provided. Board members keep abreast with general economic, industry and technical developments by their attendances at various appropriate conferences, seminars and briefings.

During the year, members of the Board have attended various training programmes.

#### **4. Appointments to the Board**

##### **Nomination Committee**

The Nomination Committee of the Company comprises of Non-Executive Directors. The Nomination Committee is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience and other qualities, including core competencies which the Directors should bring to the Board. Any new nomination received is put to the full Board for assessment and endorsement.

The members of the Nomination Committee are as follows:-

##### **Chairman**

Tan Sri Dato' Dr. K R Somasundram	(Non Independent, Non-Executive Director)
-----------------------------------	---

##### **Members**

Datuk Sahadivanaidu a/l Baliah	(Non Independent, Non-Executive Director)
--------------------------------	---

Mr. Abdul Aziz Bin Mohamed Hussain	(Independent, Non-Executive Director)
------------------------------------	---------------------------------------

## 5. Re-election of Directors

The Company's Articles of Association stipulates 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.

## B. DIRECTORS REMUNERATION

### Remuneration Committee

The Remuneration Committee is principally responsible for setting the policy framework and for making recommendations to the Board on remuneration packages and benefits extended to the Executive and Non-Executive Directors.

The Remuneration Committee has met four (4) times during the financial year ended 31 December 2008.

The members of the Remuneration Committee are as follows:-

<b>Chairman</b>		
Tan Sri Dato' Dr. K R Somasundram	(Non Independent, Non-Executive Director)	
<b>Members</b>		
Mr. Tharumarajah a/l Thillarajah	(CEO/ Group Managing Director)	
Mr. Subramaniam a/l Seenivasagam	(Non-Independent, Non-Executive Director)	
Mr. Abdul Aziz Bin Mohamed Hussain	(Independent, Non-Executive Director)	

The Company's Directors' aggregate remuneration from the Group categorized into appropriate components for the financial year ended 31 December 2008 are as follows:-

### Aggregate Remuneration

Remuneration	Executive Directors RM'000	Non- Executive Directors RM' 000	Total RM' 000
Fees	42	214	256
Salaries	717	-	717
EPF	79	-	79
Bonus	36	-	36
Benefit-in-kind	26	-	26
Total	900	214	1,114



### Analysis of Remuneration

Total Remuneration	Number of Executive Directors	Number of Directors Non-Executive	Total
RM0 to RM50,000	-	9	9
RM50,001 to RM1,000,000	3	-	3
Total	3	9	12

There are three (3) Executive Directors and nine (9) Non-Executive Directors in the Group, whose remuneration details have been disclosed as above.

### C. SHAREHOLDERS

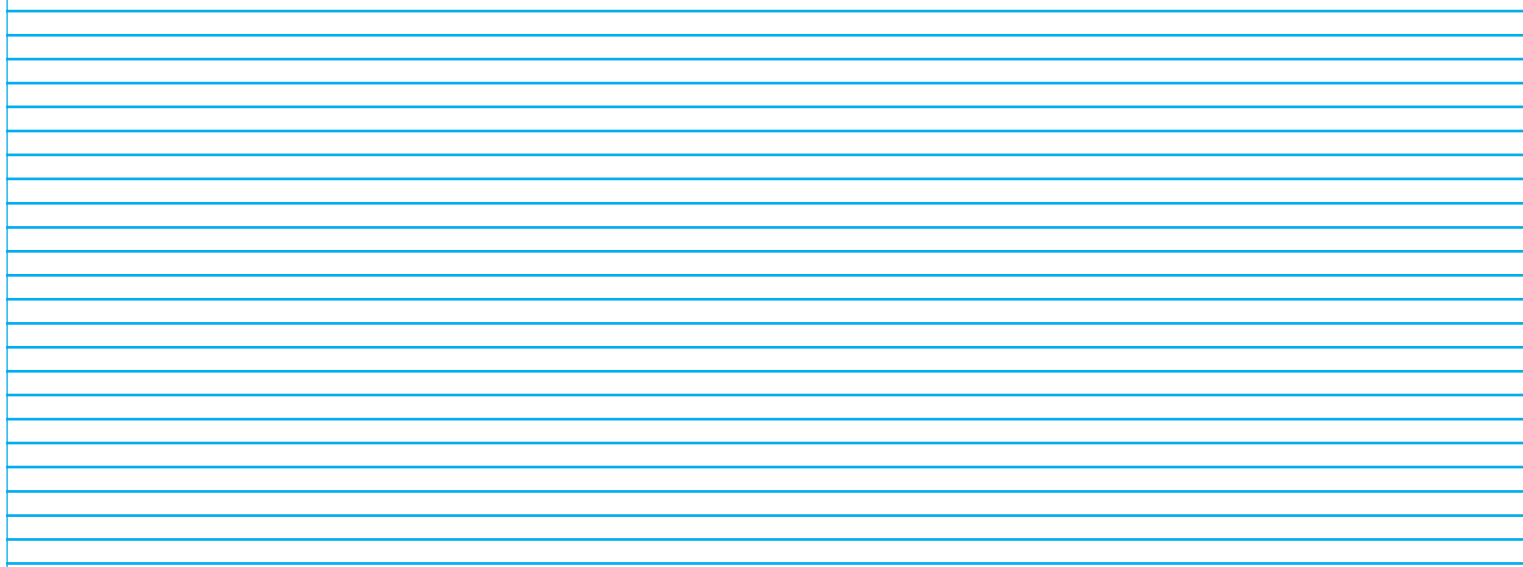
#### Dialogue between Company and Investors

Premium Nutrients Berhad maintains a regular policy of disseminating information that is material for shareholders' information via announcements made through the Bursa Securities website. In compliance with the Listing Requirements, the Company also releases timely financial information on a quarterly basis, which includes an overview of the performance of Premium Group.

Bursa Malaysia communicates regularly with shareholders and investors through the annual report, quarterly financial reports and various announcements made via Bursa LINK.

#### Annual General Meeting

The Company uses the annual general meeting as a principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the questions and answers session. Members of the Board as well as the external auditors of the Company are present to answer queries raised at the meeting.





## **D. ACCOUNTABILITY AND AUDIT**

### **1. Financial Reporting**

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, its position and its future prospects, through the issuance of Annual Audited Financial Statements and quarterly financial reports and corporate announcements on significant developments affecting the Company in accordance with the applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

In this respect, the financial statements are reviewed by Audit Committee at its meetings, in the presence of External Auditors and Internal Auditors, before being presented to the Board for approval.

### **2. Internal Control**

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments. Details of the Company's internal control system and the framework are set out in the Statement of Internal Control Statement on pages 18 to 19.

### **3. Relationship with Auditors**

Premium Nutrint Berhad's relationship with its External Auditors is primarily maintained through the Audit Committee. The Audit Committee has explicit authority to communicate directly with External and Internal Auditors.

The functions of the Audit Committee and its relationship with the Auditors are set out on pages 20 to 23 of this Annual Report.

## **E. CORPORATE SOCIAL RESPONSIBILITY**

We recognise that we have a responsibility to our employees, our business partners, our stakeholders and the communities in which we do business, as well as to the environment we operate in. As such, we have implemented various initiatives to ensure responsible practices are carried out in all areas of the businesses. The Group had conducted in-house seminar for Directors and employees to improve their knowledge and understanding on the corporate social responsibilities.

# STATEMENT OF INTERNAL CONTROL

The Statement of Internal Control is made in accordance with Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia, which requires Malaysian public listed companies to make a statement about their internal control, as a Group, in their annual report and this is in line with the Malaysian Code on Corporate Governance that requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets.

## BOARD RESPONSIBILITY

The Board of Directors ("the Board") of Premium Nutrients Berhad ("PNB") is committed to maintain a sound system of internal control for Premium Group ("the Group") and is responsible for reviewing its adequacy and integrity so as to safeguard shareholders' investments and the assets of the Group.

The Board and Management have implemented a control system designed to identify and manage risks faced by the Group in pursuit of its business objectives including updating the system in line with changes to business environment, operating conditions and regulatory requirements. As any system of internal control has inherent limitations, such systems are designed to manage rather than eliminate the risk that may restrict or prevent the achievement of the Group's business objectives. This internal control system, by its nature, can only provide reasonable and not absolute assurance against material misstatements, losses or fraud.

The process is regularly reviewed by the Board and accords with the guidelines for Directors on internal control, the Statement of Internal Control: Guidance for Directors of Public listed Companies.

## RISK MANAGEMENT

The Board of Directors view a strong risk management and stringent internal controls as critical elements in the business and operations of the Group. The Board acknowledges that all areas of the group's business activities involve some degree of risk and is committed to ensure that there is effective risk management to manage risks within defined parameters and standard.

Management is responsible for the identification and evaluation of significant risks faced by the Group. They also have the responsibility for managing risks and internal control associated with the operations and ensuring compliance with applicable laws and regulations.

## INTERNAL CONTROL SYSTEM

The key processes of the Group's internal control system include the following:

- i. Organisational structure with clearly defined roles and responsibilities, lines of accountability and delegated authority to facilitate the Group's daily operations consistently in line with corporate objectives, strategies, budget, policies and business directions as approved by the Board;
- ii. Regular and comprehensive information provided to Management, covering operating and financial performance, key business indicators, resource utilization, cash flow performance, project achievement, human resource and information technology;
- iii. A budget process where budgets for the coming year are approved by the Board;
- iv. Regular visits to operating units by the members of the Board and Senior Management;



- v. Policy guidelines and authority limits imposed on Executive Directors and Management within the Group in respect of the day to day banking and financing operations, investments, acquisitions and disposal of assets;
- vi. Code of Business Conduct governing the performance of work and business practices of the group;
- vii. Guidelines within the Group for recruitment of staff, training, performance appraisals and other relevant procedures
- viii. The Group's risk management framework provides ongoing process of identifying, assessing and managing key business, operational and financial risks faced by its business units concerned as well as regularly reviewing planned strategies to determine whether risks are mitigated and well managed.
- ix. An independent internal audit function that provides assurance to the Audit committee on the adequacy and integrity of the Group's internal controls through the execution of internal audit review based on an approved risk-based internal audit plan findings of which together with Management's responses are presented to the Audit Committee;

The duties and responsibilities of the Audit Committee are detailed in the Terms of Reference of the Audit Committee.

#### **CONCLUSION**

The Board is pleased to report that there were no significant internal control deficiencies or weaknesses that resulted in material losses or contingencies to the Group for the financial year under review.

The Board has an ongoing commitment to ensure continuous improvement in the effectiveness and integrity of the Group's system of internal control.

# REPORT OF AUDIT COMMITTEE

## A. CONSTITUTION

The Audit Committee of Premium Nutrients Berhad was established on 9 April 2003. The terms of reference of the Audit Committee are set out in pages 21 to 23 of the Annual Report.

