

Company No. 820-V

**RIVERVIEW RUBBER ESTATES, BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2016**

**Sekhar & Tan**  
Chartered Accountants

**820-V**

**Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)**

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**Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)**

**Directors' report**

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

**Principal activities**

The principal activity of the Company is the cultivation of oil palm whilst those of its subsidiaries are disclosed in Note 16 to the financial statements. There have been no significant change in the nature of the principal activities during the financial year.

<b>Results</b>	<b>Group RM</b>	<b>Company RM</b>
Profit net of tax	<u>8,233,616</u>	<u>5,640,692</u>
Attributable to:		
Owners of the Company	8,076,146	5,640,592
Non-controlling interests	<u>157,470</u>	-
	<u>8,233,616</u>	<u>5,640,592</u>

There were no material transfers to or from reserves or provisions during the financial year other than 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 have not been substantially affected by any item, transaction or event of a material and unusual nature.

**Dividends**

The amount of dividends paid or declared by the Company since 31 December 2015 are as follows:

In respect of the financial year ended 31 December 2016:

	<b>RM</b>
An interim ordinary dividend of 6 sen per share under the single tier system on 64,850,448 ordinary shares, paid on 27 January 2017	<u>3,891,027</u>

The directors do not recommend the payment of any final dividend in respect of the current financial year.

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**Directors**

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Oliver John Harold Huntsman  
Timothy John Huntsman  
Dr. Leong Tat Thim  
Mohd Razali bin Mohd. Amin

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

**Directors' interests**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
<b>The Company</b>				
<b>Direct interest</b>				
Oliver John Harold Huntsman	1,000	-	-	1,000
Timothy John Huntsman	1,000	-	-	1,000
Dr. Leong Tat Thim	1,000	-	-	1,000
Mohd Razali bin Mohd. Amin	1,000	-	-	1,000

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**Directors' interests (contd.)**

	Number of ordinary shares of RM1 each			At 31.12.2016
	At 1.1.2016	Bought	Sold	
<b>Indirect interest</b>				
Oliver John Harold Huntsman	40,860,092	-	-	40,860,092
Timothy John Huntsman	40,860,092	-	-	40,860,092

**Sungei Ream Holdings Sendirian Berhad  
(Immediate holding company)**

<b>Indirect interest</b>				
Oliver John Harold Huntsman	11,739,022	-	-	11,739,022
Timothy John Huntsman	11,739,022	-	-	11,739,022

**Buloh Akar Holdings Sendirian Berhad  
(Ultimate holding company)**

<b>Direct interest</b>				
Oliver John Harold Huntsman	315,747	-	-	315,747
Timothy John Huntsman	-	12	-	12
<b>Indirect interest</b>				
Timothy John Huntsman	457,914	-	-	457,914

**Other statutory information**

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that no allowance for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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**Other statutory information (contd.)**

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or to make any allowance for doubtful debts in respect of the financial statements of the Group and of the Company; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**Holding companies**

The directors regard Sungei Ream Holdings Sendirian Berhad and Buloh Akar Holdings Sendirian Berhad, both of which were incorporated in Malaysia, as the immediate and ultimate holding companies of the Company respectively.

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**Auditors**

The auditors, Sekhar & Tan, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 April 2017.

*Signed*  
**Dr. Leong Tat Thim**

Kuala Lumpur, Malaysia

*Signed*  
**Mohd Razali bin Mohd. Amin**

Kuala Lumpur, Malaysia

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**Riverview Rubber Estates, Berhad  
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**Statement by directors**

**Pursuant to Section 169(15) of the Companies Act, 1965**

We, Dr. Leong Tat Thim and Mohd Razali bin Mohd. Amin, being two of the directors of Riverview Rubber Estates, Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 88 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The information set out in Note 34 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 April 2017.

*Signed*

**Dr. Leong Tat Thim**

Kuala Lumpur, Malaysia

*Signed*

**Mohd Razali bin Mohd. Amin**

Kuala Lumpur, Malaysia

**Statutory declaration**

**Pursuant to Section 169(16) of the Companies Act, 1965**

I, Mohd Razali bin Mohd. Amin, the director primarily responsible for the financial management of Riverview Rubber Estates, Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 88 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Mohd Razali bin Mohd. Amin  
at Kuala Lumpur, in Wilayah Persekutuan  
on 4 April 2017

*Signed*

**Mohd Razali bin Mohd. Amir**

Before me,

*Signed*

Commissioner for Oaths

**Kapt. (B) Jasni Bin Yusoff**

No. W465



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**

**OF**

### **RIVERVIEW RUBBER ESTATES, BERHAD**

[Company No. 820 V]  
(Incorporated in Malaysia)

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of Riverview Rubber Estates, Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 88.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards (FRSs) and the requirements of the Companies Act, 1965 in Malaysia.

##### **Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

##### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

OF

### RIVERVIEW RUBBER ESTATES, BERHAD

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#### **Key Audit Matters (contd.)**

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### **(a) Valuation of biological assets**

##### ***Area of focus***

Refer to Notes 2.27, 3.2(b) and 13 to the financial statements.

The Group's biological assets comprise oil palm which is measured at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. The last valuation was performed in 2012 by professionally qualified valuers. The management performs an assessment of the carrying amount every year to determine that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. The management compares the carrying amount of the biological assets with the estimated fair value. The estimated fair value of biological assets was calculated as the present value of the estates' operating cash flows over the next ten to twenty years. The fair value derived is sensitive to assumptions that are made regarding the future commodity prices, discount rate, the area of land under cultivation, yield, and associated costs of sales and the integrity of the underlying cash flow model.

We focused on this area due to the size of the balance and the determination of the fair value involves a number of judgements and estimates regarding various inputs.

##### ***How the matter was addressed in our audit***

Our audit procedures in this area included, among others:

- evaluating the key inputs used in calculating the estimated cash flows, including commodity prices, estimate cost, yield and the area of land under cultivation, by comparing to market data, historical performance and customer contracts as appropriate

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**

**OF**

**RIVERVIEW RUBBER ESTATES, BERHAD**

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**Key Audit Matters (contd.)**

**(a) Valuation of biological assets (contd.)**

***How the matter was addressed in our audit (contd.)***

- evaluating the appropriateness of the applied discount rate used by comparing with the available market/industry data and records of historical performance
- performing our own sensitivity analysis on the model to assess the reasonableness of the fair value
- evaluating the adequacy of financial statements disclosures, including disclosure of key assumptions, judgements and sensitivities

**(b) Valuation of investment properties**

***Area of focus***

Refer to Notes 2.9 and 14 to the financial statements.

The investment properties of the Group are held at fair value in accordance with FRS 140. The fair value of the Group's investment properties was determined from market-based evidence by appraisal that is undertaken by a professionally qualified valuer.

We considered this to be a key audit matter because of its size, the associated risk in relying on the work of an expert and subjectivity involved in determining valuations for properties.

***How the matter was addressed in our audit***

Our audit procedures in this area included, among others:

- reviewing the valuation report, evaluating the valuation methodology applied by the valuer and the reasonableness of the comparable market value used by the valuer
- assessing the qualification and expertise of the valuer and determining whether any matters that might have affected his objectivity or may have imposed scope limitations upon his work
- evaluating the reasonableness of the valuation by comparing to the property market as a whole, its economic outlook and rental income received during the year

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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### RIVERVIEW RUBBER ESTATES, BERHAD

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#### Key Audit Matters (contd.)

##### (c) Classification of leasehold land

###### *Area of focus*

Refer to Notes 3.1(c) and 12 to the financial statements.

The Group revalued its leasehold estate land during the financial year ended 31 December 2012 and the major assumption underlying the valuation is the lease will be renewed for another 60 years term. Certain leasehold estate land has the remaining lease term of 13 years as at 31 December 2016. The directors have applied to the relevant authority for the renewal of the lease term and obtained approval for the extension of the lease term of certain leasehold land. The directors are confident that, barring any unforeseen circumstances, the lease term of the remaining land will also be renewed for at least another 60 years as stated in Note 3.1(c). Changes in the expected lease term of the land could impact the revalued amount of the leasehold estate land and future depreciation charges.

We determined this to be a key audit matter due to the inherent uncertainty in obtaining approval for extension of the lease term.

###### *How the matter was addressed in our audit*

Our audit procedures in this area included, among others:

- reviewing the actions taken by the Group to obtain the approval for extension and the responses from the authority
- evaluating the reasonableness of the expectation of the Group by reviewing the outcome of certain application which were approved for extension by the authority and correspondence with the authority.

#### Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report and Directors' Report, which we obtained prior to the date of this auditors' report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**

**OF**

### **RIVERVIEW RUBBER ESTATES, BERHAD**

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#### **Information Other than the Financial Statements and Auditors' Report Thereon (contd.)**

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Directors for the Financial Statements**

The directors of the Company are responsible for the preparation and fair presentation of the financial statements of the Group and of the Company that give a true and fair view in accordance with FRSs and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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#### **Auditors' Responsibilities for the Audit of the Financial Statements (contd.)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**

**OF**

### **RIVERVIEW RUBBER ESTATES, BERHAD**

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#### **Auditors' Responsibilities for the Audit of the Financial Statements (contd.)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

- (a) In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:
- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
  - (ii) We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, and which is indicated in Note 16 to the financial statements; being the financial statements that have been included in the consolidated financial statements;
  - (iii) We are satisfied that the financial statements of all the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and
  - (iv) 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 than those indicated in Note 16 to the financial statements.

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**RIVERVIEW RUBBER ESTATES, BERHAD**

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**Other Reporting Responsibilities**

The supplementary information set out in Note 34 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

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

The engagement partner on the audit resulting in this independent auditors' report is Siew Kah Toong.

