

13. ACCOUNTANTS' REPORT



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The Board of Directors
MKH Oil Palm (East Kalimantan) Berhad
G-02 & G-03, Ground Floor, Wisma MKH,
Jalan Semenyih,
43000 Kajang,
Selangor Darul Ehsan.

Dear Sirs,

Reporting Accountants' opinion on the combined financial statements contained in the Accountants' Report of MKH Oil Palm (East Kalimantan) Berhad

Opinion

We have audited the combined financial statements of MKH Oil Palm (East Kalimantan) Berhad ("the Company") and its combining entities as disclosed in Note 34 to the combined financial statements ("the Group"), which comprise the combined statements of financial position as at September 30, 2022, September 30, 2021 and September 30, 2020, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and combined statements of cash flows for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 4 to 97. The combined financial statements of the Group have been prepared for inclusion in the Prospectus of MKH Oil Palm (East Kalimantan) Berhad in connection with the listing of and quotation for the entire enlarged issued share capital of MKH Oil Palm (East Kalimantan) Berhad on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at September 30, 2022, September 30, 2021 and September 30, 2020 and of its combined financial performance and its combined cash flows for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020, in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our reporting accountants' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Forward)



13. ACCOUNTANTS' REPORT (*Cont'd*)

Independence and Other Ethical Responsibilities

We are independent of the Group 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Directors' Responsibilities for the Combined Financial Statements

The directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternatives but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountants' 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 combined financial statements.

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

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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13. ACCOUNTANTS' REPORT (Cont'd)

- Conclude on the appropriateness of the directors' 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the combined financial statements of the Group 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 reporting accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the combining entities or business activities within the Group to express an opinion on the combined 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.

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.

Restriction on Distribution and Use

This report is made solely to the Company and for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)



ALVIN CHANG SHU-WEI
Partner – 03480/01/2024 J
Chartered Accountant

Penang,

March 24, 2023

13. ACCOUNTANTS' REPORT (Cont'd)**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30,
2021 AND SEPTEMBER 30, 2020**

	Notes	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Revenue	4	315,817,268	306,610,806	282,323,509
Cost of sales	5	<u>(185,948,501)</u>	<u>(166,236,960)</u>	<u>(182,790,649)</u>
Gross profit		129,868,767	140,373,846	99,532,860
Other income		6,489,524	18,082,628	9,355,350
Administration expenses		(39,242,652)	(37,175,492)	(34,042,801)
Sales and marketing expenses		(10,844,455)	(9,262,495)	(11,870,648)
Other expenses		<u>(6,947,520)</u>	<u>(2,122,659)</u>	<u>(22,763,982)</u>
Profit from operations		79,323,664	109,895,828	40,210,779
Finance costs		<u>(5,839,934)</u>	<u>(7,868,609)</u>	<u>(12,605,090)</u>
Profit before tax	6	73,483,730	102,027,219	27,605,689
Tax expenses	8	<u>(13,345,821)</u>	<u>(24,575,444)</u>	<u>(8,915,766)</u>
Profit for the year		60,137,909	77,451,775	18,689,923
Other comprehensive income for the financial year				
<i>Items that will not be reclassified to profit or loss subsequently:</i>				
Remeasurement gains/(losses) on defined benefit plans	21	1,357,260	3,189,373	(144,860)
Income tax relating to remeasurement (losses)/gains on defined benefit plans	8	(512,070)	(958,113)	393,890
Revaluation surplus of buildings		-	-	2,838,040
Income tax relating to surplus arising from revaluation of buildings	8	-	-	(448,070)
		845,190	2,231,260	2,639,000

(Forward)

13. ACCOUNTANTS' REPORT (Cont'd)
MKH OIL PALM (EAST KALIMANTAN) BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020 (CONTINUED)

	Notes	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
<i>Item that may be reclassified to profit or loss subsequently:</i>				
Foreign currency translation differences		8,593,890	6,913,588	(5,231,019)
Total comprehensive income for the financial year		69,576,989	86,596,623	16,097,904
Profit for the financial year attributable to:				
Owner of the parent		55,547,284	72,217,410	17,797,114
Non-controlling interests	20	4,590,625	5,234,365	892,809
		60,137,909	77,451,775	18,689,923
Total comprehensive income for the financial year attributable to:				
Owner of the parent		64,546,855	81,024,225	15,126,001
Non-controlling interests	20	5,030,134	5,572,398	971,903
		69,576,989	86,596,623	16,097,904
Earnings per ordinary share (sen):				
Basic earnings per ordinary share	9	50.28	96.77	28.40
Diluted earnings per ordinary share	9	50.28	65.37	16.11

The accompanying Notes form an integral part of the combined financial statements of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)
MKH OIL PALM (EAST KALIMANTAN) BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020

	Notes	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
ASSETS				
Non-Current Assets				
Property, plant and equipment	10	317,110,711	320,711,215	325,380,408
Prepaid lease payments	11	19,933,403	20,341,816	20,878,248
Goodwill on consolidation	12	5,340,011	5,146,787	4,900,865
Receivables, deposits and prepayments	13	1,390,752	2,187,461	1,998,836
Investment in subsidiaries	14	50,001	1	1
Total Non-Current Assets		343,824,878	348,387,280	353,158,358
Current Assets				
Inventories	15	67,714,407	44,974,687	30,062,243
Biological assets	16	5,917,360	6,177,026	4,233,267
Receivables, deposits and prepayments	13	15,394,533	22,899,420	36,172,301
Current tax assets		3,909,828	-	6,352,358
Cash and bank balances	17	42,014,471	57,464,522	36,250,247
Total Current Assets		134,950,599	131,515,655	113,070,416
TOTAL ASSETS		478,775,477	479,902,935	466,228,774