## B. COMPOSITION

The Audit Committee comprises four (4) members of the Board who are all Non-Executive Directors.

## C. MEMBERSHIP

Members of the Board who serve on the Audit Committee are as follows:

No	Audit Committee Members	Designation
1.	Tuan Syed Mubarak Bin Syed Ahmad, Chairman	Independent Non-Executive
2.	Dato' Faruk Bin Othman	Independent Non-Executive
3.	Mr. Abdul Aziz bin Mohamed Hussain	Independent Non-Executive
4.	Mr. Festus a/I A Christ Dhas	Non-Independent Non-Executive

## D. MEETINGS

During the financial year ended 31 December 2008, the Audit Committee held six meetings which were well attended.


No	Audit Committee Members	Designation	No.of Audit Committee Meetings Attended
1.	Tuan Syed Mubarak bin Syed Ahmad, - Chairman	Independent Non-Executive	6/6
2.	Dato' Faruk bin Othman	Independent Non-Executive	4/6
3.	Mr. Abdul Aziz bin Mohamed Hussain	Independent Non-Executive	6/6
4.	Mr. Festus a/I A Christ Dhas	Non-Independent Non-Executive	6/6

## E. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the Audit Committee conducted its activities in line with its terms of reference which included the following:

### 1. Financial Results

- Reviewed the unaudited quarterly financial results and announcements before recommending to the Board for consideration and approval and the release of the Group's results to Bursa Malaysia.
- Reviewed the Annual Audited Financial Statements before recommending to the Board for consideration and approval. The review was to ensure that the financial reporting and disclosures were in compliance with:-

- 
- Listing Requirements of Bursa Malaysia;
  - Provisions of the Companies Act, 1965 and other legal and regulatory requirements;
  - and
  - Financial Reporting Standards, Malaysia.

## **2. External Audit**

- (a) Reviewed the external auditor's scope of work and audit plan for the year;
- (b) Reviewed the results of the audit of the year end financial statements and the resolution of issues highlighted in their report to the Audit Committee;
- (c) Reviewed the independence of the external auditors during the year;
- (d) Reviewed and recommended external auditors' remuneration to the Board;
- (e) Reviewed with the external auditors the impact of new or proposed changes in the accounting standards and regulatory requirements and the extent of compliance;
- (f) Held a minimum of two meetings with the external auditors without the presence of the executive directors and employees of Premium Nutrients Berhad.

## **3. Internal Audit**

- (a) Reviewed and approved the internal audit plan for the year prepared by the Internal Auditor to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key risks areas;
- (b) Reviewed the performance, adequacy resources and competency of the Internal Auditor;
- (c) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve the system of internal control and procedures.

## **VI. Related Party Transactions**

Discussed and reviewed Related Party Transactions for compliance with Listing Requirements.

## **F. TERMS OF REFERENCE**

### **1. Objectives of the Audit Committee**

1.1 The Audit Committee shall assist the Board:

- 1.1.1 In complying with specified accounting standards and the necessary disclosure as required by Bursa Malaysia, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- 1.1.2 In presenting a balanced and understandable assessment of the Company's positions and prospects;
- 1.1.3 In establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors; and
- 1.1.4 In maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.



## **2. Composition of the Audit Committee**

- 2.1 The Audit Committee is to be appointed by the Board from among their numbers, which shall comprise of the following:
  - 2.1.1 A minimum of three (3) members;
  - 2.1.2 All the members must be Non-Executive Directors with a majority of the members being Independent Directors;
  - 2.1.3 At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants ("MIA") or a person who fulfils the requirements as stated in para 15.10(1)(c)(ii) of the Bursa Malaysia Listing Requirements;
  - 2.1.4 The members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director;
  - 2.1.5 All members of the Audit Committee shall hold office only for as long as they serve as Directors of the Company;
  - 2.1.6 In the event any vacancy resulting in non-compliance of the minimum of three (3) members, the Board shall upon the recommendation of the Directors' Nomination Committee, appoint such number of Directors within three (3) months of the event to fill such vacancies;
  - 2.1.7 Members of the Audit Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company; and
  - 2.1.8 The Secretary of the Committee shall be any one of the Company Secretaries.

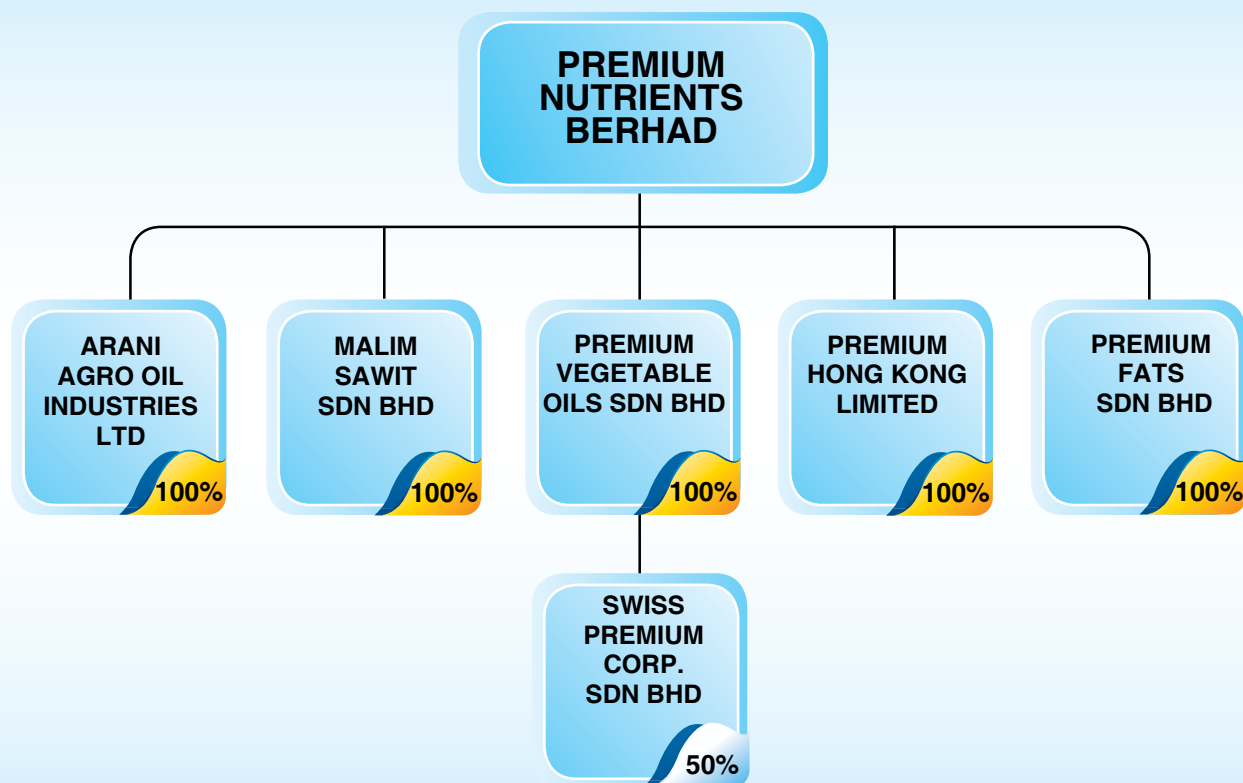
## **3. Duties and Responsibilities of the Committee**

- 3.1 The following are the main duties and responsibilities of the Audit Committee collectively, which are not exhaustive and can be augmented if necessary with the Board's approval:
  - 3.1.1 Nominates and recommends the external auditor for appointment, to consider the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditor;
  - 3.1.2 Reviews with the external auditor the nature and scope of the audit before the audit commences and reports the same to the Board;
  - 3.1.3 Reviews with the external auditor his audit report and reports the same to the Board;
  - 3.1.4 Reviews with external auditor his evaluation of the system of internal controls and reports the same to the Board;
  - 3.1.5 Reviews the assistance given by the employees of Premium Nutrients Berhad to the external auditor and reports the same to the Board;
  - 3.1.6 To do the following with regard to the internal audit function:
    - (a) Reviews and reports the same to the Board on the adequacy of the scope, authority, functions, resources and competency of the internal audit function;
    - (b) Reviews and reports the same to the Board on the internal audit programme, processes, the results of the internal audit programme and investigation undertaken;



- (c) Where necessary, ensures that appropriate action is taken on the recommendations of the internal audit function;
  - (d) Reviews any appraisal or assessment of the performance of members of the internal audit function;
  - (e) Approves any appointment or termination of senior staff members of the internal audit function;
  - (f) Considers the resignations of internal audit staff members and provides the resigning staff member an opportunity to submit his reasons for resigning; and
  - (g) Ensures the independence of the internal audit function and that the internal audit function reports directly to the Audit Committee.
- 3.1.7 Prior to the approval of the Board, reviews the quarterly and year-end financial statements and reports the same to the Board, focusing particularly on:
- (a) Any changes in accounting policies and practices;
  - (b) Significant adjustments arising from the audit;
  - (c) The going concern assumptions; and
  - (d) Compliance with accounting standards and other statutory requirements.
- 3.1.8 Reviews any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity and reports the same to the Board;
- 3.1.9 Reviews any letter of resignation from the external auditor and reports the same to the board;
- 3.1.10 Reviews whether there is any reason, supported by grounds, to believe that the external auditor is not suitable for reappointment and reports the same to the Board;
- 3.1.11 Discusses problems and reservations, if any, arising from the interim and final audits and any matter which the external auditor wishes to discuss in the absence of management, where necessary;
- 3.1.12 Discusses and reviews the external auditor's management letter and management's response;
- 3.1.13 Discusses and reviews the major findings of internal audit investigations and management's response;
- 3.1.14 Reviews with the external auditor the statement made by the Board with regard to the state of internal control of the Group and reports the results thereof to the Board;
- 3.1.15 Performs any other work that is required or empowered to do by statutory legislation or guidelines as prepared by the relevant Government authorities;
- 3.1.16 Reports to the Board if there is any breach of the Listing Requirements and recommends corrective measures;
- 3.1.17 Promptly reports to Bursa Malaysia where a matter reported by the committee to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Listing Requirement; and
- 3.1.18 Considers other issues as defined by the Board.

# PREMIUM GROUP STRUCTURE



## PRINCIPAL ACTIVITIES OF ALL THE GROUP COMPANIES

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

Refining and processing of vegetable oils for manufacture and sale of speciality fats.

### Malim Sawit Sdn Bhd (MSSB)

Processing of oil palm fruits, refining of palm oil and sale of refined palm oil products.

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

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.

### Premium Hong Kong Limited (PHK)

Trading of speciality fats on kernel oil, palm oil, coconut oil, rapeseed oil and soya bean oil including those refined and fractionated interesterified products.