*Signed*

**Sekhar & Tan**

No. AF 0926

Chartered Accountants

Kuala Lumpur

Date: 4 April 2017

*Signed*

**Siew Kah Toong**

No. 1045/03/18 (J)

Chartered Accountant



**Riverview Rubber Estates, Berhad**  
**(Incorporated in Malaysia)**

**Statements of profit or loss and other comprehensive income**  
**For the financial year ended 31 December 2016**

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Revenue</b>	4	31,310,586	31,147,290	19,159,991	20,248,777
Cost of sales		(13,734,272)	(14,126,372)	(8,809,614)	(9,754,554)
<b>Gross profit</b>		<u>17,576,314</u>	<u>17,020,918</u>	<u>10,350,377</u>	<u>10,494,223</u>
<b>Other items of income</b>					
Interest income	5	676,064	705,031	310,459	177,467
Dividend income	6	112,000	109,410	104,304	12,124,729
Fair value changes in investment properties		(1,101,600)	(2,191,000)	-	-
Gain on disposal of property, plant and equipment		10,367	-	10,367	-
Other income		118,265	123,883	53,858	48,584
<b>Other items of expense</b>					
Replanting expenditure		(1,604,156)	(1,871,215)	(1,244,162)	(1,123,388)
Depreciation		(1,792,706)	(1,642,624)	(797,151)	(745,214)
Finance costs		(24,254)	(627,230)	(23,896)	(626,822)
Administrative expenses		(3,321,299)	(3,625,203)	(1,309,031)	(1,548,769)
<b>Results from operating activities</b>		<u>10,648,995</u>	<u>8,001,970</u>	<u>7,455,125</u>	<u>18,800,810</u>
<b>Foreign exchange gain</b>		<u>140,949</u>	<u>948,430</u>	<u>-</u>	<u>483,178</u>
<b>Profit before tax</b>	7	<u>10,789,944</u>	<u>8,950,400</u>	<u>7,455,125</u>	<u>19,283,988</u>
Tax expenses	9	(2,556,328)	(2,627,915)	(1,814,433)	(2,537,453)
<b>Profit after tax</b>		<u>8,233,616</u>	<u>6,322,485</u>	<u>5,640,692</u>	<u>16,746,535</u>

**Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)**

**Statements of profit or loss and other comprehensive income  
For the financial year ended 31 December 2016 (Contd.)**

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Gain on fair value changes of available-for-sale financial assets		181,608	89,152	129,948	79,968
Foreign exchange translation		1,180,765	2,842,552	-	-
		<u>1,362,373</u>	<u>2,931,704</u>	<u>129,948</u>	<u>79,968</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Surplus on revaluation of biological assets		-	207,029	-	-
Surplus on revaluation of leasehold land		-	1,004,585	-	-
Deferred tax liability on revaluation surplus of leasehold land		(326)	(247,231)	-	-
		<u>(326)</u>	<u>964,383</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income, net of tax</b>		<u>1,362,047</u>	<u>3,896,087</u>	<u>129,948</u>	<u>79,968</u>
<b>Total comprehensive income for the year</b>		<u>9,595,663</u>	<u>10,218,572</u>	<u>5,770,640</u>	<u>16,826,503</u>
<b>Profit attributable to:</b>					
- Owners of the Company		8,076,146	6,268,698	5,640,692	16,746,535
- Non-controlling interests		157,470	53,787	-	-
		<u>8,233,616</u>	<u>6,322,485</u>	<u>5,640,692</u>	<u>16,746,535</u>
<b>Total comprehensive income attributable to:</b>					
- Owners of the Company		9,027,383	9,214,207	5,770,640	16,826,503
- Non-controlling interests		568,280	1,004,365	-	-
		<u>9,595,663</u>	<u>10,218,572</u>	<u>5,770,640</u>	<u>16,826,503</u>
<b>Earnings per share attributed to owners of the Company (sen)</b>					
Basic	10	<u>12.45</u>	<u>9.67</u>		

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

**Riverview Rubber Estates, Berhad**  
**(Incorporated in Malaysia)**

**Statements of financial position as at 31 December 2016**

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	204,552,547	205,582,622	138,980,831	139,359,673
Biological assets	13	71,688,021	71,688,021	46,541,873	46,541,873
Investment properties	14	39,398,400	39,125,000	-	-
Prepaid land lease payments	15	-	-	-	-
Investment in subsidiaries	16	-	-	48,299,015	48,299,005
Investment securities	17	3,298,596	3,116,988	2,242,436	2,112,488
Goodwill on consolidation	18	2,731,763	2,731,763	-	-
Deferred tax assets	19	42,474	32,969	36,136	32,969
		<u>321,711,801</u>	<u>322,277,363</u>	<u>236,100,291</u>	<u>236,346,008</u>
<b>Current assets</b>					
Deferred nursery expenditure		737,761	644,767	664,588	579,395
Inventories - at cost		58,011	96,918	26,137	44,070
Trade and other receivables	20	4,374,749	1,166,613	3,668,676	815,646
Other current assets - prepayments		238,511	253,264	16,096	18,011
Tax recoverable		3,085,486	2,829,322	2,247,411	2,197,170
Cash on hand and at banks	21	3,684,749	4,561,930	1,234,771	1,145,662
Deposits with financial institutions	21	24,588,447	21,161,457	11,168,447	12,061,457
		<u>36,767,714</u>	<u>30,714,271</u>	<u>19,026,126</u>	<u>16,861,411</u>
<b>Total assets</b>		<u>358,479,515</u>	<u>352,991,634</u>	<u>255,126,417</u>	<u>253,207,419</u>

Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2016 (Contd.)

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>Equity and liabilities</b>					
<b>Current liability</b>					
Trade and other payables	22	6,402,050	6,653,814	4,819,678	4,978,769
		<u>6,402,050</u>	<u>6,653,814</u>	<u>4,819,678</u>	<u>4,978,769</u>
<b>Net current assets</b>		<u>30,365,664</u>	<u>24,060,457</u>	<u>14,206,448</u>	<u>11,882,642</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	19	20,983,581	20,975,148	8,119,231	7,933,949
Provision for retirement benefits	23	191,973	164,347	150,566	137,372
		<u>21,175,554</u>	<u>21,139,495</u>	<u>8,269,797</u>	<u>8,071,321</u>
<b>Total liabilities</b>		<u>27,577,604</u>	<u>27,793,309</u>	<u>13,089,475</u>	<u>13,050,090</u>
<b>Net assets</b>		<u>330,901,911</u>	<u>325,198,325</u>	<u>242,036,942</u>	<u>240,157,329</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	24	64,850,448	64,850,448	64,850,448	64,850,448
Reserves	25	182,216,722	184,026,576	143,267,306	143,137,358
Retained profits	26	61,747,850	54,801,640	33,919,188	32,169,523
		<u>308,815,020</u>	<u>303,678,664</u>	<u>242,036,942</u>	<u>240,157,329</u>
<b>Non-controlling interests</b>	27	22,086,891	21,519,661	-	-
<b>Total equity</b>		<u>330,901,911</u>	<u>325,198,325</u>	<u>242,036,942</u>	<u>240,157,329</u>
<b>Total equity and liabilities</b>		<u>358,479,515</u>	<u>352,991,634</u>	<u>255,126,417</u>	<u>253,207,419</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)

Statements of changes in equity  
For the financial year ended 31 December 2016

	← Attributable to owners of the Company →						Total RM	Non- controlling interests RM	Total equity RM
	← Non-distributable →			Distributable →					
	Share capital RM	Capital reserve RM	Fair value adjustment reserve RM	Capital reserve RM	General reserve RM	Retained profits RM			
<b>Group</b>									
<b>At 1 January 2015</b>	64,850,448	170,490,435	1,312,210	2,761,091	6,517,331	50,079,932	296,011,447	70,151,833	366,163,280
Profit or loss	-	-	-	-	-	6,268,698	6,268,698	53,787	6,322,485
Other comprehensive income	-	2,859,418	86,091	-	-	-	2,945,509	950,578	3,896,087
<b>Total comprehensive income</b>	-	2,859,418	86,091	-	-	6,268,698	9,214,207	1,004,365	10,218,572
Dividends (Note 11)	-	-	-	-	-	(3,891,027)	(3,891,027)	-	(3,891,027)
Changes in ownership interests in a subsidiary (Note 16)	-	-	-	-	-	2,344,037	2,344,037	(49,636,537)	(47,292,500)
<b>Total transactions with owners</b>	-	-	-	-	-	(1,546,990)	(1,546,990)	(49,636,537)	(51,183,527)
<b>At 31 December 2015</b>	64,850,448	173,349,853	1,398,301	2,761,091	6,517,331	54,801,640	303,678,664	21,519,661	325,198,325
<b>At 1 January 2016</b>	64,850,448	173,349,853	1,398,301	2,761,091	6,517,331	54,801,640	303,678,664	21,519,661	325,198,325
Profit or loss	-	-	-	-	-	8,076,146	8,076,146	157,470	8,233,616
Other comprehensive income	-	786,849	164,388	-	-	-	951,237	410,810	1,362,047
<b>Total comprehensive income</b>	-	786,849	164,388	-	-	8,076,146	9,027,383	568,280	9,595,663
<b>Transfer to retained profits</b>	-	-	-	(2,761,091)	-	2,761,091	-	-	-
Dividends (Note 11)	-	-	-	-	-	(3,891,027)	(3,891,027)	-	(3,891,027)
Changes in ownership interests in a subsidiary (Note 16)	-	-	-	-	-	-	-	(1,050)	(1,050)
<b>Total transactions with owners</b>	-	-	-	-	-	(3,891,027)	(3,891,027)	(1,050)	(3,892,077)
<b>At 31 December 2016</b>	64,850,448	174,136,702	1,562,689	-	6,517,331	61,747,850	308,815,020	22,086,891	330,901,911

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Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)

Statements of changes in equity  
For the financial year ended 31 December 2016 (Contd.)

	← Attributable to owners of the Company →					Total RM
	← Non-distributable →			← Distributable →		
	Share capital RM	Capital reserve RM	Fair value adjustment reserve RM	General reserve RM	Retained profits RM	
<b>Company</b>						
<b>At 1 January 2015</b>	64,850,448	136,040,711	1,254,486	5,762,193	19,314,015	227,221,853
Profit or loss	-	-	-	-	16,746,535	16,746,535
Other comprehensive income	-	-	79,968	-	-	79,968
<b>Total comprehensive income</b>	-	-	79,968	-	16,746,535	16,826,503
<b>Transactions with owners</b>						
Dividends (Note 11)	-	-	-	-	(3,891,027)	(3,891,027)
<b>At 31 December 2015</b>	64,850,448	136,040,711	1,334,454	5,762,193	32,169,523	240,157,329
<b>At 1 January 2016</b>	64,850,448	136,040,711	1,334,454	5,762,193	32,169,523	240,157,329
Profit or loss	-	-	-	-	5,640,692	5,640,692
Other comprehensive income	-	-	129,948	-	-	129,948
<b>Total comprehensive income</b>	-	-	129,948	-	5,640,692	5,770,640
<b>Transactions with owners</b>						
Dividends (Note 11)	-	-	-	-	(3,891,027)	(3,891,027)
<b>At 31 December 2016</b>	64,850,448	136,040,711	1,464,402	5,762,193	33,919,188	242,036,942

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Riverview Rubber Estates, Berhad**  
**(Incorporated in Malaysia)**

**Statements of cash flows**  
**For the financial year ended 31 December 2016**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Operating activities</b>				
Profit before tax	10,789,944	8,950,400	7,455,125	19,283,988
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	1,792,706	1,642,624	797,151	745,214
Dividend income	(112,000)	(109,410)	(104,304)	(12,124,729)
Unrealised gain on foreign exchange	(121,000)	(299,643)	-	-
Interest income	(676,064)	(705,031)	(310,459)	(177,467)
Interest expense	24,254	627,230	23,896	626,822
Fair value loss on investment properties	1,101,600	2,191,000	-	-
Gain on disposal of property, plant and equipment	(10,367)	-	(10,367)	-
Property, plant and equipment written off	-	1	-	-
Provision for retirement benefits	27,626	31,980	13,194	17,632
Total adjustments	<u>2,026,755</u>	<u>3,378,751</u>	<u>409,111</u>	<u>(10,912,528)</u>
Operating profit before changes in working capital	12,816,699	12,329,151	7,864,236	8,371,460
<u>Changes in working capital:</u>				
Inventories	38,907	8,828	17,933	8,507
Receivables	(3,214,529)	(220,314)	(2,851,115)	(263,690)
Payables	(4,147,716)	310,822	(4,050,129)	(140,481)
Deferred nursery expenditure	(92,994)	(143,777)	(85,193)	(134,631)
Total changes in working capital	<u>(7,416,332)</u>	<u>(44,441)</u>	<u>(6,968,504)</u>	<u>(530,295)</u>
<b>Cash flows from operation</b>	<b>5,400,367</b>	<b>12,284,710</b>	<b>895,732</b>	<b>7,841,165</b>
Taxes paid	(4,021,188)	(4,458,435)	(2,800,000)	(3,064,035)
Taxes refund	1,117,442	281,971	1,117,442	-
<b>Net cash flows from operating activities</b>	<b><u>2,496,621</u></b>	<b><u>8,108,246</u></b>	<b><u>(786,826)</u></b>	<b><u>4,777,130</u></b>