(Forward)

13. ACCOUNTANTS' REPORT (Cont'd)**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)**COMBINED STATEMENTS OF FINANCIAL POSITION**
AS AT SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020
(CONTINUED)

	Notes	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	18	112,595,375	112,595,375	112,595,375
Reserves	19	155,084,585	90,537,730	9,513,505
Equity attributable to the owner of the parent		267,679,960	203,133,105	122,108,880
Non-controlling interests	20	13,269,512	8,239,378	2,666,980
Total Equity		<u>280,949,472</u>	<u>211,372,483</u>	<u>124,775,860</u>
Non-Current Liabilities				
Provisions	21	15,705,767	15,210,765	16,654,766
Payables and accruals	22	31,326,624	59,516,424	62,457,570
Loan and borrowings	23	2,317,544	22,269,300	54,450,908
Deferred tax liabilities	24	5,802,468	9,726,487	7,234,613
Total Non-Current Liabilities		<u>55,152,403</u>	<u>106,722,976</u>	<u>140,797,857</u>
Current Liabilities				
Payables and accruals	22	142,663,413	98,937,002	123,777,673
Loan and borrowings	23	-	46,498,949	76,768,645
Current tax liabilities		10,189	16,371,525	108,739
Total Current Liabilities		<u>142,673,602</u>	<u>161,807,476</u>	<u>200,655,057</u>
Total Liabilities		<u>197,826,005</u>	<u>268,530,452</u>	<u>341,452,914</u>
TOTAL EQUITY AND LIABILITIES		<u><u>478,775,477</u></u>	<u><u>479,902,935</u></u>	<u><u>466,228,774</u></u>

The accompanying Notes form an integral part of the combined financial statements of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)

MKH OIL PALM (EAST KALIMANTAN) BERHAD
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**

	Non-distributable			Distributable	Attributable	Non-	Total equity
	Issued capital RM	Translation reserve RM	Revaluation reserve RM	(Accumulated losses)/Retained earnings RM	to owner of the parent RM	controlling interests RM	RM
Balance as at October 1, 2019	112,595,375	(2,540,911)	4,518,887	(7,590,472)	106,982,879	1,695,077	108,677,956
Comprehensive income							
Profit for the financial year	-	-	-	17,797,114	17,797,114	892,809	18,689,923
Other comprehensive (loss)/income							
Foreign currency translation differences	-	(5,142,400)	-	-	(5,142,400)	(88,619)	(5,231,019)
Revaluation surplus of building - net of tax	-	-	2,256,313	-	2,256,313	133,657	2,389,970
Remeasurement gain on defined benefits plans - net of tax	-	-	-	214,974	214,974	34,056	249,030
Total comprehensive (loss)/income for the financial year	-	(5,142,400)	2,256,313	18,012,088	15,126,001	971,903	16,097,904
Balance as at September 30, 2020	112,595,375	(7,683,311)	6,775,200	10,421,616	122,108,880	2,666,980	124,775,860

(Forward)

13. ACCOUNTANTS' REPORT (Cont'd)

MKH OIL PALM (EAST KALIMANTAN) BERHAD
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020 (CONTINUED)**

	Non-distributable		Distributable		Attributable to owner of the parent	Non-controlling interests	Total equity
	Issued capital	Translation reserve	Revaluation reserve	Retained earnings	RM	RM	RM
Balance as at October 1, 2020	112,595,375	(7,683,311)	6,775,200	10,421,616	122,108,880	2,666,980	124,775,860
Comprehensive income							
Profit for the financial year	-	-	-	72,217,410	72,217,410	5,234,365	77,451,775
Other comprehensive income							
Foreign currency translation differences	-	6,693,735	-	-	6,693,735	219,853	6,913,588
Remeasurement gain on defined benefits plans - net of tax	-	-	-	2,113,080	2,113,080	118,180	2,231,260
Total comprehensive income for the financial year	-	6,693,735	-	74,330,490	81,024,225	5,572,398	86,596,623
Balance as at September 30, 2021	112,595,375	(989,576)	6,775,200	84,752,106	203,133,105	8,239,378	211,372,483

(Forward)

13. ACCOUNTANTS' REPORT (Cont'd)

MKH OIL PALM (EAST KALIMANTAN) BERHAD
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020 (CONTINUED)**

	Issued capital RM	Non-distributable		Distributable		Attributable to owner of the parent RM	Non- controlling interests RM	Total equity RM
		Translation reserve RM	Revaluation reserve RM	Retained earnings RM				
Balance as at October 1, 2021	112,595,375	(989,576)	6,775,200	84,752,106		203,133,105	8,239,378	211,372,483
Comprehensive income								
Profit for the financial year	-	-	-	55,547,284		55,547,284	4,590,625	60,137,909
Other comprehensive income								
Foreign currency translation differences	-	8,206,343	-	-		8,206,343	387,547	8,593,890
Remeasurement gain on defined benefits plans-net of tax	-	-	-	793,228		793,228	51,962	845,190
Total comprehensive income for the financial year	-	8,206,343	-	56,340,512		64,546,855	5,030,134	69,576,989
Balance as at September 30, 2022	<u>112,595,375</u>	<u>7,216,767</u>	<u>6,775,200</u>	<u>141,092,618</u>		<u>267,679,960</u>	<u>13,269,512</u>	<u>280,949,472</u>