### Premium Fats Sdn Bhd (PFSB)

Manufacturer of downstream products from palm oil.

### Swiss Premium Corporation Sdn Bhd (SPCSB)

General traders and provisions of management services to its related company. The Company had ceased business operations since 1<sup>st</sup> July 2002.

# CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

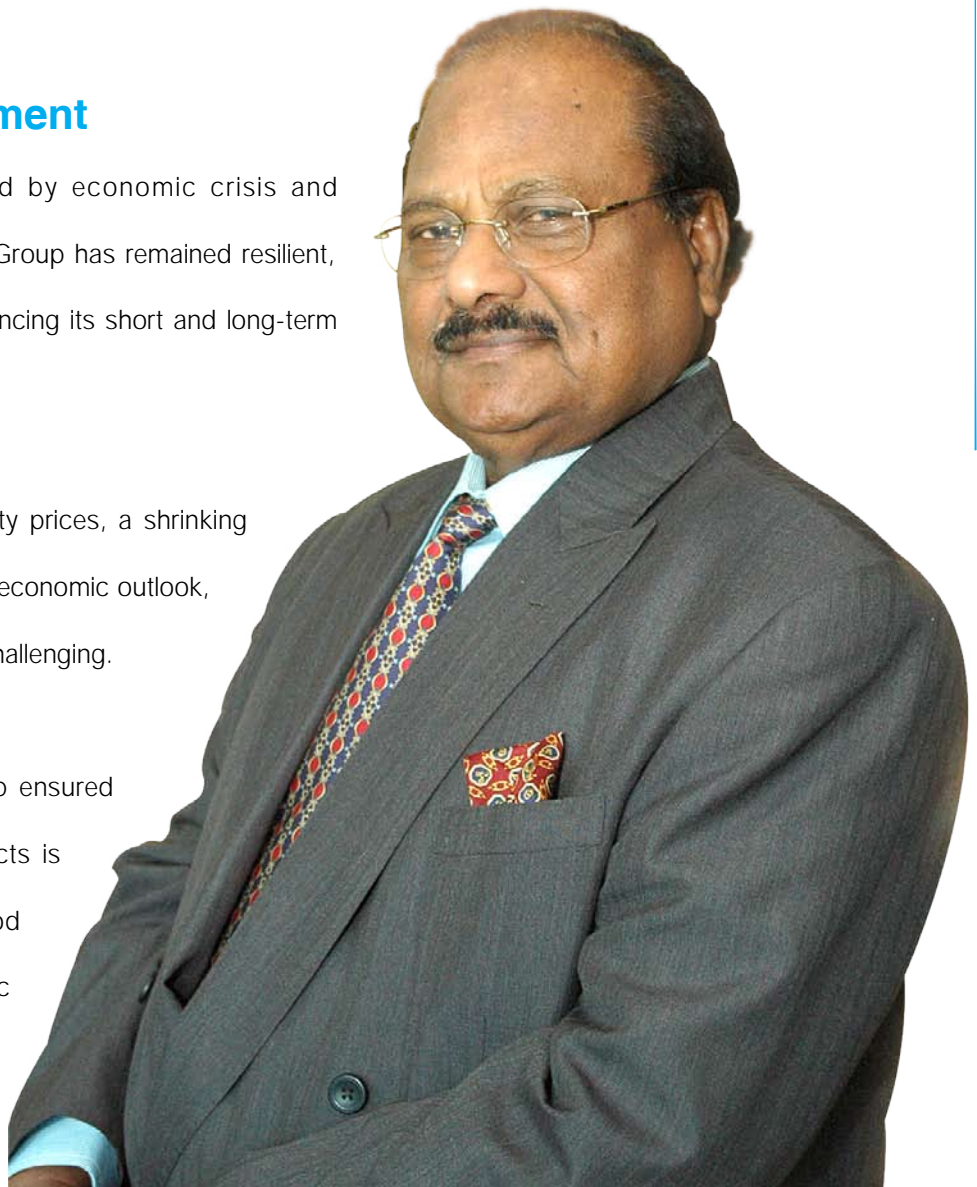
**O**N BEHALF OF THE BOARD OF DIRECTORS, IT IS MY PLEASURE TO PRESENT THE ANNUAL REPORT OF PREMIUM NUTRIENTS BERHAD FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008.

## Operating Environment

In a global climate permeated by economic crisis and environmental uncertainties, the Group has remained resilient, competitive and focused on balancing its short and long-term objectives.

Faced with volatility in commodity prices, a shrinking liquidity market and an uncertain economic outlook, the year under review was truly challenging.

The strategic plans of the group ensured that the demand for our products is sustainable over a longer period and under severe economic conditions.





## Financial Performance and Operational Review

The current financial year proved to be a better year for the Group. I am pleased to announce that revenue for the year demonstrates a healthy growth of 14% and a modest growth in profit after tax of 3%.

The increase in revenue is attributable to penetration into new markets as well as increase in prices of raw materials. The increase in profit attributable to equity shareholders remains consistent against the previous year. This was due to the appreciating ringgit against the Indian rupee.



## Outlook and Prospects

Malaysia's stimulus plans in place are sufficient and if implemented aggressively and efficiently, should help the economy resume growth in the second half of this year after a marked contraction in the first three months.

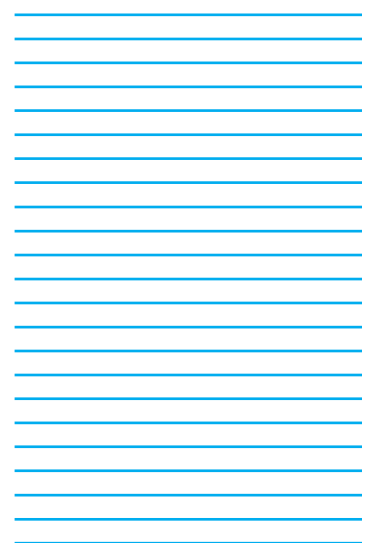
We remain vigilant and continue to take a highly proactive approach in managing the group. We are confident that with the commitment of our management, strict





internal controls, risk management initiatives and good business management in place, we should be able to ensure steady and sustainable growth.

The Group will not be adversely affected by the current economic slowdown as it has a strong presence in major markets, penetration into new markets and introduction of new products.





The speciality fats and oils products is an ever- growing industry with an increasing market from population growth, changing eating habits and health awareness.

Increase in per capita consumption of oils and fats in growing markets like India, China and South America, due to change in eating

habits and movement towards more fast food, and trans free fats, the Group is confident in increasing its revenue from existing as well as new products in these markets.





## Acknowledgement

Our growth to date has been a collective effort and owes much to the skill of the management team and staff of every level who have worked hard with much integrity and professionalism. I would also like to express my appreciation to my fellow Directors of the Board for their advice and support. I also extend my deepest gratitude to our shareholders, financiers and customers for their support and loyalty

Yours sincerely

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



# Consolidated Financial Statements

## For The Year Ended 31 December 2008

### Registered office

Level 27, Wisma Tun Sambanthan  
No 2, Jalan Sultan Sulaiman  
50000 Kuala Lumpur, Malaysia

### Subsidiaries

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

### Premium Hong Kong Limited

Room 1307-8, Dominion Centre,  
43-59 Queen's Road East,  
Wanchai,  
Hong Kong

### DIRECTORS:

Tan Sri Dato' Dr. K R Somasundram  
Mr. Tharumarajah a/l Thillarajah  
Datuk Sahadivanaidu a/l Baliah  
Tuan Syed Mubarak bin Syed Ahmad  
Mr. Subramaniam a/l Seenivasagam  
Dato' Faruk bin Othman  
Mr. Abdul Aziz bin Mohamed Hussain  
Mr. Festus a/l A Christ Dhas  
Mr. Ab. Rahim bin Mohd Zain (Resigned on 08.09.2008)

### SECRETARY:

Mr. Jeya Kumar Jegathison  
Ms. Shikha Dutt

### BANKERS:

Ambank (M) Berhad  
CIMB Bank Berhad  
RHB Bank Berhad  
Bank Muamalat Malaysia Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
Standard Chartered Bank Malaysia Berhad  
Punjab National Bank  
ING Vysya Bank Limited  
Indian Overseas Bank  
Export-Import Bank of India  
Syndicate Bank  
Andhra Bank  
Bank of Maharashtra

### AUDITORS:

Raki Thomas & Ramanan  
Chartered Accountants  
10-4, 10th Floor, Wisma Bandar,  
18, Jalan Tuanku Abdul Rahman,  
50100 Kuala Lumpur

# Directors' Report

## For The Year Ended 31 December 2008

The directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2008.

### 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 15(a) to the financial statements.

There has been no significant change in the nature of these activities during the financial year except for the discontinuance of the milling operations of a subsidiary company as disclosed in Note 11 to the financial statements.

### 2. RESULTS FOR THE FINANCIAL YEAR

	Group RM'000	Company RM'000
Profit after taxation from continuing operations	7,821	5,522
Profit after taxation from discontinued operations	92	-
Profit for the year attributable to equity holders of the Company	7,913	5,522

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

The amount of dividend paid by the Company since the end of the previous financial year was an interim dividend of 1.3% tax exempt, amounting to RM4,380,998, in respect of the financial year ended 31 December 2008.

### 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. Tharumarajah a/l Thillarajah  
Datuk Sahadivanaidu a/l Baliah  
Tuan Syed Mubarak bin Syed Ahmad  
Mr. Subramaniam a/l Seenivasagam  
Dato' Faruk bin Othman  
Mr. Abdul Aziz bin Mohamed Hussain  
Mr. Festus a/l A Christ Dhas  
Mr. Ab. Rahim bin Mohd Zain Resigned on 08.09.2008

In accordance with the Company's Articles of Association, Datuk Sahadivanaidu a/l Baliah, Mr. Abdul Aziz bin Mohamed Hussain and Mr. Festus a/l A Christ Dhas retire and being eligible, offer themselves for re-election.

Tan Sri Dato' Dr. K R Somasundram and Mr. Subramaniam a/l Seenivasagam who are above seventy years of age retire pursuant to Section 129 of the Companies Act, 1965 and the Directors recommend their re-appointment under Section 129(6) of the said Act.

## 7. DIRECTORS' INTERESTS

The interests 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			As at 31.12.2008
		As at 01.01.2008	Acquired	Disposed	
Tan Sri Dato' Dr. K R Somasundram	-Direct	43,084,313	-	-	43,084,313
	-Deemed	497,608	-	-	497,608
Datuk Sahadivanaidu a/l Baliah	-Direct	210,945	-	-	210,945
Mr. Subramaniam a/l Seenivasagam	-Direct	49,761	-	-	49,761

By virtue of their interests in the shares of the Company, Tan Sri Dato' Dr. K R Somasundram, Datuk Sahadivanaidu a/l Baliah and Mr. Subramaniam a/l Seenivasagam are deemed to have interest in the shares of the subsidiary companies to the extent the Company has an interest.