**Riverview Rubber Estates, Berhad**  
**(Incorporated in Malaysia)**

**Statements of cash flows**  
**For the financial year ended 31 December 2016 (contd.)**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(789,057)	(1,846,680)	(444,735)	(1,225,741)
Purchase of additional shares in a subsidiary	(1,050)	(47,292,500)	-	(47,292,500)
Proceeds from disposal of property, plant and equipment	36,793	-	36,793	-
Withdrawal of monies with stakeholders	-	48,119,080	-	48,119,080
Interest received	676,064	705,031	310,459	177,467
Dividends received	112,000	109,410	104,304	12,124,729
<b>Net cash flows from/(used in) investing activities</b>	<u>34,750</u>	<u>(205,659)</u>	<u>6,821</u>	<u>11,903,035</u>
<b>Financing activities</b>				
Interest paid	(24,254)	(659,136)	(23,896)	(658,726)
Repayment to holding company	-	(10,000,000)	-	(10,000,000)
<b>Net cash flows used in financing activities</b>	<u>(24,254)</u>	<u>(10,659,136)</u>	<u>(23,896)</u>	<u>(10,658,726)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,507,117	(2,756,549)	(803,901)	6,021,439
<b>Effects of exchange rate changes</b>	42,692	35,695	-	-
<b>Cash and cash equivalents at beginning of year</b>	<u>25,723,387</u>	<u>28,444,241</u>	<u>13,207,119</u>	<u>7,185,680</u>
<b>Cash and cash equivalents at end of year (Note 21)</b>	<u>28,273,196</u>	<u>25,723,387</u>	<u>12,403,218</u>	<u>13,207,119</u>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*



**Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)**

**Notes to the financial statements - 31 December 2016**

**1. Corporate information**

Riverview Rubber Estates, Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company are located at 33 (1st Floor) Jalan Dato' Maharajalela 30000 Ipoh, Perak Darul Ridzuan and Riverview Estate, 31800 Tg. Tualang, Perak Darul Ridzuan respectively.

The immediate and ultimate holding companies of the Company are Sungei Ream Holdings Sendirian Berhad and Buloh Akar Holdings Sendirian Berhad respectively, both of which are incorporated in Malaysia.

The principal activity of the Company is the cultivation of oil palm whilst those of its subsidiaries are discussed in Note 16 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 4 April 2017.

**2. Significant accounting policies**

**2.1 Basis of preparation**

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies and comply with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

**Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)**

**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.2 Changes in accounting policies (contd.)**

On 1 January 2016, the Group and the Company adopted the following applicable new and amended FRS mandatory for annual financial periods beginning on or after the dates stated below:

<b>FRS and Amendments to FRS</b>	<b>Effective for financial periods beginning on or after</b>
Amendments to FRS 10, 12 and 128 : Investment Entities - Applying the Consolidation Exception	1 January 2016
Amendments to FRS 11 : Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to FRS 101 : Disclosure Initiative	1 January 2016
Amendments to FRS 116 and 138 : Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 127 : Equity Method in Separate Financial Statements	1 January 2016
FRS 14 : Regulatory Deferral Accounts	1 January 2016
Annual Improvements to FRSs (2012 - 2014)	1 January 2016

The adoption of these new and revised FRS has no material effect on the financial statements of the Group and the Company.

**2.3 Standards issued but not yet effective**

At the date of authorisation of these financial statements, the following new FRSs, Amendments to FRSs and Issues Committee ("IC") Interpretation were issued but not yet effective and have not been applied by the Group and by the Company:

<b>FRS, Amendments to FRS and IC Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
Amendments to FRS 12 : Disclosure of Interests in Other Entities	1 January 2017
Amendments to FRS 107 : Disclosure Initiative	1 January 2017
Amendments to FRS 112 : Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 9 : Financial Instruments	1 January 2018
Amendments to FRS 1 First-time adoption of Financial Reporting Standards	1 January 2018
Amendments to FRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018

**Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)**

**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.3 Standards issued but not yet effective (contd.)**

<b>FRS, Amendments to FRS and IC Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
Amendments to FRS 4 Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 128 Investments in Associates and Joint Ventures	1 January 2018
Amendments to FRS 140 Transfer of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

FRS 9 : Financial Instruments

FRS 9 replaces the guidance in FRS 139 Financial Instruments: Recognition and Measurement. FRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. FRS 9 retains but simplifies the mixed measurement model in FRS 139 and establishes three primary measurement categories for financial asset: amortised cost, fair value through profit or loss and fair value through other comprehensive income (OCI). For liabilities, the standard retains most of the FRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The Group and the Company are assessing the potential impact on their financial statements resulting from the application of FRS 9.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012 and is to facilitate convergence with the International Financial Reporting Standards ["IFRS"]. Nevertheless, the Group and the Company are allowed by the MASB to defer the adoption of these new accounting standards to financial year ending 31 December 2018 as the Group and the Company are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15).

**Riverview Rubber Estates, Berhad  
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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.3 Standards issued but not yet effective (contd.)**

Malaysian Financial Reporting Standards (MFRS Framework) (contd.)

This would result in the Group and the Company preparing an opening MFRS statement of financial position as at 1 January 2017 which adjusts for differences between the classification and measurement bases in the existing FRS framework versus that in the new MFRS framework. This would also result in a restatement of the financial performance for the financial year ending 31 December 2017 in accordance with MFRS which would form the MFRS comparatives for the financial year ending 31 December 2018.

The impact on the financial position and performance of the Group and the Company have yet to be determined as the Group and the Company are in the process of assessing the financial effects of the differences between FRS and accounting standards under the MFRS Framework.

**2.4 Foreign currency**

**a) Functional and presentation currency**

The individual 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 Group's and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

**b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using exchange rates as at the dates of initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

**Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)****Notes to the financial statements - 31 December 2016****2. Significant accounting policies (contd.)****2.4 Foreign currency (contd.)****b) Foreign currency transactions (contd.)**

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in the profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**c) Foreign operations**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities are translated at the closing rate prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the capital reserve within equity.

Goodwill and fair value adjustment arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

**Riverview Rubber Estates, Berhad  
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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.5 Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of substantive potential voting rights are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

**2.6 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries, made up to the end of the year.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss. The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Intragroup transactions, balances and unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated on consolidation unless cost cannot be recovered.

**Riverview Rubber Estates, Berhad  
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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.6 Basis of consolidation (contd.)**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**2.7 Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination. The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods. Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.8 Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment except for freehold and leasehold estate land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold and leasehold estate land are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the reporting date. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the profit or loss, in which case the increase is recognised in the profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in the profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained profits. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the assets.

Freehold estate land has an unlimited useful life and therefore is not depreciated. Leasehold lands are depreciated over the period of the lease of 26 to 99 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

- Buildings	2% - 5%
- Plant and machinery	10% - 20%
- Vehicles	15% - 20%
- Furniture, fixture and fittings and electrical installation	10% - 25%



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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.8 Property, plant and equipment and depreciation (contd.)**

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 profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

**2.9 Investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value.

Fair value of an investment property is an amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value is determined from market-based evidence by appraisal that is undertaken by professional qualified valuers.

A gain or loss arising from a change in the fair value of investment properties is recognised in profit or loss for the period in which it arises.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.10 Impairment of non-financial assets**

The carrying amounts of non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.11 Financial assets**

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

**a) Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.11 Financial assets (contd.)**

**b) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

**c) Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

**d) Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale and are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.11 Financial assets (contd.)**

**d) Available-for-sale financial assets (contd.)**

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

**2.12 Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

**a) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.12 Impairment of financial assets (contd.)**

**a) Trade and other receivables and other financial assets carried at amortised cost (contd.)**

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**b) Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

**c) Available-for-sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.12 Impairment of financial assets (contd.)**

**c) Available-for-sale financial assets (contd.)**

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

**2.13 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and at banks and deposits at call with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less, and are used by the Group and the Company in the management of its short term funding requirements. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**2.14 Inventories**

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

**2.15 Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**2.16 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.16 Financial liabilities (contd.)**

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

**a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

**b) Other financial liabilities**

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.



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**2. Significant accounting policies (contd.)**

**2.17 Financial guarantee contracts**

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

**2.18 Employee benefits**

**a) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**b) Retirement benefits**

The Group provides for retirement benefits for eligible employees on an unfunded defined benefits basis in accordance with the terms of the unions' collective agreements and/or employment agreements. Full provision has been made for retirement benefits payable to all eligible employees who have completed their qualifying period of between 5 to 10 years of service, based on the length of service to date and rates set out in the said agreements. Should an employee leave after completing their qualifying period of service but before attaining the retirement age, the provision made for the employee is written back. No actuarial valuation has been conducted on the retirement benefits provision, as the directors are of the opinion that the amount is insignificant to the Group.

The Group also makes contributions to the statutory pension scheme, the Employees Provident Fund ("EPF") for employees that are not covered by the agreements.

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**2. Significant accounting policies (contd.)**

**2.19 Leases**

**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group and Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

**(ii) Recognition**

**a) As lessee**

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there are no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating lease.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.19 Leases (contd.)**

**(ii) Recognition (contd.)**

**b) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

**2.20 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

**a) Sale of goods**

Revenue relating to sale of oil palm produce at invoice value is recognised when delivery has taken place and transfer of risks and rewards have been completed.

**b) Interest income**

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

**c) Dividend income**

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

**d) Rental income**

Rental income from investment property is recognised in a straight-line basis over the term of lease.

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**2. Significant accounting policies (contd.)**

**2.21 Income Taxes**

The tax expense in the income statement comprises current and deferred tax. Current tax is the amount of taxes payable or receivable in respect of the taxable profit or loss for the period. Current tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities using the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities and assets are provided for, using the liability method, in respect of all temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base including unabsorbed tax losses and capital allowances unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reduction will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

**2.22 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.23 Deferred nursery expenditure**

Deferred nursery expenditure is stated at cost and charged to profit or loss on replanting of crops.

**2.24 Replanting expenditure**

Replanting expenditure is charged to profit or loss as and when incurred.

**2.25 Replanting cesses**

Replanting cesses are taken to profit or loss as and when received.