The accompanying Notes form an integral part of the combined financial statements of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS**
FOR THE YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND
SEPTEMBER 30, 2020

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
CASH FLOWS FROM			
OPERATING ACTIVITIES			
Profit before tax	73,483,730	102,027,219	27,605,689
Adjustments for:			
Depreciation of property, plant and equipment	30,440,013	30,344,627	29,605,106
Interest expenses on:			
Loans and borrowings	1,243,410	3,201,011	7,200,786
Amount due to related company	4,596,524	4,667,598	5,404,304
Impairment loss on investment in subsidiary	3,191,184	-	1,222,445
Provision for post-employment benefit obligations	3,163,357	2,064,106	3,711,395
Property, plant and equipment written off	579,953	234,376	305,513
Changes in fair values of biological assets	577,142	(1,637,252)	913,440
Amortisation of prepaid lease payments	556,716	727,493	723,141
Inventories written off	577	721	4,493
Unrealised (gain)/loss on foreign exchange-net	(4,490,904)	(7,785,247)	13,878,605
Interest income	(654,507)	(675,821)	(543,266)
Bad debts written off	-	94,291	251,486
Operating Profit Before Working Capital Changes	112,687,195	133,263,122	90,283,137
Increase in inventories	(22,740,297)	(14,913,165)	(7,944,686)
Decrease/(increase) in receivables, deposits and prepayments	5,501,065	13,253,625	(3,740,184)
Increase/(decrease) in payables and accruals	16,906,305	(23,843,565)	12,292,863
Cash Generated from Operations	112,354,268	107,760,017	90,891,130

(Forward)

13. ACCOUNTANTS' REPORT (Cont'd)**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS**
FOR THE YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND
SEPTEMBER 30, 2020 (CONTINUED)

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Interest received	654,507	675,821	543,266
Interest paid	(5,839,934)	(7,901,850)	(12,772,693)
Tax paid	(39,547,245)	(9,346,974)	(5,893,673)
Tax refunded	-	8,712,054	5,222,049
Retirement benefit obligation paid	(1,978,519)	(1,514,693)	(746,241)
Net Cash from Operating Activities	65,643,077	98,384,375	77,243,838
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(16,111,976)	(10,048,714)	(9,238,777)
Repayment from/(Advance to) a subsidiary	2,800,531	(263,660)	43,625
Acquisition of a subsidiary	(1)	-	-
Subscription of shares in subsidiaries	(3,241,183)	-	-
Net Cash Used in Investing Activities	(16,552,629)	(10,312,374)	(9,195,152)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of term loans	(36,526,371)	(58,602,014)	(82,273,796)
Drawdown of term loans	2,258,872	14,359,254	28,354,387
Repayment of revolving credits	(32,783,522)	(21,523,614)	(13,402,050)
Advance from/(repayment to) related companies	1,115,524	(1,906,623)	2,436,477
Deposits and bank balances released/(pledged) as securities	10,259,714	2,404,960	(313,717)
Drawdown of revolving credits	-	-	6,261,288
Net Cash Used in Financing Activities	(55,675,783)	(65,268,037)	(58,937,411)

(Forward)

13. ACCOUNTANTS' REPORT (Cont'd)**MKH OIL PALM (EAST KALIMANTAN) BERHAD**
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS**
FOR THE YEARS ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND
SEPTEMBER 30, 2020 (CONTINUED)

Note	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(6,585,335)	22,803,964	9,111,275
Effect of exchange rate fluctuations	1,394,998	815,271	(4,012,358)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	<u>47,204,808</u>	<u>23,585,573</u>	<u>18,486,656</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u><u>42,014,471</u></u>	<u><u>47,204,808</u></u>	<u><u>23,585,573</u></u>

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Cash and bank balances (Note 17)	42,014,471	57,464,522	36,250,247
Less: Deposits and bank balances pledged for credit facilities	<u>-</u>	<u>(10,259,714)</u>	<u>(12,664,674)</u>
	<u><u>42,014,471</u></u>	<u><u>47,204,808</u></u>	<u><u>23,585,573</u></u>

Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment by the following means:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Interest capitalised	-	(34,190)	(167,603)
Acquisition of property, plant and equipment ("PPE") (Note 10)	<u>16,111,976</u>	<u>10,082,904</u>	<u>9,406,380</u>
Cash payments	<u><u>16,111,976</u></u>	<u><u>10,048,714</u></u>	<u><u>9,238,777</u></u>

13. ACCOUNTANTS' REPORT (Cont'd)

Reconciliation of loans and borrowings arising from financing activities are as per below:

	As at October 1, 2021 RM	Financing cash flows RM	Effect of movements in exchange rate RM	As at September 30, 2022 RM
Term loans	37,328,595	(34,267,499)	(743,552)	2,317,544
Revolving credits	31,439,654	(32,783,522)	1,343,868	-
Amount due to related companies	66,903,620	1,115,524	(254,191)	67,764,953
	<u>135,671,869</u>	<u>(65,935,497)</u>	<u>346,125</u>	<u>70,082,497</u>
	As at October 1, 2020 RM	Financing cash flows RM	Effect of movements in exchange rate RM	As at September 30, 2021 RM
Term loans	79,193,028	(44,242,760)	2,378,327	37,328,595
Revolving credits	52,026,525	(21,523,614)	936,743	31,439,654
Amount due to related companies	68,671,968	(1,906,623)	138,275	66,903,620
	<u>199,891,521</u>	<u>(67,672,997)</u>	<u>3,453,345</u>	<u>135,671,869</u>
	As at October 1, 2019 RM	Financing cash flows RM	Effect of movements in exchange rate RM	As at September 30, 2020 RM
Term loans	134,831,001	(53,919,409)	(1,718,564)	79,193,028
Revolving credits	60,629,285	(7,140,762)	(1,461,998)	52,026,525
Amount due to related companies	66,300,552	2,436,477	(65,061)	68,671,968
	<u>261,760,838</u>	<u>(58,623,694)</u>	<u>(3,245,623)</u>	<u>199,891,521</u>

The accompanying Notes form an integral part of the combined financial statements of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)

MKH OIL PALM (EAST KALIMANTAN) BERHAD (Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

MKH Oil Palm (East Kalimantan) Berhad was incorporated on August 10, 2004 under the Companies Act, 2016 ("the Act") as a private limited company.

On January 7, 2021, the Company changed its name from Detik Merdu Sdn. Bhd. to MKH Global Plantation Sdn. Bhd.

On October 1, 2021, the Company changed its name from MKH Global Plantation Sdn. Bhd. to MKH Oil Palm (East Kalimantan) Sdn. Bhd.

On August 11, 2022, the Company converted from a private limited company to a public limited company and the name of the Company converted from MKH Oil Palm (East Kalimantan) Sdn. Bhd. to MKH Oil Palm (East Kalimantan) Berhad.

The registered office and principal place of business of the Company is located at G-02 & G-03, Ground Floor, Wisma MKH, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan.

The Company is principally an investment holding and management services company. The principal activities of the combining entities are set out in Note 34.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Basis of preparation

The restructuring exercise, as part of the listing scheme in relation to the listing of and quotation for the entire issued share capital of the Company on the Main Market of Bursa Securities ("IPO"), will result in the Company becoming the holding company of the combined entities as set out in Note 34.

The combined financial statements of the Group have been prepared solely in connection with the IPO and for no other purposes.

The combined financial statements consist of the financial statements of the Company and the combining entities under common control of MKH Berhad. The Company's ultimate holding company is MKH Berhad, which is incorporated in Malaysia and is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad.

The combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020.

13. ACCOUNTANTS' REPORT (Cont'd)

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Common control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain the benefits from their activities and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of the Group after incorporating or effecting the relevant acquisitions, as the combined financial statements reflect business combinations under common control for the purpose of the IPO. Such financial information from the combined financial statements does not purport to predict the financial positions, results of operations and cash flows of the Group.

The combined financial statements of the Group for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The combined financial statements of the Group have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3 and in accordance with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission of Malaysia for purpose of inclusion in the Prospectus of the Company in connection with the IPO.

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported periods. It also requires directors to exercise their judgements in the process of applying the accounting policies. Although these estimates and judgements are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(c).

Adoption of New and Amendments of MFRS and Issues Committee ("IC") Interpretation

As at September 30, 2022, the Group has adopted all the amendments to MFRS issued by the Malaysia Accounting Standards Board ("MASB") that are relevant to its operations and effective for annual periods beginning on or after October 1, 2021.

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to MFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3 Amendments to MFRS 116	References to the Conceptual Framework Property, Plant, and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Costs of Fulfilling a Contract

13. ACCOUNTANTS' REPORT (Cont'd)

Annual improvements to MFRS Standards 2018-2020

Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, MFRS 9 *Financial Instruments*, MFRS 16 *Leases* and MFRS 141 *Agriculture*

New and amendments to Standards in issue but not yet effective

At the date of authorisation for issue of these combined financial statements, the new and amendments to MFRS which were in issue but not yet effective and not early adopted by the Group and by the Company are as listed below:

MFRS 17	Insurance Contracts ^(a)
Amendments to MFRS 17	Insurance Contracts ^(a)
Amendments to MFRS 17	Initial Application of MFRS 17 <i>Insurance Contracts</i> and MFRS 9 <i>Financial Instruments</i> – Comparative Information ^(a)
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 <i>Financial Instruments</i> ^(a)
Amendments to MFRS 101 and MFRS Practice Statements 2	Disclosure of Accounting Policies ^(a)
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ^(a)
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transactions ^(a)
Amendments to MFRS 108	Definition of Accounting Estimates ^(b)
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ^(b)
Amendments to MFRS 101	Non-current Liabilities with Covenants ^(b)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^(c)

(a) Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

(b) Effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

(c) Effective date deferred indefinitely.