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 note 8(c) and note 30(ii) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a Company in which he has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965.

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 income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that:

- (a) proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that 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 inadequate 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 methods 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. SIGNIFICANT EVENTS**

Significant events that occurred during the year are disclosed in Notes 11 and 15(a) to the financial statements.

#### **11. AUDITORS**

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

Signed at Kuala Lumpur on behalf of the Board of Directors in accordance with their resolution dated 30 April 2009.

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

Chairman

#### **MR. THARUMARAJAH A/ L THILLARAJAH**

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 84 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to exhibit a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results and cash flows 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 2009.

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

Chairman

**Mr. THARUMARAJAH A/ L THILLARAJAH**

Director

## Declaration Pursuant To Section 169 (16) 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 84 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.

**JEYA KUMAR JEGATHISON**

Subscribed and solemnly declared

at Kuala Lumpur on 30 April 2009.

Before me,

# Raki Thomas & Ramanan

10-4, 10th Floor, Wisma Bandar, 18 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur

## Report Of The Auditors

To The Members Of Premium Nutrients Berhad (589272-D)

### Report on the Financial Statements

We have audited the financial statements of Premium Nutrients Berhad, which comprise the balance sheet as at 31 December 2008 of the Group and of the Company, and the income statement, statement of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 84.

### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

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

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


### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

### Report on Other Legal and Regulatory Requirements

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

- a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act;

- 
- b) we have considered the financial statements and the auditor's report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements;
  - c) we are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes;
  - d) the auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

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

Signed at Kuala Lumpur on 30 April 2009.

**RAKI THOMAS & RAMANAN**  
(NO. AF 0363)  
CHARTERED ACCOUNTANTS

**S.JAMBULINGAM**  
[NO. 821/05/10 (J/PH)]  
PARTNER

# Income Statements

For The Year Ended 31 December 2008

	NOTE	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Continuing operations</b>					
Revenue	6	818,685	716,092	5,486	4,381
Cost of goods sold	7	(734,255)	(630,157)	-	-
Gross profit		84,430	85,935	5,486	4,381
Other operating income		1,738	966	-	-
Distribution cost		(41,227)	(40,060)	-	-
Administration expenses		(23,917)	(25,338)	(941)	(745)
Other operating cost		(1,638)	(1,610)	(109)	(142)
Profit from operations	8	19,386	19,893	4,436	3,494
Interest income		1,728	808	7,898	9,367
Finance cost	9	(13,537)	(13,310)	(6,812)	(7,133)
Profit before taxation		7,577	7,391	5,522	5,728
Taxation	10	244	(86)	-	-
Profit after tax for the year from continuing operations		7,821	7,305	5,522	5,728
Profit/(loss) after tax for the year from discontinued operations	11	92	(74)	-	-
Profit for the year attributable to equity shareholders of the company		7,913	7,231	5,522	5,728
Earnings per share (basic) attributable to equity holders of the Company	12	2.35 sen	2.15 sen	1.63 sen	1.70 sen

The annexed notes form an integral part of these financial statements.

# Balance Sheet

## As At 31 December 2008

ASSETS	NOTE	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Non-current assets</b>					
Property, plant and equipment	13	150,873	159,617	359	217
Prepaid land lease payments	14	7,802	8,015	-	-
Investment in subsidiaries	15	-	-	187,265	187,265
Due from subsidiaries	15	-	-	45,930	52,180
Investment in associate	16	-	--	-	-
Other investments	17	2,075	2,084	2,000	2,000
Long term deposits		748	743	-	-
Intangible assets	18	28,115	28,063	-	-
Asset held for sale	11	18,000	14,522	-	-
Deferred taxation	27	687	-	-	-
		208,300	213,044	235,554	241,662
<b>Current assets</b>					
Inventories	19	111,311	123,499	-	-
Trade receivables	20	83,650	71,728	-	-
Other receivables	21	32,565	21,552	1,701	1,646
Due from subsidiaries	15	-	-	64,779	8,026
Deposits, cash and bank balances	22	56,439	24,821	1,589	1,512
		283,965	241,600	68,069	71,184
<b>Total assets</b>		<b>492,265</b>	<b>454,644</b>	<b>303,623</b>	<b>312,846</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	23	168,500	168,500	168,500	168,500
Reserves	24	6,201	2,632	(26,835)	(27,976)
<b>Total equity</b>		<b>174,701</b>	<b>171,132</b>	<b>141,665</b>	<b>140,524</b>
<b>Non-current liabilities</b>					
Borrowings	25	42,331	54,091	50,086	62,621
Deferred sales tax liability	26	2,381	2,766	-	-
Deferred taxation	27	20,345	20,741	-	-
Liabilities associated with assets classified as held for sale	11	19,178	19,075	-	-
		84,235	96,673	50,086	62,621
<b>Current liabilities</b>					
Trade payables		56,682	50,573	-	-
Other payables	28	12,831	12,026	949	966
Taxation		204	609	76	76
Due to a subsidiary	15	-	-	68,312	66,124
Borrowings	25	163,612	123,631	42,535	42,535
		233,329	186,839	111,872	109,701
<b>Total liabilities</b>		<b>317,564</b>	<b>283,512</b>	<b>161,958</b>	<b>172,322</b>
<b>Total equity and liabilities</b>		<b>492,265</b>	<b>454,644</b>	<b>303,623</b>	<b>312,846</b>

The annexed notes form an integral part of these financial statements.

# Statement Of Changes In Equity

## For The Year Ended 31 December 2008

GROUP	Note	← Attributable to Equity Holders of the Company →			Total RM'000
		Share Capital RM'000	Other Reserves RM'000	Accumulated Losses RM'000	
As at 1 January 2007		168,500	31,537	(30,812)	169,225
Exchange differences	24(a)	-	(171)	-	(171)
Deficit on revaluation, net of deferred tax	24(b)	-	(4,289)	-	(4,289)
Remeasurement of assets held for sale	24(c)	-	3,517	-	3,517
Dividends paid during the year	31	-	-	(4,381)	(4,381)
Net profit for the year		-	-	7,231	7,231
As at 31 December 2007		168,500	30,594	(27,962)	171,132
Exchange differences		-	29	-	29
Deferred tax reversed					
-understated in previous year			(362)		(362)
-change in tax rate		-	370	-	370
Dividends paid during the year	31	-	-	(4,381)	(4,381)
Profit for the year		-	-	7,913	7,913
As at 31 December 2008		168,500	30,631	(24,430)	174,701
<b>Attributable to Equity Holders of the Company</b>					
COMPANY		Share Capital RM'000	Accumulated Losses RM'000	Total RM'000	
As at 1 January 2007		168,500	(29,323)	139,177	
Dividend paid during the year	31	-	(4,381)	(4,381)	
Profit for the year		-	5,728	5,728	
As at 31 December 2007		168,500	(27,976)	140,524	
Dividend paid during the year	31	-	(4,381)	(4,381)	
Profit for the year		-	5,522	5,522	
As at 31 December 2008		168,500	(26,835)	141,665	

The annexed notes form an integral part of these financial statements.

# Cash Flow Statement

For The Year Ended 31 December 2008

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>CASH FLOWS FROM/(USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Profit before taxation from continuing operations	7,577	7,391	5,522	5,728
(Loss)/profit before taxation from discontinued operations	92	(74)	-	-
Adjustments for :				
Allowance for doubtful trade receivables	-	2,270	-	-
Amortisation of prepaid land lease payments	213	156	-	-
Property, plant and equipment written off	-	361	-	-
Doubtful debts written-off	42	-	-	-
Depreciation of property, plant and equipment	7,417	8,009	68	36
Effects of foreign exchange rate retranslation	3,401	(2,345)	-	-
Impairment loss on property, plant and equipment	-	342	-	-
Other investments written off	-	93	-	-
Interest expense	14,980	14,930	6,120	6,065
Interest income	(1,738)	(808)	(7,898)	(9,367)
Gain on disposal of property, plant and equipment	(7)	(37)	-	-
Operating profit before working capital changes	31,977	30,288	3,812	2,462
Increase in inventories	12,188	(26,953)	-	-
Increase in trade and other receivables	(22,982)	(6,157)	(55)	(329)
(Decrease)/Increase in trade and other payables	6,914	9,963	(17)	668
Cash generated from operations	28,097	7,141	3,740	2,801
Interest paid	(8,860)	(7,163)	-	-
Taxation paid	(753)	-	-	-
Net cash generated from/(used in) operating activities	18,484	(22)	3,740	2,801
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(6,291)	(5,198)	(210)	(247)
Proceeds from disposal of property, plant and equipment	14	41	-	-
Increase in investment in subsidiary companies	-	-	-	(49,076)
Purchase of trademarks and patents	(52)	(109)	-	-
Increase in fixed deposits pledged with licensed banks	(48,759)	(2,056)	(50)	(56)
Purchase of other investments	-	(2,000)	-	(2,000)
Interest received	1,738	808	42	83
Net cash used in investing activities	(53,350)	(8,514)	(218)	(51,296)

The annexed notes form an integral part of these financial statements

## Cash Flow Statement

For The Year Ended 31 December 2008 (Cont'd)

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>				
Increase in short term borrowings	40,954	8,617	-	-
Dividends paid	(4,381)	(4,381)	(4,381)	(4,381)
Due from subsidiaries	-	-	11,685	29,519
Hire purchase financing obtained	2,343	680	-	177
Repayment of lease creditors	(1,347)	(2,471)	(35)	(21)
Repayment of term loans	(13,637)	(2,402)	(12,500)	-
Primary Collateralised Loan obtained	-	20,000	-	20,000
Interest paid	(6,120)	(7,767)	(6,120)	(6,065)
Interest received	-	-	7,856	9,284
Net cash generated from/(used in) financing activities	17,812	12,276	(3,495)	48,513
Net decrease/(increase) in cash and cash equivalents	(17,054)	3,740	27	18
Cash and cash equivalents brought forward	4,019	279	49	31
Cash and cash equivalents carried forward (Note 22)	(13,035)	4,019	76	49

# Notes To The Financial Statements

## For The Year Ended 31 December 2008

### 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 Financial Reporting Standards and the provisions of the Companies Act, 1965.

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

### 2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

#### (a) Judgements

In the process of preparing these financial statements, there were no significant judgements 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 5(n). This requires management to determine the recoverable amount which is the higher of an asset or cash generating unit's (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 values of intangible assets are disclosed in note 18.

##### (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' 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.

### 3. 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 15(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 2009

### 4. 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 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 the US Dollar and the 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 buys and 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.

**5. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis Of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries which have 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.