**2.26 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

**2.27 Biological assets**

Biological assets represent the expenditure on new planting of oil palm incurred from land clearing to the point of harvesting capitalised.

Subsequent to initial recognition, biological assets are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers and calculations based on the directors' best estimates. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any revaluation surplus is credited to the revaluation reserve included in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in the profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same assets and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

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**Notes to the financial statements - 31 December 2016**

**2. Significant accounting policies (contd.)**

**2.28 Fair value measurements**

The Group and the Company adopted FRS 13 Fair Value Measurement which prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurements takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Transfer between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

**3.0 Significant accounting estimates and judgements**

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

**3.1 Critical Judgements made in applying accounting policies**

In the process of applying the Group's and the Company's accounting policies, the management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

**(a) Assessment of impairment of land**

For the purpose of impairment testing of these assets, the recoverable amount is determined based on prevailing market value determined by professional valuers. The Group revalued its land in prior year and the directors are of the view that there is no significant change in the recoverable amount of land of the Group during the year.

**Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)****Notes to the financial statements - 31 December 2016****2. Significant accounting policies (contd.)****3.1 Critical Judgements made in applying accounting policies (contd.)****(b) Assessment of impairment of investment in subsidiaries**

Investment in subsidiaries are assessed for impairment losses whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Such assessment required the directors to make estimates of the recoverable amount. Impairment loss is recognised for the amount by which the carrying amount of the assets exceed its recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. At the reporting date, there is no indication of impairment on the investments.

**(c) Leasehold land**

As disclosed in Note 12 to the financial statements, the Group has revalued its leasehold estate land during the financial year ended 31 December 2012 and the major assumption underlying the valuation is the lease will be renewed for another 60 years term. Certain leasehold estate land has the remaining lease term of 13 years as at 31 December 2016. The directors have applied to the relevant authority for the renewal of the lease term and obtained approval for the extension of the lease term of certain leasehold land in prior years. During the year, the authority had indicated its agreement to extend the lease period for 99 years with the conditions that the Group surrenders 10% of the estate land and pays a premium of approximately RM730,000 to the authority. The Group had agreed to the conditions and is in the process of identifying the portion of land to be surrendered. The directors are confident that, barring any unforeseen circumstances, the lease term of the remaining land will also be renewed for at least another 60 years. Changes in the expected lease term of the land could impact the revalued amount of the leasehold estate land and future depreciation charges.

**Riverview Rubber Estates, Berhad  
(Incorporated in Malaysia)****Notes to the financial statements - 31 December 2016****3.2 Key sources of estimation uncertainty**

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

**a) Depreciation of property, plant and equipment**

The cost of property, plant and equipment are depreciated on a straight-line basis over the individual asset's useful life. Management estimates the useful life of plant and machinery to be 4 to 10 years while 20 to 50 years for building, based on the level of expected usage. Management also estimates that the machinery will have minimal residual values at the end of its useful life. 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.

**b) Biological assets - Oil palm**

The Group's biological assets is measured at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. The last valuation was performed in 2012 by professionally qualified valuers. The major assumptions underlying the calculation were an assumed average CPO selling price of RM2,250 to RM2,300 and average discount rate of 13.75% and 11.22% to 18.00% based on the Company's and subsidiaries' return on capital employed and the current Base Lending Rate (BLR) plus an estimated risk premium respectively. The management performs an assessment of the carrying amount every year to determine that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. The management compares the carrying amount of the biological assets with the estimated fair value. The estimated fair value of biological assets was calculated as the present value of the estate's operating cash flows over the next ten to twenty years, based on the directors' best estimates of future selling prices of fresh fruit bunches.

Changes in the major assumptions could impact the fair value of the biological assets.



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**4. Revenue**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Sales of fresh fruit bunches of oil palm	29,828,840	29,499,608	19,159,991	20,248,777
Rental income	1,481,746	1,647,682	-	-
	<u>31,310,586</u>	<u>31,147,290</u>	<u>19,159,991</u>	<u>20,248,777</u>

**5. Interest income**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest income of financial assets that are not at fair value through profit or loss - interest on fixed deposits	<u>676,064</u>	<u>705,031</u>	<u>310,459</u>	<u>177,467</u>

**6. Dividend income**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Available-for-sale financial assets : equity instruments - quoted in Malaysia	112,000	109,410	83,300	74,970
Subsidiary : equity instruments - unquoted outside Malaysia	-	-	21,004	12,049,759
	<u>112,000</u>	<u>109,410</u>	<u>104,304</u>	<u>12,124,729</u>

**Riverview Rubber Estates, Berhad**  
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**7. Profit before tax**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
The following items have been included in arriving at profit before tax:				
Auditors' remuneration :				
- Statutory audit				
- Current year	356,930	404,797	55,000	55,000
- (Over)/under provision in prior year	(11,580)	-	4,000	-
- Other services	5,000	5,000	5,000	5,000
Depreciation	1,792,706	1,642,624	797,151	745,214
Directors' remuneration (Note 8)	1,883,693	1,862,190	784,200	781,150
Interest expense of financial liabilities that are not at fair value through profit or loss				
- holding company	-	627,230	-	626,822
- revolving credit	24,254	-	23,896	-
Professional fees in connection with the Group's Mandatory General Offer of shares of a subsidiary (Note 16)	-	120,000	-	120,000
Provision for retirement benefits	27,626	31,980	13,194	17,632
Staff costs (excluding remuneration of executive director)*	6,553,190	6,913,288	4,528,301	4,918,824
Gain of foreign exchange:				
- Realised	(19,949)	(648,787)	-	(483,178)
- Unrealised	(121,000)	(299,643)	-	-
Fair value loss on investment properties	1,101,600	2,191,000	-	-
Property, plant and equipment written off	-	1	-	-
Gain on disposal of property, plant and equipment	(10,367)	-	(10,367)	-

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**7. Profit before tax (contd)**

\*Staff costs (excluding remuneration of executive director) comprise:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries and wages	6,091,819	6,503,928	4,180,048	4,612,371
Employees' Provident Fund contributions	414,038	367,524	312,287	274,301
Social Security Fund contributions	47,333	41,836	35,966	32,152
	<u>6,553,190</u>	<u>6,913,288</u>	<u>4,528,301</u>	<u>4,918,824</u>

**8. Directors' remuneration**

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors of the Company:				
Non-Executive:				
Fees	265,000	262,500	265,000	262,500
Other emoluments	519,200	518,650	519,200	518,650
	<u>784,200</u>	<u>781,150</u>	<u>784,200</u>	<u>781,150</u>
Directors of the subsidiaries:				
Non-executive:				
Fees	822,993	837,890	-	-
Other emoluments	276,500	243,150	-	-
	<u>1,099,493</u>	<u>1,081,040</u>	<u>-</u>	<u>-</u>
Total	<u>1,883,693</u>	<u>1,862,190</u>	<u>784,200</u>	<u>781,150</u>

The number of directors of the Group and the Company whose total remuneration during the financial year fall within the following bands is as follows:

Non-executive directors:				
RM50,000 and below	2	3	-	1
RM50,001 – RM100,000	1	-	-	1
RM100,001 – RM150,000	-	-	1	-
RM150,001 – RM200,000	1	2	2	1
RM200,001 – RM250,000	1	-	-	1
RM250,001 – RM300,000	-	-	1	1
RM400,000 – RM450,000	2	2	-	-
RM550,001 – RM600,000	1	-	-	-
RM600,001 – RM650,000	-	1	-	-
	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>

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**9. Tax expenses**

**Major components of income tax expense**

The major components of income tax expense for the years ended 31 December 2016 and 2015 are :

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Current income tax :				
Malaysian income tax	2,689,100	2,524,888	1,639,967	1,757,650
(Over)/under provision in prior year	<u>(12,624)</u>	<u>190,606</u>	<u>(7,649)</u>	<u>195,173</u>
	<u>2,676,476</u>	<u>2,715,494</u>	<u>1,632,318</u>	<u>1,952,823</u>
Deferred income tax (Note 19):				
Origination and reversal of temporary differences	(123,650)	(415,235)	189,211	235,247
Under/(over) provision in prior year	<u>3,502</u>	<u>327,656</u>	<u>(7,096)</u>	<u>349,383</u>
	<u>(120,148)</u>	<u>(87,579)</u>	<u>182,115</u>	<u>584,630</u>
Income tax expense recognised in profit or loss	<u>2,556,328</u>	<u>2,627,915</u>	<u>1,814,433</u>	<u>2,537,453</u>

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**9. Tax expenses (contd.)**

**Reconciliation between tax expense and accounting profit**

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax	<u>10,789,944</u>	<u>8,950,400</u>	<u>7,455,125</u>	<u>19,283,988</u>
Tax expenses at applicable rate	2,589,587	2,237,600	1,789,230	4,820,997
Effect of different tax rates in other country	(29,672)	(62,910)	-	-
Utilisation of previously unrecognised deferred tax assets	(182,118)	(154,007)	-	-
Income not subject to tax	(105,594)	(144,365)	(25,033)	(3,151,977)
Unrealised gain on foreign exchange	-	(71,500)	-	-
Expenses not deductible for tax purposes	361,925	468,608	64,981	333,679
Effect of changes in tax rate	-	(10,485)	-	(9,802)
Crystallisation of deferred tax liability on revaluation reserve	(68,678)	(153,288)	-	-
Under/(over) provision of deferred tax in prior year	3,502	327,656	(7,096)	349,383
(Over)/under provision of current tax in prior year	<u>(12,624)</u>	<u>190,606</u>	<u>(7,649)</u>	<u>195,173</u>
Tax expense for the year	<u>2,556,328</u>	<u>2,627,915</u>	<u>1,814,433</u>	<u>2,537,453</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

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**9. Tax expenses (contd.)**

Deferred tax assets have not been recognised in respect of the following item:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unutilised business losses carried forward	98,276	323,147	-	-
Unabsorbed capital allowances	1,458	359,650	-	-
	<u>99,734</u>	<u>682,797</u>	<u>-</u>	<u>-</u>
Deferred tax assets not recognised at foreign tax rate of 30% (2015: 30%)	<u>29,920</u>	<u>204,839</u>	<u>-</u>	<u>-</u>

The unutilised business losses above arose in Australia and are available indefinitely for offset against future taxable profits of the Australian subsidiary.

Tax savings of the Group arising from the utilisation of previously unutilised tax losses amounted to RM70,869 (2015: RM154,007).

**10. Earnings per share**

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares during the financial year.

The following reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 December 2016 and 2015:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	<u>8,076,146</u>	<u>6,268,698</u>
Weighted average number of ordinary shares for basic earnings per share computation	<u>64,850,448</u>	<u>64,850,448</u>
Basic earnings per share (sen)	<u>12.45</u>	<u>9.67</u>

There is no dilutive effect on earnings per share as the Company has no potential issues of ordinary shares.