The directors anticipate that the abovementioned new and amendments to MFRS will be adopted in the combined financial statements of the Group when they become effective and that the adoption of these new and amendments to MFRS will have no material impact on the combined financial statements of the Group in the period of initial application.

(b) 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 combined financial statements of the Group are presented in Ringgit Malaysia ("RM"). All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(c) Significant accounting estimates and judgements

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the combined financial statements are described in the following paragraphs:

13. ACCOUNTANTS' REPORT (Cont'd)

- (i) Tax expense (Note 8) – significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the tax expense. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax in the periods in which the outcome is known.
- (ii) Valuation of land and buildings (Note 10) – the valuation of land and buildings performed by management is based on independent professional valuations with reference to the direct comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and when necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, and cost method of valuation, being assumed to have a direct relationship with its cost of construction, is then adjusted to allow for cost of finance, profit and demand to reflect its profitable present market value. Management believes that the chosen valuation techniques and assumptions are appropriate in determining the valuation of the Group's land and buildings.
- (iii) Impairment of property, plant and equipment (Note 10) – the Group assesses impairment of property, plant and equipment when there is an indication that the carrying amount of an asset may be impaired, the asset's recoverable amount, being the higher of its fair value less costs to sell and its value-in-use ("VIU"), will be assessed. The assessment of the recoverable amounts involves a number of methodologies. In determining the VIU of an asset, being the future economic benefits to be expected from its continued use and ultimate disposal, the Group makes estimates and assumptions that require significant judgements. While the Group believes these estimates and assumptions of VIU such as discount rate, revenue growth and costs of sales could be reasonable and appropriate, changes on these estimates and assumptions of VIU could impact the Group's financial position and results.
- (iv) Depreciation of property, plant and equipment (Note 10) – the cost of property, plant and equipment are depreciated on a straight line basis over the assets' useful lives and lease term respectively. Management estimates the useful lives of these property, plant and equipment to be within 4 to 99 years based on past experience with similar assets or/and common life expectancies of the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets resulting in revision of future depreciation or amortisation charges. Depreciation of bearer plants is charged so as to write off the cost of mature plantations, using the straight line method, over the estimated useful lives of 20 years or over the lease period, whichever is shorter.
- (viii) Impairment loss on receivables (Note 13) – the Group accounts for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. The Group uses a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables.

13. ACCOUNTANTS' REPORT (*Cont'd*)

- (ix) Inventories (Note 15) – the saleability of inventories such as crude palm oil and palm kernel are reviewed by management on a periodic basis. This review involves comparison of the carrying values of the inventory items with the respective net realisable values. The purpose is to ascertain whether a write down to net realisable value is required to be made.
- (x) Provision of post-employment benefit obligations (Note 21) – the provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involves making assumptions about discount rate, future salary increase, mortality rates, resignation rate and normal retirement age. As such, this estimated provision amount is subject to significant uncertainty.
- (xi) Fair values of biological assets (Note 16) – to arrive at the fair values of Fresh Fruits Bunches (“FFB”), management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 15 days to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 15 days prior to harvest was used for valuation purposes. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flows to be generated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these combined financial statements, and have been applied consistently by the Group, unless otherwise stated.

(a) Basis of combination

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group and its subsidiaries.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

(Forward)

13. ACCOUNTANTS' REPORT (*Cont'd*)

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted at the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or a loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

13. ACCOUNTANTS' REPORT (Cont'd)**(b) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the combination method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the combination date fair value of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Combination-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or deferred tax liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with MFRS 9 or MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete at the reporting date in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

(c) Business Combinations Involving Common Control Entities

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

The combined financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling parties. The share capital of all the combining entities is presented as invested capital in the combined statement of financial position.

A single uniform set of accounting policies is adopted by the combining entities. Therefore, the net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control, where this is a shorter period, regardless of the date of the common control combination. Expenditure incurred in connection with the restructuring is recognised as an expense in profit or loss.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination. Expenditure incurred in connection with the restructuring is recognised as an expense in profit or loss.

The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combining entities.

The debit differences arising between the cost of acquisition and the nominal value of share capital of the subsidiaries are reflected within equity as invested capital.

13. ACCOUNTANTS' REPORT (Cont'd)**(d) Foreign currency****(i) Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the Group entities' functional currency (foreign currencies) are recorded in the Group entities' functional currency at the exchange rates prevailing at the date of the transaction. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in 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.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

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

- (i) assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- (ii) income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (iii) all resulting exchange differences are taken to other comprehensive income.

13. ACCOUNTANTS' REPORT (Cont'd)

Goodwill and fair value adjustments 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 rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences accumulated in equity at the date of disposal of the subsidiary is reclassified to the combined consolidated profit or loss.

(e) Revenue recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group’s customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

13. ACCOUNTANTS' REPORT (*Cont'd*)

(i) Sale of goods

Revenue from sale of goods, crude palm oil ("CPO") and palm kernel is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognised by the Group at a point in time when control of the goods underlying the performance obligation is transferred to the buyers.