Acquisitions of subsidiaries are accounted for using the purchase method. This method 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 acquisition, 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 5(d)(i)).

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 is 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.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (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 5(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 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 5(n)).

### (c) Property, Plant And Equipment

Freehold land and construction-in-progress are stated at revaluation less accumulated impairment losses, if any (Note 5(n)).

Building, plant and machinery are stated at revaluation less accumulated depreciation and impairment losses, if any (Note 5 (n)).

All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any (Note 5(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, office equipment and motor vehicles	20

The Group revalues its property, plant and equipment comprising land, building and plant and machinery every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. The last valuation was in the year 2007.

Surpluses arising from revaluation are credited to the revaluation reserve included within equity. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (c) Property, Plant And Equipment (Cont'd)

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 the income statement 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 5(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, comprise expenditure incurred in respect of registration and patenting of the Group's products. Patents and trademarks have indefinite useful lives as there is no foreseeable limit to the period over which they are expected to generate net cash flow to the Group. Patents and trademarks are stated at cost less accumulated impairment losses, if any (Note 5(n)). Annual renewal fees 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.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (e) Leases (Cont'd)

#### (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 5(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 Group 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 Group 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 values and proceeds received in excess of the nominal value of shares issued are accounted for as share premium. Incidental costs directly attributable to the issue of new shares and options are shown in equity as a deduction from proceeds. Ordinary shares and share premium are reclassified as equity.

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the approval of the proposed dividend, it will be accounted for as a liability.

**(ii) Investments**

Long term investments are stated at cost less accumulated impairment losses, if any (Note 5(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.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) Financial Instruments (Cont'd)

#### (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 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.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) Financial Instruments (Cont'd)

#### 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 are 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 fluctuation reserve.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (l) Foreign Currency Conversions (Cont'd)

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>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM</b>	<b>RM</b>
Foreign currency		
1 US Dollar	3.46	3.42
100 Indian Rupees	7.55	8.83

### (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. 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

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) Intangible assets (Cont'd)

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-current assets

The carrying values of non-current 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) Non-current Assets Held For Sale And Discontinued Operations

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

On initial classification as held for the sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in the income statement.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

### (p) 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.

## 6. REVENUE

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Manufacturing and sale of products from palm oil	818,685	716,092	-	-
Gross dividends	-	-	5,486	4,381
	818,685	716,092	5,486	4,381

## 7. COST OF GOODS SOLD

Costs of goods sold comprise the cost of manufacturing speciality fats and other products from palm oils.

## 8. PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>(a) Profit from continuing operations is stated after charging/(crediting):</b>				
Auditors' remuneration	144	133	11	11
Doubtful debts written-off - trade	42	-	-	-
Depreciation of property, plant and equipment	6,810	7,216	68	36
Amortisation of leasehold land	213	156	-	-
Allowance for doubtful trade receivables	-	2,270	-	-
Impairment loss on property, plant and equipment	-	342	-	-
Rental	770	1,440	-	-
Realised gain on foreign exchange	(1,520)	(664)	-	-
Gain on disposal of property, plant and equipment	(7)	(37)	-	-

## 8. PROFIT FROM OPERATIONS (Cont'd)

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>(b) Employee benefits</b>				
Salaries, allowances and bonus	11,771	10,858	146	158
Contributions to social security plans	101	92	1	1
Contributions to defined contribution plans	1,017	951	17	17
	12,889	11,901	164	176
<b>(c) Directors' remuneration</b>				
(i) Directors of the Company				
Executive Directors- salary and other emoluments	661	742	166	3
Non-Executive Directors- fees	214	405	263	278
Benefits-in-kind	26	43	-	-
	901	1,190	429	281
(ii) Directors of Subsidiaries				
Executive Directors-salary and other emoluments	213	155	-	-

## 9. FINANCE COSTS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Continuing operations</b>				
Interest expenses :				
Short-term borrowings	7,425	6,571	-	-
Loan from a company in which a Director has financial interest	-	32	-	-
Term loans	100	369	-	-
Hire purchase and leases	193	268	4	3
Primary Collateralised Loan Obligation	1,346	1,318	1,346	1,318
MUNIF loan facility	4,018	4,192	5,462	5,812
	13,082	12,750	6,812	7,133
Other finance costs	455	560	-	-
	13,537	13,310	6,812	7,133

## 10. TAXATION

Continuing operations	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tax charge for the current year				
- Overseas	353	269	-	-
Deferred taxation for the current year				
- Malaysia (Note 27)	1,341	(1,174)	-	-
- Overseas (Note 27)	803	839	-	-
Tax attributable to current year	2,497	(66)	-	-
Tax attributable in respect of prior years				
Deferred taxation				
- Malaysia (Note 27)	(2,741)	152	-	-
	(244)	86	-	-

Reconciliation of effective tax charge is as follows :

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit before taxation				
Continuing operations	7,577	7,391	5,522	5,72
Discontinued operations	92	(74)	-	-
	7,669	7,317	5,522	5,728
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	1,994	1,976	1,436	1,546
Adjusted for tax effects of :-				
Effect of different tax rate - overseas	1,790	371	-	-
Expenses not deductible for tax purposes	1,643	1,072	-	-
Double deduction of expenses	(58)	(39)	-	-
Utilisation of reinvestment allowances	(1,328)	(3,042)	-	-
Utilisation unrecognised unabsorbed capital allowance	(1,464)	-	-	-
Income not subject to tax	(80)	(436)	(1,436)	(1,546)
Tax losses of subsidiaries	-	32	-	-
Effective taxation	2,497	(66)	-	-
Effective tax rate	32.54%	0.90%	-	-

## 11. DISCONTINUED OPERATIONS AND ASSET HELD FOR SALE

On 26 October 2007, a subsidiary of the Company, Malim Sawit Sdn. Bhd., entered into a sale and purchase agreement to dispose its milling operations, comprising its property, plant and equipment. The purpose of the disposal is to discontinue with non core operations and mitigate losses. The disposal of the milling operations was due to be completed on 26 June 2008. As at 31 December 2008, the assets, reserves and liabilities related to the milling operations have been presented on the balance sheet as held for sale and results from these operation are presented separately in the income statement as discontinued operations. The disposal of the asset was concluded on 12 January 2009.

An analysis of the results, assets, reserves and liabilities of the discontinued operations and the results recognised on the remeasurement of assets of the disposed division are as follows:

	<b>GROUP</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	134,676	113,168
Expenses	(134,584)	(113,242)
	<u>92</u>	<u>(74)</u>
Taxation	-	-
Profit/(loss) for the year	<u>92</u>	<u>(74)</u>
<b>Profit/(loss) is stated after charging:</b>		
Auditors' remuneration	7	7
Depreciation	607	793
Interest expense in respect of MUNIF loan facility	1,443	1,620
	<u>1,457</u>	<u>2,420</u>
	<b>GROUP</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets held for sale</b>		
Property, plant and equipment	18,000	14,522
<b>Reserve</b>		
In respect of remeasurement of assets held for sale	4,166	3,517
<b>Liabilities associated with assets held for sale</b>		
Deferred tax liabilities	1,178	1,075
Borrowings in respect of MUNIF facility	18,000	18,000
	<u>19,178</u>	<u>19,075</u>

The cash flows attributable to the discontinued operations are as follows:

	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Operating cash flows	2,143	2,339
Investing cash flows	-	-
Financing cash flows	(1,443)	(1,620)
Total cash flows	<u>700</u>	<u>719</u>

## 12. EARNINGS PER SHARE - BASIC

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM 7,913,674 (2007: RM7,230,687) and the weighted average number of ordinary shares outstanding during the year of 337,000,004 (2007: 337,000,004).

## 13. 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 or Valuation</b>					
Cost	8,562	34,180	5,226	1,733	49,701
Valuation	16,418	102,189	-	-	118,607
As at 1 January 2008	24,980	136,369	5,226	1,733	168,308
Additions	1,433	3,927	448	483	6,291
Transfers	1,482	373	-	(1,855)	-
Disposals	-	-	(46)	-	(46)
Held for sale ^^ (Note 11)	(1,978)	(2,100)	(43)	-	(4,121)
Exchange differences	(894)	(3,567)	(14)	(181)	(4,656)
As at 31 December 2008	25,023	135,002	5,571	180	165,776
<b>Representing items at :</b>					
Cost	10,583	34,912	5,571	180	51,246
Valuation	14,440	100,090	-	-	114,530
	25,023	135,002	5,571	180	165,776
<b>Depreciation and impairment</b>					
As at 1 January 2008	1,103	3,242	4,346	-	8,691
Charge for the year	572	5,733	505	-	6,810
Disposals	-	-	(39)	-	(39)
Held for sale ^^ (Note 11)	-	-	(36)	-	(36)
Exchange differences	(93)	(419)	(11)	-	(523)
As at 31 December 2008	1,582	8,556	4,765	-	14,903

### 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	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>Net book value</b>					
Cost	9,658	30,669	806	180	41,313
Valuation	13,783	95,777	-	-	109,560
A 31 December 2008	23,441	126,446	806	180	150,873
Cost	7,801	30,938	880	1,733	41,352
Valuation	16,076	102,189	-	-	118,265
At 31 December 2007	23,877	133,127	880	1,733	159,617
Depreciation charge for the year ended 31 December 2007	650	7,176	183	-	8,009

^^ Held for sale denotes property, plant and equipment intended to be sold.

### 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

\* Land and buildings of the Group

	Land RM'000	Buildings RM'000	Total RM'000
<b>Cost or Valuation</b>			
Cost	13	8,549	8,562
Valuation	1,247	15,171	16,418
As at 1 January 2008	1,260	23,720	24,980
Additions	-	1,433	1,433
Transfers	-	1,482	1,482
Disposals	-	-	-
Reclassified as held for sale	(417)	(1,561)	(1,978)
Exchange differences	(1)	(893)	(894)
As at 31 December 2008	842	24,181	25,023
<b>Representing items at :</b>			
Cost	12	10,571	10,583
Valuation	830	13,610	14,440
	842	24,181	25,023
<b>Depreciation and impairment</b>			
As at 1 January 2008	-	1,103	1,103
Charge for the year	-	572	572
Disposals	-	-	-
Exchange differences	-	(93)	(93)
As at 31 December 2008	-	1,582	1,582
<b>Net book value</b>			
As at 31 December 2008			
Cost	12	9,646	9,658
Valuation	830	12,953	13,783
	842	22,599	23,441
As at 31 December 2007			
Cost	13	7,788	7,801
Valuation	1,247	14,829	16,076
	1,260	22,617	23,877
Depreciation charge for the year ended 31 December 2007	-	650	650

### 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	<b>Furniture, fittings and office equipment RM'000</b>
<b>COMPANY</b>	
<b>Cost</b>	
Opening balance	262
Additions	210
Disposal	-
Closing balance	472
<b>Depreciation and impairment</b>	
Opening balance	45
Charge for the year	68
Closing balance	113
<b>Net book value</b>	
At 31 December 2008	359
At 31 December 2007	217
Depreciation charge for the year ended 31 December 2007	36

#### Revaluation

The property, plant and equipment detailed below was revalued on 31 December 2007 by P.B. Nehru, a partner with City Valuers & Consultants Sdn. Bhd., an independent professional valuer. Fair value is determined by reference to open market value on the existing use basis.