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**11. Dividends**

	Dividends in respect of Year		Dividends recognised in Year	
	2016	2015	2016	2015
	RM	RM	RM	RM
<b>Recognised during the year:</b>				
Interim dividend for 2015: 6% under the single tier system on 64,850,448 ordinary shares (6.00 sen per ordinary share)	-	3,891,027	-	3,891,027
	<u>-</u>	<u>3,891,027</u>	<u>-</u>	<u>3,891,027</u>
Interim dividend for 2016: 6% under the single tier system on 64,850,448 ordinary shares (6.00 sen per ordinary share)	3,891,027	-	3,891,027	-
	<u>3,891,027</u>	<u>-</u>	<u>3,891,027</u>	<u>-</u>
Total dividends	<u>3,891,027</u>	<u>3,891,027</u>	<u>3,891,027</u>	<u>3,891,027</u>

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Riverview Rubber Estates, Berhad  
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## 12. Property, plant and equipment

	Leasehold estate land RM	Freehold estate land RM	Buildings RM	Plant and machinery RM	Vehicles RM	Furniture, fixture and electrical installation RM	Total RM
<b>Group</b>							
<b>Cost or valuation</b>							
At 1 January 2016	12,978,683	185,136,555	8,237,974	2,905,276	3,446,393	1,275,558	213,980,439
Additions	12,000	-	212,252	232,526	270,000	62,279	789,057
Disposal	-	-	-	-	(191,097)	-	(191,097)
At 31 December 2016	12,990,683	185,136,555	8,450,226	3,137,802	3,525,296	1,337,837	214,578,399
Representing:							
At cost	79,738	-	8,450,226	3,137,802	3,525,296	1,337,837	16,530,899
At valuation	12,910,945	185,136,555	-	-	-	-	198,047,500
	12,990,683	185,136,555	8,450,226	3,137,802	3,525,296	1,337,837	214,578,399
<b>Accumulated depreciation</b>							
At 1 January 2016	1,968,323	-	1,180,626	1,902,250	2,398,634	947,984	8,397,817
Charge for the year	657,676	-	405,717	332,923	340,938	55,452	1,792,706
Disposal	-	-	-	-	(164,671)	-	(164,671)
At 31 December 2016	2,625,999	-	1,586,343	2,235,173	2,574,901	1,003,436	10,025,852
<b>Net carrying amount</b>							
At cost	74,970	-	6,863,883	902,629	950,395	334,401	9,126,278
At valuation	10,289,714	185,136,555	-	-	-	-	195,426,269
At 31 December 2016	10,364,684	185,136,555	6,863,883	902,629	950,395	334,401	204,552,547



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**Riverview Rubber Estates, Berhad**  
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**12. Property, plant and equipment (contd.)**

<b>Company</b>	<b>Leasehold estate land RM</b>	<b>Freehold estate land RM</b>	<b>Buildings RM</b>	<b>Machinery RM</b>	<b>Vehicles RM</b>	<b>Furniture and fittings RM</b>	<b>Total RM</b>
<b>Cost or valuation</b>							
At 1 January 2016	788,779	132,630,582	4,952,777	2,537,036	2,638,175	915,701	144,463,050
Additions	-	-	115,740	184,116	90,000	54,879	444,735
Disposals	-	-	-	-	(191,097)	-	(191,097)
At 31 December 2016	<u>788,779</u>	<u>132,630,582</u>	<u>5,068,517</u>	<u>2,721,152</u>	<u>2,537,078</u>	<u>970,580</u>	<u>144,716,688</u>
Representing:							
At cost	25,989	-	5,068,517	2,721,152	2,537,078	970,580	11,323,316
At valuation	762,790	132,630,582	-	-	-	-	133,393,372
	<u>788,779</u>	<u>132,630,582</u>	<u>5,068,517</u>	<u>2,721,152</u>	<u>2,537,078</u>	<u>970,580</u>	<u>144,716,688</u>
<b>Accumulated depreciation</b>							
At 1 January 2016	13,038	-	849,247	1,676,770	1,887,377	676,945	5,103,377
Charge for the year	8,365	-	238,622	278,645	230,309	41,210	797,151
Disposals	-	-	-	-	(164,671)	-	(164,671)
At 31 December 2016	<u>21,403</u>	<u>-</u>	<u>1,087,869</u>	<u>1,955,415</u>	<u>1,953,015</u>	<u>718,155</u>	<u>5,735,857</u>
<b>Net carrying amount</b>							
At cost	25,395	-	3,980,648	765,737	584,063	252,425	5,608,268
At valuation	741,981	132,630,582	-	-	-	-	133,372,563
At 31 December 2016	<u>767,376</u>	<u>132,630,582</u>	<u>3,980,648</u>	<u>765,737</u>	<u>584,063</u>	<u>252,425</u>	<u>138,980,831</u>

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**Riverview Rubber Estates, Berhad**  
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**12. Property, plant and equipment (contd.)**

<b>Group</b>	<b>Leasehold estate land RM</b>	<b>Freehold estate land RM</b>	<b>Buildings RM</b>	<b>Plant and Machinery RM</b>	<b>Vehicles RM</b>	<b>Furniture, fixture and electrical installation RM</b>	<b>Total RM</b>
<b>Cost or valuation</b>							
At 1 January 2015	11,935,744	185,136,555	7,861,014	2,250,387	2,860,338	1,176,536	211,220,574
Reclassification (Note 15)	200,000	-	-	-	-	-	200,000
Additions	38,354	-	376,960	746,289	586,055	99,022	1,846,680
Revaluation	804,585	-	-	-	-	-	804,585
Written off	-	-	-	(91,400)	-	-	(91,400)
At 31 December 2015	<u>12,978,683</u>	<u>185,136,555</u>	<u>8,237,974</u>	<u>2,905,276</u>	<u>3,446,393</u>	<u>1,275,558</u>	<u>213,980,439</u>
Representing:							
At cost	67,738	-	8,237,974	2,905,276	3,446,393	1,275,558	15,932,939
At valuation	<u>12,910,945</u>	<u>185,136,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,047,500</u>
	<u>12,978,683</u>	<u>185,136,555</u>	<u>8,237,974</u>	<u>2,905,276</u>	<u>3,446,393</u>	<u>1,275,558</u>	<u>213,980,439</u>
<b>Accumulated depreciation</b>							
At 1 January 2015	1,313,355	-	840,112	1,705,446	2,094,156	893,523	6,846,592
Reclassification (Note 15)	200,000	-	-	-	-	-	200,000
Charge for the year	654,968	-	340,514	288,203	304,478	54,461	1,642,624
Reversal of accumulated depreciation on revaluation	(200,000)	-	-	-	-	-	(200,000)
Written off	-	-	-	(91,399)	-	-	(91,399)
At 31 December 2015	<u>1,968,323</u>	<u>-</u>	<u>1,180,626</u>	<u>1,902,250</u>	<u>2,398,634</u>	<u>947,984</u>	<u>8,397,817</u>
<b>Net carrying amount</b>							
At cost	63,755	-	7,057,348	1,003,026	1,047,759	327,574	9,499,462
At valuation	<u>10,946,605</u>	<u>185,136,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,083,160</u>
At 31 December 2015	<u>11,010,360</u>	<u>185,136,555</u>	<u>7,057,348</u>	<u>1,003,026</u>	<u>1,047,759</u>	<u>327,574</u>	<u>205,582,622</u>

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Riverview Rubber Estates, Berhad  
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12. Property, plant and equipment (contd.)

	Leasehold estate land RM	Freehold estate land RM	Buildings RM	Machinery RM	Vehicles RM	Furniture and fittings RM	Total RM
<b>Company</b>							
<b>Cost or valuation</b>							
At 1 January 2015	788,779	132,630,582	4,764,127	1,946,817	2,286,175	820,829	143,237,309
Additions	-	-	188,650	590,219	352,000	94,872	1,225,741
At 31 December 2015	788,779	132,630,582	4,952,777	2,537,036	2,638,175	915,701	144,463,050
Representing:							
At cost	25,989	-	4,952,777	2,537,036	2,638,175	915,701	11,069,678
At valuation	762,790	132,630,582	-	-	-	-	133,393,372
	788,779	132,630,582	4,952,777	2,537,036	2,638,175	915,701	144,463,050
<b>Accumulated depreciation</b>							
At 1 January 2015	4,673	-	619,440	1,444,793	1,653,244	636,013	4,358,163
Charge for the year	8,365	-	229,807	231,977	234,133	40,932	745,214
At 31 December 2015	13,038	-	849,247	1,676,770	1,887,377	676,945	5,103,377
<b>Net carrying amount</b>							
At cost	25,692	-	4,103,530	860,266	750,798	238,756	5,979,042
At valuation	750,049	132,630,582	-	-	-	-	133,380,631
At 31 December 2015	775,741	132,630,582	4,103,530	860,266	750,798	238,756	139,359,673

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**12. Property, plant and equipment (contd.)**

Included in the total carrying amount of leasehold estate land are:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Leasehold estate land with unexpired lease period of more than 50 years	2,064,753	2,070,168	767,376	775,741
Leasehold estate land with unexpired lease period of less than 50 years	8,299,931	8,940,192	-	-
	<u>10,364,684</u>	<u>11,010,360</u>	<u>767,376</u>	<u>775,741</u>

Revaluation of freehold land and buildings

During last financial year, a subsidiary obtained approval for the extension of the lease term of a leasehold land to 99 years. The directors have reassessed the classification of the leasehold land and determined that the subsidiary owns the risk and reward associated to the land. As a result, the land was reclassified from prepaid land lease payments to property, plant and equipment. According to the Group accounting policy, the leasehold land was revalued based on valuation performed by accredited independent valuers. The leasehold land was revalued at RM1,004,585 using the comparison method.

The remaining freehold and leasehold land and biological assets were revalued during the financial year ended 31 December 2012 based on valuations performed by accredited independent valuers using the comparison method.

The fair value of freehold and leasehold estate land were determined by reference to the recent transactions and asking prices of similar properties in the locality, adjusted for differences in characteristics to arrive at the market value.

The major assumption underlying the revaluation of the leasehold estate land of a subsidiary is the lease will be renewed for another 60 years. Certain leasehold estate land has the remaining lease term of 13 years as at 31 December 2016. The directors have applied to the relevant authority for the renewal of the lease term and obtained approval for the extension of the lease term of certain leasehold land in prior years. The directors are confident that, barring any unforeseen circumstances, the lease term of the remaining land will also be renewed for at least another 60 years as stated in Note 3.1(c).

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**12. Property, plant and equipment (contd.)**

Revaluation of freehold land and buildings (contd.)

Had the freehold and leasehold land been carried at historical cost less accumulated depreciation, the carrying amounts would have been as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Freehold estate land	12,000,434	12,000,434	8,283,914	8,283,914
Leasehold estate land	2,383,261	2,795,255	-	-
	<u>14,383,695</u>	<u>14,795,689</u>	<u>8,283,914</u>	<u>8,283,914</u>

Property, plant and equipment of the Group and of the Company are acquired during the year by means of cash payments.