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(f) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if any, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees' Provident Fund or other defined contributable plans are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined benefit plans

Certain foreign subsidiaries of the Group operate unfunded defined benefit schemes. The foreign subsidiaries' obligations under the schemes are determined based on external actuarial valuation in accordance with the labour law requirements in that country where the amount of benefits that employees have earned in return for their service in the current and prior years is estimated. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting date. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or a credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be classified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

13. ACCOUNTANTS' REPORT (*Cont'd*)

- service cost (including current service cost and past service cost);
- net interest expense or income; and
- remeasurement.

The amount recognised at the reporting date represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Plan assets resulting from this calculation are to be used only to settle the employee benefit obligations and only can be returned to the Group if the remaining assets of the fund are sufficient to meet the plan's obligation to pay the related employee benefits directly.

(g) Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or completed.

(h) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the lessor has a substantive substitution right, the asset is not identified.
- the lessee has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the lessee has the right to direct the use of the asset. The lessee has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the lessee has the right to operate the asset; or the lessor designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single-lease component.

13. ACCOUNTANTS' REPORT (Cont'd)**(i) The Group as lessee****(i) Recognition and initial measurement**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar term, security and conditions.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

13. ACCOUNTANTS' REPORT (Cont'd)**(ii) Subsequent measurement**

The right-of-use asset is subsequently measured at cost, less accumulated depreciation and accumulated impairment loss (if any) in accordance with MFRS 136 *Impairment of Assets*. The right-of-use asset is generally depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The estimated useful lives of right-of-use asset is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is adjusted for certain remeasurement of the lease liabilities.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or a rate or change in expected payment under guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modifications is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Determination of lease term

In determining the lease term upon the lease commencement, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group which affects whether the Group is reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)**(i) Tax expense**

Income tax for the year comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle the current tax assets and liabilities on a net basis.

(j) Property, plant and equipment**(i) Recognition and measurement**

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment, except for buildings, are stated at cost less accumulated depreciation and impairment loss, if any. Buildings are stated at valuation, which is the fair value at the date of the valuation, less accumulated depreciation and accumulated impairment loss, if any.

The Group revalues its building every five years from the last date of valuation or at shorter intervals whenever the fair value of the said assets is expected to differ substantially from its carrying amounts.

Surplus arising from revaluation are transferred to revaluation reserve. Any deficits are offset against the previously recognised revaluation surplus to the extent of a previous increase for the same property and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any unutilised revaluation reserve relating to the particular asset is transferred to retained earnings.

13. ACCOUNTANTS' REPORT (Cont'd)

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment under construction are not depreciated until these assets are ready for their intended use.

The principal annual rates for the current and comparative financial years are as follows:

Buildings	5%
Motor vehicles, plant and machinery	5% to 12.5%
Furniture, fittings and equipment	12.5%
Plantation infrastructure	12.5%
Bearer plants	20 years, or over the lease period if shorter

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

13. ACCOUNTANTS' REPORT (*Cont'd*)

Bearer plants are living plants that are used in the production or supply of agricultural produce, which are expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants (oil palm trees) include mature plantations and immature plantations that are established or acquired by the Group.

Mature plantations are stated at cost, less accumulated depreciation and any impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount. Depreciation is charged so as to write off the cost of mature plantations, using the straight-line method, over the estimated useful lives of 20 years or over the lease period, whichever is shorter.

Immature plantations are stated at cost. The costs of immature plantations consist mainly of the accumulated cost of planting, fertilising and maintaining the plantation, including borrowing costs on such borrowings and other indirect overhead costs up to the time the trees are harvestable and to the extent appropriate. An oil palm plantation is considered mature when such plantation starts to produce at the end of the fourth year.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use. Any gains or losses on disposal of bearer plants are recognised in profit or loss in the year of disposal.

The residual values and useful lives of bearer plants are reviewed, and adjusted as appropriate, at each reporting date.

(k) Prepaid lease payments

The upfront payments for right to use the leasehold land over a predetermined period are accounted for as prepaid lease payments that are stated at cost less accumulated amortisation, are amortised over the lease term on a straight line basis.

(l) Goodwill

Goodwill arises on the acquisition of subsidiaries is identified as any excess of the consideration paid over the Group's share of fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Goodwill is initially measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill acquired is allocated to the cash-generating units ("CGU") expected to benefit from the acquisition synergies. An impairment loss is recognised in profit or loss when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. Impairment loss on goodwill is not reversed in a subsequent period.

13. ACCOUNTANTS' REPORT (Cont'd)**(m) Biological assets**

Biological assets comprise produce growing on bearer plants. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the produce growing on bearer plants. The expected net cash flows are estimated using expected output method and the estimated market price of the produce growing on bearer plants.

Biological assets are classified as current assets for bearer plants that are expected to be harvested on a date not more than 12 months after the reporting date.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost of inventories is based on the specific identification, first-in first-out and weighted average principles, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of CPO and palm kernel includes direct labour, an appropriate share of production overheads and the fair value attributed to agriculture produce at year end in accordance to MFRS 141. The fair value of biological assets harvested from the Group's own plantation and sold during the year are recorded as part of the biological assets movement (Note 16) and as part of changes in fair value of biological assets" in determining profit.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses.

(o) Impairment of non-financial assets

The carrying amounts of assets (except for inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus.

13. ACCOUNTANTS' REPORT (Cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

(p) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. The transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the combined statements of profit and loss and other comprehensive income. Where the fair value of a financial asset at initial recognition is different from its transaction price, the difference between the fair value and the transaction price is recognised as a gain or a loss in the combined statements of profit or loss. However, trade receivables that do not contain a significant financing component are measured at transaction price.