Had the property, plant and equipment been carried under the cost model, the carrying amounts would have been as follows :-

	<b>2008 RM RM'000</b>	<b>2007 RM RM'000</b>
Land	424	636
Buildings	20,857	12,322
Plant and machinery	67,852	73,054

### 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

#### Revaluation (cont'd)

As at 31 December 2008, the property, plant and equipment of a foreign subsidiary is in the process of being revalued and the effects of this revaluation will be accounted for in the next financial year. Therefore the foreign subsidiary's land and construction in progress is stated at cost less accumulated impairment losses and all the other plant and equipment of this foreign subsidiary is stated at cost less accumulated depreciation and impairment losses.

#### Assets under hire purchase and leases

Included in property, plant and equipment of the Group are plant, machinery and motor vehicles acquired under hire purchase and lease agreements with net carrying value of RM 4,423,641 (2007: RM4,338,559).

#### Additions under hire purchase

During the year, the Group and Company acquired property, plant and equipment by means of hire purchase and finance lease agreements as detailed below:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Assets acquired under hire purchase	2,692	378	222	222

#### Security

All property, plant and equipment of the Group and Company have been pledged to secure banking facilities granted to the Group/Company as disclosed in note 25.

#### Borrowing costs

Included in construction-in-progress of the Group is interest expenses capitalised amounting to RM Nil (2007: RM376,000).

#### 14. PREPAID LAND LEASE PAYMENTS

	GROUP	
	2008 RM'000	2007 RM'000
At Valuation		
At 1 January	8,015	8,700
Revaluation surplus (Note 24 (b))	-	1,187
Elimination of accumulated amortisation on revaluation	-	(1,872)
At 31 December	8,015	8,015
Accumulated amortisation		
At 1 January	-	1,716
Amortisation for the year	213	156
Elimination of accumulated amortisation on revaluation	-	(1,872)
At 31 December	213	-
Net Book Value	7,802	8,015

##### Revaluation

The prepaid land lease payments were revalued on 31 December 2007 by P.B. Nehru, a partner with City Valuers & Consultants Sdn. Bhd., an independent professional valuer. Fair value is determined by reference to open market value on the existing use basis.

Had the prepaid land lease been carried under the cost model, the carrying amount of prepaid land lease would have been RM 862,978 (2007: RM886,259).

## 15. SUBSIDIARIES

### (a) Investment In Subsidiaries

	COMPANY	
	2008 RM'000	2007 RM'000
Unquoted shares, at cost		
As at 1 January	187,265	138,189
Additions during the year	-	49,076
As at 31 December	187,265	187,265

Details of the subsidiaries are as follows:

Company	Principal activities	Country of incorporation	Equity interest	
			2008 %	2007 %
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
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, Chartered Accountants.

## 15. SUBSIDIARIES (Cont'd)

### (b) Due From Subsidiaries

	COMPANY	
	2008 RM'000	2007 RM'000
Current		
Loan to subsidiaries	44,730	50,980
Advances to subsidiaries	20,049	17,046
	<u>64,779</u>	<u>68,026</u>
Non-current		
Loan to subsidiaries	45,930	52,180
	<u>110,709</u>	<u>120,206</u>

### (c) Due To A Subsidiary

Current		
Advances from a subsidiary	68,312	66,124

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.

During the financial year, one of the subsidiaries paid part of the total loan amounting to RM12.5 million.

Loan to subsidiaries is unsecured, has no fixed terms of repayment and carries interest at 8% (2007 : 9%) per annum.

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

## 16. INVESTMENT IN AN ASSOCIATE COMPANY

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted shares, at cost	50	50	50	50
Less: Share of post acquisition losses	(50)	(50)	(50)	(50)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The associate is Swiss Premium Corporation Sdn. Bhd., a company incorporated in Malaysia in which the Group holds an equity interest of 50 % (2007: 50%). The principal activity of the associate company is that of manufacturing 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.

## 17. OTHER INVESTMENTS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Foreign mutual funds, at cost (Note 17(a))	75	84	-	-
Unquoted subordinated bonds, at cost (Note 17(b))	2,000	2,000	2,000	2,000
	2,075	2,084	2,000	2,000

	2008 RM'000	2007 RM'000
<b>(a) Foreign mutual fund</b>		
As at 1 January	84	166
Exchange differences	(9)	11
Disposal during the year	-	(93)
As at 31 December	75	84

### (b) Unquoted Subordinated bonds

This Unquoted Subordinated bonds subscribed by the Company pursuant to the Primary Collateralised Loan Obligation ('Primary CLO) for Unsecured Fixed Rate Term Loan facility is detailed in Note 25(f).

Pursuant to the Primary CLO agreement, the Company subscribed for the Bonds on a pro-rata basis in proportion to the maximum aggregate principal amount limited to ten per cent (10%) of the principal amount of the loan of RM20,000,000.

The Bonds have a tenure of 5 years, bear a variable interest at 6.517% per annum and unless redeemed in full or cancelled, the Bonds will mature on or about 7 January 2012.

## 18. INTANGIBLE ASSETS

GROUP	Goodwill	Patents/ trademarks	Total
	RM'000	RM'000	RM'000
<b>Cost</b>			
As at 1 January	58,129	835	58,964
Additions during the year	-	52	52
As at 31 December	58,129	887	59,016
Accumulated impairment losses			
As at 1 January	30,901	-	30,901
Charge during the year	-	-	-
As at 31 December	30,901	-	30,901
Carrying amounts 2008	27,228	887	28,115
Carrying amounts 2007	27,228	835	28,063

## 18. INTANGIBLE ASSETS (Cont't)

The carrying amount of the goodwill arising on consolidation and patents and trademarks are stated at cost less impairment losses. 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:

- i. budgeted gross margin is expected to be maintainable;
- ii. the growth rate used is maintainable and adjusted for planned business expansion;
- iii. 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.

## 19. INVENTORIES

	GROUP	
	2008 RM'000	2007 RM'000
<b>At cost</b>		
Finished goods	28,883	28,719
Raw materials	9,358	8,542
Spares and consumables	10,824	10,015
	<u>49,065</u>	<u>47,276</u>
<b>At net realisable value</b>		
Finished goods	62,246	75,975
Spares and consumables	-	248
	<u>111,311</u>	<u>123,499</u>

## 20. TRADE RECEIVABLES

	GROUP	
	2008 RM'000	2007 RM'000
Trade receivables	87,013	77,360
Less : Allowance for doubtful debts		
Amount brought forward	5,632	3,363
Add : addition during the year	-	2,269
Less : written-off during the year	(2,269)	-
Amount carried forward	<u>3,363</u>	<u>5,632</u>
	<u>83,650</u>	<u>71,728</u>

## 21. OTHER RECEIVABLES

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Sundry receivables	31,133	17,941	953	897
Prepayments	1,432	3,611	748	749
	32,565	21,552	1,701	1,646

## 22. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and bank balances	3,942	2,505	76	49
Fixed deposits with licensed banks	52,497	22,316	1,513	1,463
Deposit, cash and bank balances	56,439	24,821	1,589	1,512
Bank overdraft (Note 25(c))	(16,977)	(17,064)	-	-
Less: Fixed deposits pledged to licensed banks	(52,497)	(3,738)	(1,513)	(1,463)
	(13,035)	4,019	76	49

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

## 23. SHARE CAPITAL

	GROUP/ 2008 RM'000	COMPANY 2007 RM'000
Authorised:		
500,000,000 Ordinary shares of RM0.50 each	250,000	250,000
Issued and fully paid:		
337,000,004 Ordinary shares of RM0.50 each	168,500	168,500

## 24. RESERVES

	Note	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Non-distributable</b>					
Foreign exchange fluctuation reserve	24(a)	494	465	-	-
Revaluation reserve	24(b)	25,971	26,612	-	-
Reserve in respect of assets held for resale	24(c)	4,166	3,517	-	-
		30,631	30,594	-	-
<b>Distributable</b>					
Accumulated losses	24(d)	(24,430)	(27,962)	(26,835)	(27,976)
		6,201	2,632	(26,835)	(27,976)

**(a) 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 of the Group's net investment in foreign operations.

	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(b) Revaluation reserve</b>		
As at 1 January	26,612	30,901
Revaluation deficit (Notes 13 and 14)	-	(3,159)
Deferred tax on revaluation (Note 27)	(37)	2,387
Remeasurement of assets held for sale (Note 24 (c))	(604)	(3,517)
As at 31 December	<u>25,971</u>	<u>26,612</u>

This reserve arises on revaluation of property, plant and equipment and prepaid lease payments, net of deferred tax.

	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(c) Reserve in respect of assets held for sale</b>		
As at 1 January	3,517	-
Reclassified from revaluation reserve (Note 24 (b))	649	3,517
As at 31 December	<u>4,166</u>	<u>3,517</u>

This reserve arises from the remeasurement of property, plant and equipment of a discontinued operation, net of deferred tax.

**(d) Accumulated losses**

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating earnings	38,471	34,939	5,165	4,024
Impairment of goodwill on consolidation	(30,901)	(30,901)	-	-
Restructuring cost	(32,000)	(32,000)	(32,000)	(32,000)
Accumulated losses	<u>(24,430)</u>	<u>(27,962)</u>	<u>(26,835)</u>	<u>(27,976)</u>

The restructuring cost relates to the restructuring and listing of Premium Nutrients Berhad in 2003.

## 25. BORROWINGS

	NOTE	GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Current</b>					
MUNIF facility	25(a)	42,500	42,500	42,500	42,500
Term loans	25(b)	165	1,302	-	-
Short term borrowings	25(c)	128,703	87,836	-	-
Hire purchase and lease payable	25(d)	1,214	958	35	35
Other loans	25(e)	30	35	-	-
		172,612	132,631	42,535	42,535
Less: Reclassified to liabilities associated with assets held for sale	11	(9,000)	(9,000)	-	-
		163,612	123,631	42,535	42,535
<b>Non current</b>					
MUNIF facility	25(a)	30,000	42,500	30,000	42,500
Hire purchase and lease	25(d)	1,331	591	86	121
Primary Collateralised Loan Obligations	25(f)	20,000	20,000	20,000	20,000
		51,331	63,091	50,086	62,621
Less: Reclassified to liabilities associated with assets held for sale	11	(9,000)	(9,000)	-	-
		42,331	54,091	50,086	62,621

## 25. BORROWINGS (Cont'd)

### (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 RM72.5 million (2007: 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.