Fair value information

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table present the Group's estate land and biological assets that are measured at fair value:

	<b>31 December 2016</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Company</b>				
Freehold estate land	-	-	132,630,582	132,630,582
Leasehold estate land	-	-	741,981	741,981
Biological assets - oil palm	-	-	46,541,873	46,541,873
<b>Subsidiaries</b>				
Freehold estate land	-	-	52,505,973	52,505,973
Leasehold estate land	-	-	9,547,733	9,547,733
Biological assets - oil palm	-	-	25,146,148	25,146,148
	<u>-</u>	<u>-</u>	<u>267,114,290</u>	<u>267,114,290</u>

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**12. Property, plant and equipment (contd.)**

Fair value information (contd.)

	31 December 2015			Total RM
	Level 1 RM	Level 2 RM	Level 3 RM	
<b>Company</b>				
Freehold estate land	-	-	132,630,582	132,630,582
Leasehold estate land	-	-	750,049	750,049
Biological assets - oil palm	-	-	46,541,873	46,541,873
<b>Subsidiaries</b>				
Freehold estate land	-	-	52,505,973	52,505,973
Leasehold estate land	-	-	10,196,556	10,196,556
Biological assets - oil palm	-	-	25,146,148	25,146,148
	-	-	<u>267,771,181</u>	<u>267,771,181</u>

There were no transfers between any levels during the year.

**Valuation process applied by the Group for Level 3 fair value**

The fair values of land and biological assets are determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

The external valuations of the Level 3 land have been performed using a sales comparison approach by reference to the recent transactions and asking prices of similar properties in the locality, adjusted for differences in characteristics by using unobservable inputs. The external valuers have determined these inputs based on location, access, terrain, age of trees, condition of holding, standard of maintenance, time element and other relevant factors.

The fair value of biological assets is calculated as the present value of the estates' operating cash flows over the next ten years.

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**12. Property, plant and equipment (contd.)**

Fair value information (contd.)

**Valuation process applied by the Group for Level 3 fair value (contd.)**

Information about fair value measurements using significant unobservable inputs (Level 3):

<b>Description</b>	<b>Valuation technique(s)</b>	<b>Unobservable inputs</b>	<b>Range of unobservable inputs</b>
Oil palm estates in Perak, Malaysia	Sales comparison approach	Price per hectare (Ha)	RM74,665/Ha to RM134,386/Ha
Palm oil plantation	Discounted cash flows	Palm oil yield -tonnes/Ha	22 - 27 per year
		Crude palm oil price	RM2,250 - RM2,300
		Palm kernel price	RM1,364
		Discount rate	11.38% - 18%

Certain freehold land of the Company amounting to RM20,770,754 have been charged to secure banking facility granted to the Company. The borrowings have been fully settled at the reporting date.

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**13. Biological assets**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Oil palm</b>				
<b>At valuation</b>				
At 1 January	71,688,021	71,480,990	46,541,873	46,541,873
Revaluation recognised in other comprehensive income	-	207,031	-	-
At 31 December	<u>71,688,021</u>	<u>71,688,021</u>	<u>46,541,873</u>	<u>46,541,873</u>

Biological assets of the Group and of the Company comprise oil palm and are stated at valuation based on allocation of valuation of the freehold and leasehold estate land of the Group and the Company as detailed in Note 12.

The allocation was calculated as the present value of the estates' operating cash flows over the next ten to twenty years, based on the directors' best estimates of future selling prices of fresh fruit bunches. The major assumptions underlying the calculation were an assumed average CPO selling price of RM2,250 to RM2,300 and average discount rate of 9.00% to 18.00% based on the Company's and subsidiaries' return on capital employed and the current Base Lending Rate (BLR) plus an estimated risk premium respectively.

Changes in the major assumptions could impact the value of the biological assets as analysed in Note 28 (c).

**14. Investment properties**

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
<b>Fair value</b>		
At 1 January	39,125,000	37,884,000
Fair value loss	(1,101,600)	(2,191,000)
Exchange translation	1,375,000	3,432,000
At 31 December	<u>39,398,400</u>	<u>39,125,000</u>

Investment properties comprise the following properties:

Freehold land	25,066,937	25,029,699
Buildings on freehold land	14,331,463	14,095,301
	<u>39,398,400</u>	<u>39,125,000</u>



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**14. Investment properties (contd.)**

The following are recognised in profit or loss in respect of investment properties:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Rental income	1,481,746	1,647,682
Direct operating expenses:		
- income generating investment properties	<u>677,487</u>	<u>593,742</u>

The fair value of the Group's investment properties as at 31 December 2016 was determined from market-based evidence by appraisal that is undertaken by a professionally qualified valuer.

Fair value information

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table present the Group's investment properties that are measured at fair value at 31 December 2016:

<b>Group</b>	<b>31 December 2016</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Freehold land	-	25,066,937	-	25,066,937
Buildings	-	14,331,463	-	14,331,463
	<u>-</u>	<u>39,398,400</u>	<u>-</u>	<u>39,398,400</u>

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**14. Investment properties (contd.)**

Fair value information (contd.)

Group	31 December 2015			Total RM
	Level 1 RM	Level 2 RM	Level 3 RM	
Freehold land	-	25,029,699	-	25,029,699
Buildings	-	14,095,301	-	14,095,301
	<u>-</u>	<u>39,125,000</u>	<u>-</u>	<u>39,125,000</u>

There were no transfers between any levels during the year.

**Valuation process applied by the Group for Level 2 fair value**

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

**15. Prepaid land lease payments**

	Group	
	2016 RM	2015 RM
<b>Short term leasehold land</b>		
<b>Cost</b>		
At 1 January	-	200,000
Reclassification (Note 12)	-	(200,000)
At 31 December	<u>-</u>	<u>-</u>
<b>Accumulated amortisation</b>		
At 1 January	-	200,000
Reclassification (Note 12)	-	(200,000)
At 31 December	<u>-</u>	<u>-</u>
<b>Carrying amount</b>		
At 31 December	<u>-</u>	<u>-</u>

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**16. Investment in subsidiaries**

	Company	
	2016 RM	2015 RM
Unquoted shares outside Malaysia, at cost	47,990,605	47,990,605
Unquoted shares in Malaysia, at cost	308,410	308,400
	48,299,015	48,299,005

Details of the subsidiaries are as follows:

Name of Company	Principal place of business	Country of incorporation	Principal activities	Proportion (%) of ownership interest held by			
				Subsidiary		Company	
				2016	2015	2016	2015
The Narborough Plantations Plc * # (TNP)	Malaysia	England	Oil palm plantations	-	-	100.0	100.0
Rivaknar Holdings Sdn. Bhd.	Malaysia	Malaysia	Investment holding	33.3	33.3	33.3	33.3
Hageo Sdn. Bhd. (HSB)	Malaysia	Malaysia	Dormant	-	-	100.0	-
<b>Subsidiaries of Rivaknar Holdings Sdn. Bhd. (RHSB)</b>							
Rivaknar Properties (W.A.) Pty. Ltd. *	Australia	Australia	Investment holding	100	100	-	-
CG Plantations Sdn. Bhd. (CGSB)	Malaysia	Malaysia	Oil palm plantations	99.9	99.9	-	-

\* Not audited by Sekhar & Tan

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**16. Investment in subsidiaries (contd.)**

- # The auditors' report of TNP was qualified in respect of departure from compliance with:
- (i) the amendments to IAS 16/MFRS 116 Property, Plant and Equipment and IAS41/MFRS 141 Agriculture for bearer plants which require the company to exclude bearer plants from the biological assets and account for it as a class of Property, Plant and Equipment. The company has not performed an exercise to determine the amounts that should be separately recognised as the bearer plant component; and
  - (ii) IAS 41/MFRS 141 Agriculture which require a biological asset to be measured at each reporting period at its fair value less costs to sell. The company has not performed an updated valuation of the biological assets as at 31 December 2016.

The component auditors are unable to quantify the amount of any adjustment that would be required to the financial statements to recognise the bearer plant and biological asset in accordance with IAS 16 and IAS 41 respectively.

However, these departures do not have any impact to the consolidated financial statements of the Group as the Group being a transitioning entity has not adopted MFRS. Any adjustments, if taken up as required by IAS 41 and amendments to IAS 16 and IAS 41 would be reversed in the consolidated financial statements of the Group to ensure conformity of the subsidiary's accounting policies with those of the Group.

2016

During the year, the Group acquired additional 250 ordinary shares of RM1 each in CGSB for a total cash consideration of RM1,050.

During the year, the Company acquired 10 ordinary shares of RM1 each representing 100% of the equity interest in HSB for a total cash consideration of RM10.

These acquisitions do not have significant impact to the financial statements of the Group and the Company.

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**16. Investment in subsidiaries (contd.)**

2015

On 9 May 2015, the Company completed the acquisition of the remaining shares of TNP for a total cash consideration of RM47,292,500, increasing its ownership in TNP from 49.8% to 100% and the Group's effective interest in RHSB from 49.9% to 66.7%. The shares of TNP were delisted from the London Stock Exchange, in the United Kingdom on 21 April 2015.

The carrying amount of TNP's and RHSB's net assets in the Group's financial statements on the date of the acquisition was RM78,325,310 and RM41,104,507 respectively. The Group recognised a decrease in non-controlling interests of RM49,636,537 and an increase in retained profits of RM2,344,037.

The following summarises the effect of changes in the equity interest in TNP and RHSB that is attributable to owners of the Company:

	<b>Group 2015 RM</b>
Equity interest at 1 January 2015	69,793,280
Effect of increase in Company's ownership interest	49,636,537
Share of comprehensive income	4,437,771
Dividend received	<u>(12,049,759)</u>
Equity interest at 31 December 2015	<u>111,817,829</u>

**17. Investment securities**

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM</b>	<b>2015 RM</b>	<b>2016 RM</b>	<b>2015 RM</b>
Available-for-sale financial assets				
- Equity instruments :				
(quoted shares in Malaysia)				
At market value (Note 30)	<u>3,298,596</u>	<u>3,116,988</u>	<u>2,242,436</u>	<u>2,112,488</u>

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**18. Goodwill on consolidation**

Goodwill is arising from business combinations.

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill.

(i) Average CPO selling price

An assumed average CPO selling price of RM2,825 (2015: RM2,250) is used, based on the directors' best estimates of future selling prices of fresh fruit bunches.

(ii) Average discounted rate

The discount rate used is 9.75% (2015: 9.75%) based on Base Lending Rate (BLR) plus an estimated risk premium.

The management carried out an annual review of recoverable amounts of its goodwill each financial year. The review in the current financial year did not give rise to impairment losses.

The Group believes that any reasonable possible change in the above key assumptions applied are not likely to materially cause recoverable amounts to be lower than their carrying amounts.