(i) Financial assetsFinancial assets measured at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

13. ACCOUNTANTS' REPORT (Cont'd)

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

Financial assets not measured at amortised cost or at fair value through other comprehensive income is carried at fair value through profit or loss. Fair value changes are recognised in the combined statements of profit or loss and other comprehensive income at each reporting date.

Impairment of financial assets and contract assets

An impairment loss is recognised in profit or loss based on ECL at the end of each reporting period. ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from defaults event on a financial instrument that are possible within 12 months after the reporting date.

Reversal of impairment loss to profit or loss, if any, is restricted to not exceeding what the amortised cost would have been had the impairment not been recognised previously.

The Group applies the simplified approach to measure the impairment of trade receivables, contract assets and lease receivables at lifetime ECL. The ECL are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

For other financial assets such as other receivables and amount due from intercompany, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the impairment losses for that financial instrument at an amount equal to 12-month ECL.

13. ACCOUNTANTS' REPORT (Cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without due cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward looking information.

At the end of each reporting period, the Group assesses whether the financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred, such as debtor who have defaulted on payment, or are in significant financial difficulties, or it is becoming probable that the borrower will enter bankruptcy.

These assets are written off when there is no reasonable expectation of recovery, with case-by-case assessment performed based on indicators such as insolvency or demise. Subsequent recoveries of amounts previously written off are recognised in profit or loss as bad debts recovered.

Deposits and bank balances of the Group are placed with reputable financial institution with high credit ratings and no history of default. Hence, the Group does not expect any losses from default or non-performance by the counterparties.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On the recognition of a financial asset (except for financial assets measured at FVTOCI), the difference between the carrying amount and the consideration received is recognised in the combined statements of profit or loss.

(ii) Financial liabilities and equity instrumentsClassification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

13. ACCOUNTANTS' REPORT (Cont'd)Financial liabilities

Payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the combined statements of profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The differences between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the combined statements of profit or loss and other comprehensive income.

(q) Cash and cash equivalents

The Group adopts the indirect method in the preparation of the combined statements of cash flows. Cash and cash equivalents are short-term and highly liquid investments and are readily convertible to cash with insignificant risk of changes in value. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(r) Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the management's best estimate of the amount required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

At the reporting date, provisions are reviewed by the management and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

13. ACCOUNTANTS' REPORT (Cont'd)**(s) Contingencies**

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

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

(t) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to chief operating decision maker who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

(u) Fair value measurement

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

13. ACCOUNTANTS' REPORT (Cont'd)**4. REVENUE**

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Revenue from contracts with customers:			
Sale of CPO and palm kernel	315,817,268	294,458,125	250,453,420
Sale of goods	-	12,152,681	31,870,089
	<u>315,817,268</u>	<u>306,610,806</u>	<u>282,323,509</u>

The Group is engaged in trading of CPO, palm kernel, building materials and household related products. The Group entered into contracts with customers to supply goods. Revenue is recognised upon delivery and issuance of sales invoice to customers. However, the Group had ceased its operations in trading of building materials and household related products in 2021.

Performance obligation is satisfied upon delivery of goods to customers and acknowledged by customers. The credit term granted to customers generally ranged from cash on delivery ("COD") to 30 days (September 30, 2021: COD to 60 days; September 30, 2020: COD to 60 days). No allocation of transaction price required to performance obligation as each contract consists of one performance obligation only.

The Group's revenue excludes intra-group transactions.

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Timing of revenue recognition			
Point in time	<u>315,817,268</u>	<u>306,610,806</u>	<u>282,323,509</u>

5. COST OF SALES

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Cost of sales of CPO and palm kernel	185,948,501	154,860,892	152,049,857
Cost of goods sold	-	11,376,068	30,740,792
	<u>185,948,501</u>	<u>166,236,960</u>	<u>182,790,649</u>

13. ACCOUNTANTS' REPORT (Cont'd)**6. PROFIT BEFORE TAX**

Profit before tax is arrived at:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Profit before tax is arrived at after charging:			
Depreciation of property, plant and equipment	30,440,013	30,344,627	29,605,106
Employee benefit expenses:			
Contribution to Employees' Provident Fund	412,897	216,923	241,838
Provision for post-employment benefit obligations	3,163,357	2,064,106	3,711,395
Wages, salaries and others	11,622,872	10,553,965	10,527,043
Interest expenses on:			
Loans and borrowings	1,243,410	3,201,011	7,200,786
Amount due to related company (Note 26(b))	4,596,524	4,667,598	5,404,304
Impairment loss on investment in subsidiary	3,191,184	-	1,222,445
Loss on foreign exchange - net:			
Realised	641,563	-	3,366,212
Unrealised	-	-	13,878,605
Property, plant and equipment written off	579,953	234,376	305,513
Changes in fair values of biological assets	577,142	-	913,440
Amortisation of prepaid lease payments	556,716	727,493	723,141
Expenses relating to short-term leases	259,184	112,598	87,385
Auditors' remuneration:			
Statutory audit	281,490	257,800	158,195
Non-statutory audit	856,100	-	-
Inventories written off	577	721	4,493
Bad debts written off	-	94,291	251,486
And after crediting:			
Gain on foreign exchange - net:			
Realised	-	3,079,358	-
Unrealised	4,490,904	7,785,247	-
Interest income	654,507	675,821	543,266
Changes in fair values of biological assets	-	1,637,252	-