## 25. BORROWINGS (Cont'd)

### (b) Term loan

	GROUP	
	2008	2007
	RM'000	RM'000
Payable within one year	165	1,302

This term loan obtained from a licensed bank is secured by way of a fixed charge over all the property, plant and equipment of a foreign subsidiary.

This loan is repayable in monthly installments over periods ranging from 1 to 3 years and bear interest ranging from (12.25% to 14.00% (2007 : 12.25% to 14.00%).

### (c) Short term bank borrowings

	GROUP	
	2008	2007
	RM'000	RM'000
Al-Murabahah revolving financing	19,400	20,000
Bill discounting	5,508	6,208
Bank overdrafts	16,977	17,064
Bankers' acceptance	86,818	44,564
	<u>128,703</u>	<u>87,836</u>

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 5.86 % to 10.36 % (2007: 5.86% to 10.36%).

### (d) Hire purchase and lease payables

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Payable within a year	1,327	1,068	3939	-
Payable within two to five years	1,421	654	96	135
	2,748	1,722	135	174
Less: Interest in suspense	(203)	(173)	(14)	(18)
	<u>2,545</u>	<u>1,549</u>	<u>121</u>	<u>156</u>
<b>Analysed as:</b>				
Due within 12 months	1,214	958	35	35
Due after 12 month	1,331	591	86	121
	<u>2,545</u>	<u>1,549</u>	<u>121</u>	<u>156</u>

## 25. BORROWINGS (Cont'd)

The fair value of hire purchase and lease payables are as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Not later than 12 months	1,125	901	34	35
Due after 12 months	1,221	544	81	112
	<u>2,346</u>	<u>1,445</u>	<u>115</u>	<u>147</u>

Hire purchase and lease payables bear interest ranging from 2.30% to 3.65% (2007: 2.30% to 3.31%) per annum.

### (e) Other loans

	GROUP	
	2008 RM'000	2007 RM'000
Loan from a company in which a Shareholder has financial interest	-	35
Loan from other (unsecured)	30	-
	<u>30</u>	<u>35</u>

The above loans bear interest at 8% (2007: 7%) per annum.

### (f) Primary Collateralised Loan Obligations

On 8 January 2007, the Company obtained a 5 year unsecured loan facility of RM20,000,000 under Primary Collateralised Loan Obligation Programme arranged by RHB Investment Berhad. This facility was utilised for working capital purposes of the Company and its subsidiaries.

Under the Facility Agreement entered into with RHB Investment Bank Berhad (the "Lender") and Prima Uno Berhad (the "Issuer"), a company specially incorporated for the purpose of implementing and carrying out a primary collateralised loan obligations transaction, where the Issuer will issue Bonds to finance its purchase of Transferred Assets, the Lender will sell, transfer and assign its rights, title and interest of the loan proceeds (the "Transferred Assets") to the Issuer. The Company has subscribed for the Subordinated Bonds of RM2,000,000 (Note 17(b)).

The Company is required to maintain a certain level of rating accorded by the Malaysian Rating Corporation Berhad. In the event that the rating falls below the prescribed level, it will trigger the prepayment clause stated in the Facility

Agreement rendering the Loan facility payable on demand.

This loan bears an interest of 7.38% per annum and is to be repaid in one bullet payment at the end of the loan period.

## 26. DEFERRED SALES TAX LIABILITY

This liability incurred in a foreign jurisdiction is payable in 2012.

## 27. DEFERRED TAXATION

	GROUP	
	2008 RM'000	2007 RM'000
As at 1 January	20,741	24,253
Exchange difference	(375)	133
Transfer (to)/from income statement (Note 10)	(597)	(183)
Transfer to equity (Note 24(b))	37	(2,387)
Transfer to liabilities associated with assets held for sale	(148)	(1,075)
As at 31 December	19,658	20,741
<b>(a) Recognised in the financial statements</b>		
Deferred tax assets	(687)	-
Deferred tax liabilities	20,345	20,741
	19,658	20,741
Presented after appropriate set off:		
<b>Deferred tax assets</b>		
Deferred tax assets	Property, plant and equipment	
	-temporary differences	6,390
	-revaluation of plant and machinery	1,013
		7,403
Deferred tax liabilities	Unabsorbed capital allowances	
	Unutilised tax losses	(3,710)
	Unabsorbed tax incentive	(2,030)
		(2,350)
		(8,090)
		(687)
<b>Deferred tax liabilities</b>		
Deferred tax assets	Property, plant and equipment	
	-temporary differences	13,934
	-revaluation of plant and machinery	7,432
		21,366
Deferred tax liabilities	Unabsorbed capital allowances	
	Unutilised tax losses	(248)
	Unabsorbed tax incentive	(693)
		(80)
		(1,021)
		20,345
		21,403
		8,555
		29,958

**(b) Not recognised in the financial statements**

The Group has deferred tax benefits, the effects of which have not been recognised in the financial statements as there is no assurance beyond reasonable doubt that the future taxable income would be sufficient to allow the realisation of the benefits. These benefits calculated at prevailing tax rates, none of which expire under the current Malaysian legislation, are as follows:

	<b>GROUP</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Unutilised tax losses	-	595

**28. OTHER PAYABLES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Sundry payables	10,338	8,418	653	665
Accruals	2,493	3,608	296	301
	<b>12,831</b>	<b>12,026</b>	<b>949</b>	<b>966</b>

**29. CONTINGENT LIABILITIES (UNSECURED)**

**GROUP**

- (i) One of the subsidiaries is claiming liquidated damages for a sum of RM 21.4 million (equivalent to Rs245.7 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 legal opinion, the subsidiary stands a good chance in succeeding in the arbitration proceedings based on merits of the case and hence, no provision has been made in the financial statements in respect of the counter claim.

- (ii) As at 31 December 2008, corporate guarantees given by a foreign subsidiary to third parties amounted to RM 997,601 (2007: RM997,601).

**COMPANY**

As at 31 December 2008, corporate guarantees given to banks for banking facilities granted to subsidiaries amounted to RM105,060,000 (2007: RM90,060,000).

### 30. RELATED PARTIES TRANSACTION AND BALANCES

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>(a) Interest paid on loans</b>				
Minsawi Industries (Kuala Kangsar) Sdn. Bhd. a company in which Tan Sri Dato' Dr. K R Somasundram, a director of the company, is a director.	-	32	-	-
<b>(b) Transportation services</b>				
Syarikat Pooram Sdn. Bhd. a company in which Tan Sri Dato' Dr. K R Somasundram, a director of the company, is a director.	40	96	-	-
<b>(c) Rental of premises</b>				
National Land Finance Co-operative Society Limited ("NLFCS") (a shareholder of the company)	133	108	-	-
<b>(d) Sales</b>				
Status Point Sdn. Bhd. a company in which Tan Sri Dato' Dr. K R Somasundram, a director of the company, is a director	16,057	17,317	-	-
<b>(e) Interest income receivable from subsidiaries</b>	-	-	7,856	9,248

**(ii) Remuneration of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Executive Directors (Note 8(c))	874	742	166	3
Other member's of key management	734	986	-	-
	<b>1,608</b>	<b>1,728</b>	<b>166</b>	<b>3</b>

**31. DIVIDENDS**

	<b>Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividends paid:		
Interim dividend of 1.3%, tax exempt (Dividend No:1 paid on 28.8.2008) in respect of the financial year ended 31 December 2008	(4,381)	(4,381)

**32. SEGMENTAL INFORMATION**  
**Geographical segments by location of assets**

	← Malaysia				Continuing operations				Elimination				Discontinued operations				Total operations			
	2008		2007		2008		2007		2008		2007		2008		2007		2008		2007	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External customers	587,975	451,420	230,710	264,672	-	-	-	-	-	-	-	-	-	818,685	716,092	134,676	113,168	953,361	829,260	-
Intersegmental sales	57,864	42,820	-	-	-	11,179	-	(57,864)	(53,999)	-	-	-	-	-	-	-	-	-	-	-
Total revenue	645,839	494,240	230,710	264,672	-	11,179	-	(57,864)	(53,999)	-	-	-	-	818,685	716,092	134,676	113,168	953,361	829,260	-
Segment results	20,804	12,994	(1,397)	6,873	(21)	26	-	-	-	-	-	-	-	19,386	19,893	1,535	1,546	20,921	21,439	-
Interest income														1,728	808	-	-	1,728	808	-
Financing costs														(13,537)	(13,310)	(1,443)	(1,620)	(14,980)	(14,930)	-
Profit/(loss) before taxation														7,577	7,391	92	(74)	7,669	7,317	-
Taxation														244	(86)	-	-	244	(86)	-
Profit for the year														7,821	7,305	92	(74)	7,913	7,231	-
Segments assets	340,827	328,140	132,614	111,773	5,819	8,631	5,819	(5,682)	(8,422)	-	-	-	-	473,578	440,122	14,522	14,522	454,644	454,644	-
Segments liabilities	(192,840)	(199,956)	(95,361)	(69,815)	(5,365)	(8,172)	(5,365)	18,110	37,622	-	-	-	-	(275,456)	(240,321)	(18,000)	(18,000)	(293,456)	(258,321)	-
Unallocated liabilities	(16,202)	(17,712)	(6,041)	(6,404)	-	-	-	-	-	-	-	-	-	(22,243)	(24,116)	(1,178)	(1,075)	(23,421)	(25,191)	-
Total liabilities	(209,042)	(217,668)	(101,402)	(76,219)	(5,365)	(8,172)	(5,365)	18,110	37,622	-	-	-	-	(297,699)	(264,437)	(19,178)	(19,075)	(316,877)	(283,512)	-
Capital expenditure	5,648	1,814	695	3,493	-	-	-	-	-	-	-	-	-	6,343	5,307	-	-	6,343	5,307	-
Depreciation	5,281	5,720	1,529	1,496	-	-	-	-	-	-	-	-	-	6,810	7,216	607	793	7,417	8,009	-
Amortisation	213	156	-	-	-	-	-	-	-	-	-	-	-	213	156	-	-	213	156	-
Non cash expenses	35	2,575	-	-	-	-	-	-	-	-	-	-	-	35	2,575	-	-	35	2,575	-

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

## 32. SEGMENTAL INFORMATION (Cont'd)

## Geographical segments by location of assets

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

	Continuing operations			Elimination	Others	Total	Discontinued operations	Total operations
	Malaysia RM'000	India RM'000	Asia RM'000					
External sales								
-2008	272,780	254,878	196,520	51,883	100,488	818,685	134,676	953,361
-2007	198,072	278,512	157,152	34,640	101,715	716,092	113,168	829,260

### 33. FINANCIAL INSTRUMENTS GROUP/COMPANY

#### A. Fair Values

##### Recognised in financial statements.

- (i) Receivables, 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 instruments.