**19. Deferred tax (assets)/liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 January	20,942,179	20,448,987	7,900,980	7,316,350
Recognised in profit or loss (Note 9)	(120,148)	(87,579)	182,115	584,630
Recognised in other comprehensive income	326	247,231	-	-
Exchange translation	118,750	333,540	-	-
At 31 December	<u>20,941,107</u>	<u>20,942,179</u>	<u>8,083,095</u>	<u>7,900,980</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(42,474)	(32,969)	(36,136)	(32,969)
Deferred tax liabilities	<u>20,983,581</u>	<u>20,975,148</u>	<u>8,119,231</u>	<u>7,933,949</u>
	<u>20,941,107</u>	<u>20,942,179</u>	<u>8,083,095</u>	<u>7,900,980</u>

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**19. Deferred tax (assets)/liabilities (contd.)**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	At 1 January RM	Exchange translation RM	Recognised in other comprehensive income RM	Recognised in profit or loss RM	At 31 December RM
<b>2016 Group</b>					
<b>Deferred tax liabilities</b>					
Revaluation surplus	16,322,860	-	326	(62,989)	16,260,197
Investment properties	3,792,424	118,750	-	(330,480)	3,580,694
Property, plant and equipment	859,864	-	-	282,826	1,142,690
	<u>20,975,148</u>	<u>118,750</u>	<u>326</u>	<u>(110,643)</u>	<u>20,983,581</u>
<b>Deferred tax assets</b>					
Provision for retirement benefits	<u>(32,969)</u>	<u>-</u>	<u>-</u>	<u>(9,505)</u>	<u>(42,474)</u>
	<u>20,942,179</u>	<u>118,750</u>	<u>326</u>	<u>(120,148)</u>	<u>20,941,107</u>

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19. Deferred tax (assets)/liabilities (contd.)

	At 1 January RM	Exchange translation RM	Recognised in other comprehensive income RM	Recognised in profit or loss RM	At 31 December RM
<b>2015 Group</b>					
<b>Deferred tax liabilities</b>					
Revaluation surplus	16,228,917	-	247,231	(153,288)	16,322,860
Investment properties	4,095,251	333,540	-	(636,367)	3,792,424
Property, plant and equipment	154,545	-	-	705,319	859,864
	<u>20,478,713</u>	<u>333,540</u>	<u>247,231</u>	<u>(84,336)</u>	<u>20,975,148</u>
<b>Deferred tax assets</b>					
Provision for retirement benefits	(29,726)	-	-	(3,243)	(32,969)
	<u>20,448,987</u>	<u>333,540</u>	<u>247,231</u>	<u>(87,579)</u>	<u>20,942,179</u>



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19. Deferred tax (assets)/liabilities (contd.)

	At 1 January RM	Recognised in other comprehensive income RM	Recognised in profit or loss RM	At 31 December RM
<b>2016</b>				
<b>Company</b>				
<b>Deferred tax liabilities</b>				
Revaluation surplus	7,298,948	-	(2,008)	7,296,940
Property, plant and equipment	<u>635,001</u>	<u>-</u>	<u>187,290</u>	<u>822,291</u>
	<u>7,933,949</u>	<u>-</u>	<u>185,282</u>	<u>8,119,231</u>
<b>Deferred tax assets</b>				
Provision for retirement benefits	<u>(32,969)</u>	<u>-</u>	<u>(3,167)</u>	<u>(36,136)</u>
	<u>7,900,980</u>	<u>-</u>	<u>182,115</u>	<u>8,083,095</u>
<b>2015</b>				
<b>Company</b>				
<b>Deferred tax liabilities</b>				
Revaluation surplus	7,302,036	-	(3,088)	7,298,948
Property, plant and equipment	<u>44,040</u>	<u>-</u>	<u>590,961</u>	<u>635,001</u>
	<u>7,346,076</u>	<u>-</u>	<u>587,873</u>	<u>7,933,949</u>
<b>Deferred tax assets</b>				
Provision for retirement benefits	<u>(29,726)</u>	<u>-</u>	<u>(3,243)</u>	<u>(32,969)</u>
	<u>7,316,350</u>	<u>-</u>	<u>584,630</u>	<u>7,900,980</u>

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**20. Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trade receivables	1,840,343	959,481	1,328,916	674,260
Other receivables	2,462,440	143,390	2,288,994	90,620
Deposits	71,966	63,742	50,766	50,766
Trade and other receivables	<u>4,374,749</u>	<u>1,166,613</u>	<u>3,668,676</u>	<u>815,646</u>

Trade receivables are non-interest bearing and are generally on 30 days (2015 : 30 days) term. They are recognised at their original statement amounts and represent their fair values on initial recognition.

All trade receivables are neither past due nor impaired.

The currency exposure profile of trade receivables and other receivables is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Ringgit Malaysia	4,262,214	1,145,136	3,668,676	815,646
Australian Dollar	112,535	21,477	-	-
	<u>4,374,749</u>	<u>1,166,613</u>	<u>3,668,676</u>	<u>815,646</u>

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**21. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash on hand and at banks	3,684,749	4,561,930	1,234,771	1,145,662
Deposits with licensed banks in Malaysia	24,588,447	21,161,457	11,168,447	12,061,457
	<u>28,273,196</u>	<u>25,723,387</u>	<u>12,403,218</u>	<u>13,207,119</u>

The currency exposure profile of deposits, cash and bank balances is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
- Ringgit Malaysia	26,584,469	24,420,084	12,403,218	13,207,119
- Pound Sterling	-	88,572	-	-
- Australian Dollar	1,688,727	1,214,731	-	-
	<u>28,273,196</u>	<u>25,723,387</u>	<u>12,403,218</u>	<u>13,207,119</u>

The following table set out the carrying amounts, the effective interest rates ("EIR") as at reporting date and the maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

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**21. Cash and cash equivalents (contd.)**

	Within 1 year RM	1 - 2 years RM	Total RM
<b>At 31 December 2016</b>			
<b>Group</b>			
<b>Fixed rate</b>			
Deposits with licensed banks in Malaysia at the following EIR			
- 2.75% - 3.50%	<u>24,588,447</u>	<u>-</u>	<u>24,588,447</u>
<b>Company</b>			
<b>Fixed rate</b>			
Deposits with licensed banks in Malaysia at the following EIR			
- 2.75% - 3.50%	<u>11,168,447</u>	<u>-</u>	<u>11,168,447</u>
<b>At 31 December 2015</b>			
<b>Group</b>			
<b>Fixed rate</b>			
Deposits with licensed banks in Malaysia at the following EIR			
- 3.00% - 3.50%	<u>21,161,457</u>	<u>-</u>	<u>21,161,457</u>
<b>Company</b>			
<b>Fixed rate</b>			
Deposits with licensed banks in Malaysia at the following EIR			
- 3.00% - 3.50%	<u>12,061,457</u>	<u>-</u>	<u>12,061,457</u>

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**22. Trade and other payables**

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables	113,840	227,725	38,396	149,164
Other payables:				
Third parties	358,081	318,920	119,595	109,075
Accruals	2,009,556	2,186,596	770,660	829,503
Deposits refundable	29,546	29,546	-	-
	2,397,183	2,535,062	890,255	938,578
Dividend payable	3,891,027	3,891,027	3,891,027	3,891,027
	<u>6,402,050</u>	<u>6,653,814</u>	<u>4,819,678</u>	<u>4,978,769</u>

Trade payables are non-interest bearing and normally settled within 30 to 90 days (2015 : 30 - 90 days) terms.

The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
- Ringgit Malaysia	6,299,906	6,513,668	4,819,678	4,978,769
- Australian Dollar	102,144	140,146	-	-
	<u>6,402,050</u>	<u>6,653,814</u>	<u>4,819,678</u>	<u>4,978,769</u>

**23. Provision for retirement benefits**

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	164,347	132,367	137,372	119,740
Additional provision	27,626	41,630	13,194	27,282
Reversal of provision	-	(9,650)	-	(9,650)
At 31 December	<u>191,973</u>	<u>164,347</u>	<u>150,566</u>	<u>137,372</u>

Represented by:

Non-current liabilities

Payable between more  
than 1 year and less  
than 5 years

	14,610	32,112	14,061	32,112
Payable later than 5 years	177,363	132,235	136,505	105,260
	<u>191,973</u>	<u>164,347</u>	<u>150,566</u>	<u>137,372</u>
	<u>191,973</u>	<u>164,347</u>	<u>150,566</u>	<u>137,372</u>

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**24. Share capital**

	Company			
	Number of ordinary shares of RM1 each		Amount	
	2016	2015	2016 RM	2015 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid up	64,850,448	64,850,448	64,850,448	64,850,448

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

**25. Reserves**

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable:				
Capital reserves:				
Asset revaluation	171,521,326	171,521,652	136,040,711	136,040,711
Exchange fluctuation	2,615,376	1,828,201	-	-
	174,136,702	173,349,853	136,040,711	136,040,711
Fair value adjustment reserve	1,562,689	1,398,301	1,464,402	1,334,454
	175,699,391	174,748,154	137,505,113	137,375,165
Distributable:				
Capital reserve:				
Reserves realised on disposal of assets*	-	2,761,091	-	-
General reserves:				
Asset realisation reserves	4,226,205	4,226,205	3,471,067	3,471,067
Unappropriated retained profits	2,291,126	2,291,126	2,291,126	2,291,126
	6,517,331	6,517,331	5,762,193	5,762,193
	6,517,331	9,278,422	5,762,193	5,762,193
	182,216,722	184,026,576	143,267,306	143,137,358

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**25. Reserves (contd.)**

- (a) The non-distributable capital reserves are not distributable by way of cash dividends.
  - (b) Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed or impaired.
  - (c) Exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.
  - (d) The asset revaluation reserves represent increases in the fair value of freehold and leasehold estate land and biological assets, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.
- \* An adjustment has been made by a subsidiary to transfer the reserves realised on disposal of assets to retained profits. The impact from this transfer is a reduction of RM2,761,091 in the distributable capital reserve and an increase of the same amount in retained profits as stated in the statements of changes in equity.

**26. Retained profits**

The Company is able to distribute dividends out of its distributable reserves as at 31 December 2016 and 2015 under the single tier system.

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**27. Non-controlling interests**

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

	<b>Rivaknar Holdings Sdn Bhd RM</b>	<b>Intra-group eliminations RM</b>	<b>Total RM</b>
<b>2016</b>			
<b>NCI percentage (%)</b>	<u>33.33%</u>		
Non-current assets	59,784,822	-	59,784,822
Current assets	12,927,821	-	12,927,821
Non-current liabilities	(5,696,358)	-	(5,696,358)
Current liabilities	(644,485)	-	(644,485)
<b>Net assets</b>	<u>66,371,800</u>	-	<u>66,371,800</u>
Carrying amount of NCI	<u>22,086,891</u>	-	<u>22,086,891</u>
Revenue	4,863,356	-	4,863,356
Profit	472,410	-	472,410
Other comprehensive income ("OCI")	1,232,430	-	1,232,430
<b>Total comprehensive income</b>	<u>1,704,840</u>	-	<u>1,704,840</u>
Profit allocated to NCI	157,470	-	157,470
OCI allocated to NCI	<u>410,810</u>	-	<u>410,810</u>
Cash flows from operating activities	384,644	-	384,644
Cash flows from investment activities	77,780	-	77,780
Cash flows from financing activities	-	-	-
<b>Net increase in cash and cash equivalents</b>	<u>462,424</u>	-	<u>462,424</u>



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27. Non-controlling interests (contd.)