- (ii) Subsidiary 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) Finance lease creditors

The fair values are stated in Note 25(b).

- (iv) Other financial assets and liabilities

The fair value of the following financial assets and liabilities are determined by discounted cash flow analysis based on current effective interest rates.

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Foreign Mutual Funds	75	84	-	-
Unquoted subordinated bonds	1,426	1,426	1,426	1,426
Term Loans	144	1,142	-	-
Primary Collateralised Loan Obligations	16,326	14,260	16,326	14,260
Long term deposits	586	574	-	-

- (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.

### 33. FINANCIAL INSTRUMENTS (Cont'd)

#### A. Fair Values (Cont'd)

##### Unrecognised in financial statements.

- i) Commodity forward contracts

At the balance sheet date, the Group in the normal course of business has entered into the following commodity forward contracts with maturities of less than one year:

#### GROUP

	2008		2007	
	Contracted amount RM'000	Fair value RM'000	Contracted amount RM'000	Fair value RM'000
Sales contracts	128,360	128,360	21,462	23,177
Purchase contracts	38,846	38,846	18,043	21,222

The fair values of the commodity forward 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	
	2008 %	2007 %	2008 %	2007 %
<b>Financial Assets</b>				
Fixed deposits with licensed banks	3.90	3.90	3.90	3.90
Loan to subsidiaries	-	-	8.00	9.00
<b>Financial Liabilities</b>				
Al-Murabahah revolving facility	5.86	5.86	-	-
Bank overdrafts	10.36	10.36	-	-
Bankers acceptance	5.28	5.28	-	-
Bills discounting	7.75	7.75	-	-
MUNIF loan facility	4.70	4.70	4.70	4.70
Term loans	14.00	14.00	-	-
Primary Collateralised				
Loan Obligation	7.38	7.38	7.38	7.38
Hire purchase and lease	3.65	3.31	2.30	2.30
Loan from others	8.00	-	-	-
Loan from a company in which a Shareholder has financial interest	-	7.00	-	-

### 33. 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 is as follows:

<b>Group 2008</b>	<b>Trade receivables RM'000</b>	<b>Trade payables RM'000</b>	<b>Other receivables RM'000</b>	<b>Other payables RM'000</b>	<b>Cash and bank balances RM'000</b>
In Ringgit Malaysia	15,904	18,756	25,254	11,241	9,019
In US Dollar	57,625	-	134	4	4
In India Rupee	10,121	37,926	7,176	1,586	47,416
	83,650	56,682	32,564	12,831	56,439
<b>2007</b>	<b>Trade receivables RM'000</b>	<b>Trade payables RM'000</b>	<b>Other receivables RM'000</b>	<b>Other payables RM'000</b>	<b>Cash and bank balances RM'000</b>
In Ringgit Malaysia	23,097	22,461	15,530	9,703	5,641
In US Dollar	40,052	-	128	7	81
In India Rupee	8,579	28,112	5,894	2,316	19,099
	71,728	50,573	21,552	12,026	24,821

# Analysis of Shareholdings

## List Of Top 30 Shareholders As At 30th April 2009

		Holdings	%
1	National Land Finance Co-operative Society Limited	41,545,095	12.33
2	National Land Finance Co-operative Society Limited	35,898,507	10.65
3	National Land Finance Co-operative Society Limited	30,831,710	9.15
4	Tan Sri Dato' Dr. K R Somasundram	23,963,402	7.11
5	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Antara Consolidated Sdn Bhd	22,000,000	6.53
6	Tan Sri Dato' Dr. K R Somasundram	19,120,911	5.67
7	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Syarikat Parani Sdn Bhd	12,890,653	3.83
8	Sithambarnathan a/l Ramasamy Pillay	7,213,200	2.14
9	Tay Teck Ho	5,740,000	1.70
10	Wong Ah San	4,082,300	1.21
11	Kamaldeen Bin Mohamed Subaire	3,524,900	1.05
12	Thevasagayam a/l Ahamparam Thevar	3,249,602	0.96
13	Tan Pak Nang	2,917,700	0.87
14	Teoh Hooi Bin	2,466,400	0.73
15	Su Ming Yaw	2,463,527	0.73
16	Balaram a/l Petha Naidu	2,133,083	0.63
17	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ridfan Bin Abd Hamid	2,115,800	0.63
18	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Nik Radiah Binti Nik Hassan	1,991,800	0.59
19	Gan Soong Tee	1,845,000	0.55
20	Teh Hean It	1,734,500	0.51
21	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Leow Kay Pin	1,646,300	0.49
22	Kailainathan a/l Munusamy	1,611,600	0.48
23	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lu Thian Tack	1,225,702	0.36
24	Chang Chai Kin	1,189,400	0.35
25	Ng Sin Hin	1,152,100	0.34
26	Arumugam a/l Kalimuthu	1,000,000	0.30
27	Balaram a/l Petha Naidu	957,462	0.28
28	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ridfan Bin Abd Hamid	933,400	0.28
29	Ng Sin Hin	862,000	0.26
30	Lim Chau Liang	816,700	0.24

# Premium Nutrients Berhad

## Holdings with holdings of 5% and above as at 30th April, 2009 (as shown in the Register of Directors' Shareholdings)

	Holdings	%
1 National Land Finance Co-operative Society Limited	41,545,095	12.33
2 National Land Finance Co-operative Society Limited	35,898,507	10.65
3 National Land Finance Co-operative Society Limited	30,831,710	9.15
4 Tan Sri Dato' Dr.K R Somasundram	23,963,402	7.11
5 Mayban Securities Nominees (Tempatan) Sdn.Bhd Pledged Securities Account for Antara Consolidated Sdn Bhd	22,000,000	6.53
6 Tan Sri Dato' Dr.K R Somasundram	19,120,911	5.67

## Analysis of shareholdings as at 30th April 2009 (Malaysian & Foreign - Combine) (as shown in the Register of Directors' Shareholdings)

Size of Holdings	No. of holders	%	No. of holdings	%
1-99	368	5.44	6,104	0.00
100 - 1,000	2,161	31.96	1,131,561	0.34
1,001 - 10,000	2,753	40.71	15,074,268	4.47
10,001 - 100,000	1,269	18.77	43,569,350	12.93
100,001 - 16,849,999	205	3.03	103,859,096	30.82
16,850,000 and above	6	0.09	173,359,625	51.44
	6,762	100	337,000,004	100.00

## Directors' Interests in Share as at 30th April 2009 (as shown in the Register of Directors' Shareholdings)

Name of Directors	Nationality / Race	Interest in Share		Percentage (%)	
		Direct	Deemed	Direct	Deemed
Tan Sri Dato' Dr. K R Somasundram	Malaysian / Indian	43,084,313	497,608	12.78	0.15
Mr. Tharumarajah a/l Thillarajah	Malaysian / Indian	Nil	Nil	Nil	Nil
Datuk Sahadivanaidu a/l Baliah	Malaysian / Indian	210,945	Nil	0.06	Nil
Tuan Syed Mubarak Bin Syed Ahmad	Malaysian / Malay	Nil	Nil	Nil	Nil
Mr. Subramaniam a/l Seenivasagam	Malaysian / Indian	49,761	Nil	0.01	Nil
Dato' Faruk Bin Othman	Malaysian / Malay	Nil	Nil	Nil	Nil
Mr. Abdul Aziz Bin Mohamed Hussain	Malaysian P.R / Malay	Nil	Nil	Nil	Nil
Mr. 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 2008 RM'000	Year of Acquisition/ (Revaluation)	Usage
Premium Vegetable Oils Sdn Bhd	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) 151065 (Leasehold for 60 years expiring on 15.09.2044)	5,087	1985 / (2007)	Crushing
			PTD 84772, H.S. (D) 153378 (Leasehold for 60 years expiring on 22.01.2049)	2,715	1987 / (2007)	Refinery and other process plants- DO -
			Building	11,752	1985 / (2007)	
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	830	1993 / (2007)	Oil mill and process plants
			Building	1,927	(2007)	
Arani Agro Oil Industries Limited	Survey No. 314 of Suryaraopet, Indrapalem Gram Panchayat Limits, East Godavari District, India	217,777 / (93,319)	Leasehold for 19 years expiring on 21.06.2021	Nil	2002	
Kakinada Sea Port Limited, leased by Arani Agro Oil Industries Limited			Building	8,920		
Arani Agro Oil Industries Ltd	Survey No. 49/4, 49/3, & 51/1 Ameeravalli Gram Panchayat, Kothapali Mandalam, Pithapuram, East Godawari distt. India	100,170	Freehold	12	2004	



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

# FORM OF PROXY

I/We \_\_\_\_\_  
(FULL NAME IN BLOCK CAPITALS)

of \_\_\_\_\_

being a member/members of Premium Nutrients Berhad hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us/ on my/our behalf at the 7th Annual General Meeting of the Company to be held on Monday, 15 June 2009 at 9.00 a.m. at the Auditorium Tan Sri K R Soma, Wisma Tun Sambanthan, No. 2 Jalan Sultan Sulaiman, 50000 Kuala Lumpur and at any adjournment thereof.

My/our proxy is to vote as indicated below:

NO	RESOLUTION	FOR	AGAINST
1.	To receive the Audited Financial Statement for the year ended 31 December 2008 and the Reports of Directors and Auditors thereon.		
2.	To approve the payment of Directors' fees for the year ended 31 December 2008.		
3.	To re-elect Datuk Sahadivanaidu a/l Baliah who retires in accordance with Article 87 of the Company's Articles of Association.		
4.	To re-elect Mr. Abdul Aziz Bin Mohamed Hussain who retires in accordance with Article 87 of the Company's Articles of Association.		
5.	To re-elect Mr. Festus a/l A Christ Dhas who retires in accordance with Article 87 of the Company's Articles of Association.		
6.	To re-appoint Tan Sri Dato' Dr.K R Somasundram who is due to retire pursuant to Section 129 of the Companies Act, 1965.		
7.	To re-appoint Mr. Subramaniam a/l Seenivasagam who is due to retire pursuant to Section 129 of the Companies Act, 1965.		
8.	Re-appoint Messrs Raki Thomas & Ramanan as Auditors of the Company and to authorize the Directors to fix their remuneration.		
9.	Authorisation to issue shares pursuant to Section 132D of the Companies Act, 1965.		
10.	Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions.		

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.

NO. OF SHARES HELD	
--------------------	--

\_\_\_\_\_  
Signature or Common Seal of Shareholder (s)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009

**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 authorized 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 authorized.
- 3) The instrument appointing the proxy must be deposited at the Share Registrar of the Company at 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 adjournment thereof.

---

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

---