	Rivaknar Holdings Sdn Bhd RM	Intra-group eliminations RM	Total RM
<b>2015</b>			
<b>NCI percentage (%)</b>	<u>33.33%</u>		
Non-current assets	60,068,951	-	60,068,951
Current assets	11,193,338	-	11,193,338
Non-current liabilities	(5,962,182)	-	(5,962,182)
Current liabilities	(734,667)	-	(734,667)
<b>Net assets</b>	<u>64,565,440</u>	-	<u>64,565,440</u>
Carrying amount of NCI	<u>21,519,661</u>	-	<u>21,519,661</u>
Revenue	5,008,520	-	5,008,520
Profit	161,377	-	161,377
Other comprehensive income ("OCI")	2,852,019	-	2,852,019
<b>Total comprehensive income</b>	<u>3,013,396</u>	-	<u>3,013,396</u>
Profit allocated to NCI	53,787	-	53,787
OCI allocated to NCI	950,578	-	950,578
Cash flows from operating activities	622,942	-	622,942
Cash flows from investment activities	13,306	-	13,306
Cash flows from financing activities	-	-	-
<b>Net increase in cash and cash equivalents</b>	<u>636,248</u>	-	<u>636,248</u>

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**28. Financial risk management policies**

The Group's and the Company's activities expose them to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing their risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The policy in respect of the major areas of treasury activity is set out as follows:

**(a) Foreign currency exchange risk**

The Group and the Company are exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than Ringgit Malaysia. The Group's and the Company's policy is to limit their exposure on foreign currency exchange risk by entering into foreign currency exchange transactions denominated in the Australian Dollar and Pound Sterling, wherever possible.

The net unhedged financial assets of the Group and the Company that are not denominated in their functional currencies are disclosed in their respective notes.

Sensitivity analysis for foreign currency exchange risk

The following table demonstrated the sensitivity of the Group's and the Company's profit after tax to a reasonably possible change in Pound Sterling and Australian Dollar exchange rate against the functional currency of the Group and the Company, with all other variables held constant. The Group's and the Company's profit after tax would increase/(decrease), as applicable, by the amounts stated below if the individual foreign currency had weakened/strengthened by the ten percentage (10%):

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Pound Sterling	-	8,857	-	-
Australian Dollar	169,912	109,606	-	-

**(b) Interest rate risk**

The Group's and Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's deposits and short term borrowings. The deposits are managed through the placement of fixed rate short-term deposits. The short term borrowings are managed through the use of fixed rate debt.

The information on maturity dates and interest rates of financial assets and liabilities are disclosed in their respective notes.

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**28. Financial risk management policies (contd.)**

**(b) Interest rate risk (contd.)**

Sensitivity analysis for interest rate risk

The Group and the Company expect that any fluctuation in interest rate will have no significant material impact on the financial performance of the Group and the Company.

**(c) Market risk**

**(i) Commodity price**

The Group and the Company do not face significant exposure from the risk of changes in market prices other than fluctuations in commodity prices.

Sensitivity analysis for commodity price risk

At 31 December 2016, if the CPO selling price had been 5% lower or higher with all other variables held constant, the gain arising on revaluation of biological assets would have been RM7,580,242 (2015: RM7,580,242) lower and RM7,580,242 (2015: RM7,580,242) higher for the Group and RM4,791,012 (2015: RM4,791,012) lower and RM4,791,012 (2015: RM4,791,012) higher for the Company respectively, arising mainly as a result of the variation in CPO price. If the average discount rate had been 5% lower or higher, the gain arising on revaluation of biological assets would have been RM1,727,156 (2015: RM1,727,156) higher and RM1,657,893 (2015: RM1,657,893) lower for the Group and RM814,736 (2015: RM751,098) higher and RM1,044,818 (2015: RM1,086,499) lower for the Company respectively.

**(ii) Equity price**

Equity price risk arises from the Group's and the Company's investments in equity securities.

Management of the Group and the Company monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Group and the Company.

The Group and the Company expect that any fluctuation in equity price will have no significant material impact on the financial performance of the Group and the Company.

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**28. Financial risk management policies (contd.)**

**(d) Credit risk**

Credit risk is controlled by ensuring that sales of products are made to customers with an appropriate credit history and appropriate monitoring procedures. The Group and the Company do not have any significant exposure to any individual customer nor do they have any major concentration of credit risk related to any financial instrument except that all of the trade receivables were due from five companies in respect of sales performed. The maximum exposures to credit risk are represented by the carrying amount of the financial assets in the statement of financial position.

**(e) Liquidity and cash flow risk**

Prudent liquidity risk management implies maintaining sufficient cash and short-term deposits at call. As the Group and the Company seek to invest cash assets safely and profitably, the operating cash flows ensure the availability of funding.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
On demand or within one year:				
- Trade and other payables	6,402,050	6,653,814	4,819,678	4,978,769
Total undiscounted financial liabilities	<u>6,402,050</u>	<u>6,653,814</u>	<u>4,819,678</u>	<u>4,978,769</u>

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**29. Categories of financial instruments**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b><i>Financial assets</i></b>				
Loan and receivables:				
Trade and other receivables (Note 20)	4,374,749	1,166,613	3,668,676	815,646
Cash and cash equivalents (Note 21)	28,273,196	25,723,387	12,403,218	13,207,119
	<u>32,647,945</u>	<u>26,890,000</u>	<u>16,071,894</u>	<u>14,022,765</u>
<b><i>Financial liabilities</i></b>				
Other financial liabilities:				
Trade and other payables (Note 22)	6,402,050	6,653,814	4,819,678	4,978,769

**30. Fair value of financial instruments**

**(a) Fair value of financial instruments that are carried at fair value**

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	<b>Quoted price in active markets for identical instruments (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
<b>2016</b>				
<b>Group</b>				
<b>RM</b>				
Financial assets:				
- Available-for-sale financial assets (Note 17)				
- Equity instruments (quoted shares in Malaysia)	3,298,596	-	-	3,298,596
	<u>3,298,596</u>	<u>-</u>	<u>-</u>	<u>3,298,596</u>

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**30. Fair value of financial instruments**

**(a) Fair value of financial instruments that are carried at fair value (contd.)**

	<b>Quoted price in active markets for identical instruments (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
<b>2016 Company RM</b>				
Financial assets:				
- Available-for-sale financial assets (Note 17)				
- Equity instruments (quoted shares in Malaysia)	2,242,436	-	-	2,242,436

	<b>Quoted price in active markets for identical instruments (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
<b>2015 Group RM</b>				
Financial assets:				
- Available-for-sale financial assets (Note 17)				
- Equity instruments (quoted shares in Malaysia)	3,116,988	-	-	3,116,988

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**30. Fair value of financial instruments (contd.)**

**(a) Fair value of financial instruments that are carried at fair value (contd.)**

	<b>Quoted price in active markets for identical instruments (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
<b>2015</b>				
<b>Company</b>				
<b>RM</b>				
Financial assets:				
- Available-for-sale financial assets (Note 17)				
- Equity instruments (quoted shares in Malaysia)	2,112,488	-	-	2,112,488

Fair value hierarchy

The fair value measurement hierarchies used to measure financial assets and liabilities carried at fair value in the statements of financial position as at 31 December 2016 and 2015 are as follows:

- (a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- (c) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no material transfers between Level 1, Level 2 and Level 3 during the current financial year.

The Group and the Company do not have any financial liabilities carried at fair value classified as above as at 31 December 2016 and 2015.

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**30. Fair value of financial instruments (contd.)**

**(a) Fair value of financial instruments that are carried at fair value (contd.)**

**Determination of fair value**

Quoted equity instruments - Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

**(b) Fair value of financial instruments by classes that are not carried at fair value**

The carrying amounts of other financial assets and liabilities are reasonable approximation of fair values due to their short term nature.

**31. Related parties**

**Group and Company**

**(a) Identity of related parties**

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel include all the directors of the Group and the Company.

**(b) Transactions with related parties are disclosed in Note 6 and 8 to the financial statements.**

**32. Segmental information**

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:-

**(a) The plantations segment carries on the business of oil palm cultivation on its plantations in Peninsular Malaysia.**

**(b) The other segments consist of an investment holding real estate company that develops and rents out its properties.**



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**32. Segmental information (contd.)**

The Group's principal activity is the cultivation of oil palm on plantations in Peninsular Malaysia. The activities of the subsidiaries (except Rivaknar Properties (WA) Pty Ltd) are all incidental to the main activity and in terms of revenue, profit contribution and assets employed.

The analysis of Group operations is as follows:

Business and Geographical Segments

	<b>Malaysia - Plantations RM</b>	<b>Australia - Real Estate RM</b>	<b>Consolidated RM</b>
<b>2016</b>			
Revenue	29,828,840	1,481,746	31,310,586
Profit/(loss) before tax	11,284,484	(494,540)	10,789,944
Non current assets	282,313,401	39,398,400	321,711,801
Total assets	317,031,352	41,448,163	358,479,515
Total liabilities	23,894,977	3,682,627	27,577,604
<b>Other Information</b>			
Depreciation	1,792,706	-	1,792,706
Net unrealised foreign exchange gain	121,000	-	121,000
Interest expense	24,254	-	24,254
Interest income	(653,089)	(22,975)	(676,064)
<b>2015</b>			
Revenue	29,499,608	1,647,682	31,147,290
Profit before tax	10,208,613	(1,258,213)	8,950,400
Non current assets	283,152,363	39,125,000	322,277,363
Total assets	312,431,441	40,560,193	352,991,634
Total liabilities	23,860,945	3,932,364	27,793,309
<b>Other Information</b>			
Depreciation	1,642,624	-	1,642,624
Net unrealised foreign exchange gain	299,643	-	299,643
Interest expense	627,230	-	627,230
Interest income	(667,336)	(37,695)	(705,031)

The following are revenue from major customers arising from sales by plantation segment:

	<b>2016 RM</b>	<b>2015 RM</b>
Customer A	9,906,831	11,551,044
Customer B	8,359,031	8,370,563
Customer C	7,287,239	5,889,993
Customer D	2,823,644	2,253,235
	<u>28,376,745</u>	<u>28,064,835</u>

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**33. Capital management**

The Group considers its capital to comprise its ordinary share capital, retained profits and distributable reserves.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

The total amount of capital is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Share capital	64,850,448	64,850,448	64,850,448	64,850,448
Retained profits	61,747,850	54,801,640	33,919,188	32,169,523
Distributable reserves	6,517,331	9,278,422	5,762,193	5,762,193
	<u>133,115,629</u>	<u>128,930,510</u>	<u>104,531,829</u>	<u>102,782,164</u>

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**34. Supplementary information - breakdown of retained profits into realised and unrealised**

The breakdown of the retained profits of the Group and of the Company as at 31 December 2016 and 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total retained profits				
- Realised	57,361,563	50,485,375	35,079,611	33,147,831
- Unrealised	4,386,287	4,316,265	(1,160,423)	(978,308)
Retained profits as per financial statements	<u>61,747,850</u>	<u>54,801,640</u>	<u>33,919,188</u>	<u>32,169,523</u>