13. ACCOUNTANTS' REPORT (Cont'd)
7. DIRECTORS' REMUNERATION

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Directors of the Company			
Executive Director:			
Other emoluments	421,433	200,484	-
Benefit-in-kind	7,487	4,400	-
	<u>428,920</u>	<u>204,884</u>	<u>-</u>
Directors of subsidiaries			
Directors:			
Other emoluments	104,661	87,797	85,891
Key Management:			
Other emoluments	780,189	343,818	-
Post-employment benefits	93,821	41,364	-
	<u>978,671</u>	<u>472,979</u>	<u>85,891</u>
	<u>1,407,591</u>	<u>677,863</u>	<u>85,891</u>

13. ACCOUNTANTS' REPORT (Cont'd)**8. TAX EXPENSE**

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Current tax			
Malaysia:			
Current financial year	142,900	174,400	192,500
Under provision in prior financial year	112,248	1,800	1,023
Overseas:			
Current financial year	19,020,933	23,511,843	9,771,649
(Over)/under provision in prior financial year	-	(437,979)	372,906
	19,276,081	23,250,064	10,338,078
Deferred tax (Note 24)			
Origination and reversal of temporary differences	(2,150,258)	1,325,380	(1,422,312)
Over provision in prior financial year	(3,780,002)	-	-
	(5,930,260)	1,325,380	(1,422,312)
Total tax expense recognised in profit or loss	13,345,821	24,575,444	8,915,766
Deferred tax related to other comprehensive income (Note 24):			
Revaluation of buildings	-	-	448,070
Remeasurement losses/(gains) on defined benefits plans	512,070	958,113	(393,890)
Total tax expense recognised in other comprehensive income	512,070	958,113	54,180

13. ACCOUNTANTS' REPORT (Cont'd)

A reconciliation of tax expense applicable to profit before tax at the statutory income tax rate to tax expense at the effective tax rate of the Group is as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Profit before tax	<u>73,483,730</u>	<u>102,027,219</u>	<u>27,605,689</u>
Tax calculated using the Malaysian tax rate of 24%	17,636,095	24,486,533	6,625,365
Tax effects of non-deductible expenses	2,109,013	3,663,773	3,119,802
Tax effects of non-taxable income	(143,992)	(751,737)	(119,519)
Effect of differences in overseas tax rate	(1,582,279)	(2,027,848)	(563,168)
Realisation of deferred tax assets not recognised in previous financial years	(1,005,262)	(359,098)	(520,643)
Under/(Over) provision in prior financial years:			
Current tax	112,248	(436,179)	373,929
Deferred tax	<u>(3,780,002)</u>	<u>-</u>	<u>-</u>
Tax expense	<u>13,345,821</u>	<u>24,575,444</u>	<u>8,915,766</u>

As mentioned in Note 3, the tax effects of unused tax losses would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised. As at September 30, 2022, September 30, 2021 and September 30, 2020, the estimated amount of unused tax losses, for which the net deferred tax assets are not recognised in the combined financial statements due to uncertainty of realisation, is as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Unused tax losses	<u>5,630,458</u>	<u>10,199,831</u>	<u>11,832,093</u>

Under the Indonesian tax regulations, the unused tax losses can be utilised within 5 years after the losses were incurred.

Business loss incurred in year of assessment ("YA")	RM	Carried forward up to YA	Unutilised amount will be disregarded in YA
2018	<u>5,630,458</u>	2023	2024

13. ACCOUNTANTS' REPORT (Cont'd)**Tax Assessment YA 2019**

On January 4, 2021, PT Maju Kalimantan Hadapan ("PTMKH"), a subsidiary of the Company, received a Notice of Tax Overpaid Assessment from the Indonesia's Director General of Tax ("DGT") amounting to IDR29,816 million, equivalent to RM8.68 million for the year of assessment 2019.

On April 1, 2021, PTMKH filed an objection letter in reply to the above Notice of Tax Overpaid Assessment, as management are of the opinion, PTMKH should have tax refund amounting to IDR35,281 million, equivalent to RM10.27 million. DGT have restricted the claim on management fee incurred by PTMKH amounted to IDR21,855 million, equivalent to RM6.37 million which resulted in additional tax liability of IDR5,464 million, equal to RM1.59 million. On December 24, 2021, the objection letter has been rejected by tax appeal office in Balikpapan, Indonesia.

On March 18, 2022, PTMKH filed an appeal to tax court in Jakarta, Indonesia. On August 24, 2022, PTMKH received a notice of tax hearing from Jakarta's tax court to attend the said appeal on September 7, 2022. The Jakarta's tax court had requested PTMKH to provide additional analysis and summary report for the tax assessment during the tax hearing on September 7, 2022, October 5, 2022, November 9, 2022, December 7, 2022, January 25, 2023 and February 22, 2023. The Jakarta's tax court has verbally informed PTMKH that next tax hearing will be held on March 29, 2023.

Based on consultation with the local tax experts, the Board of MKHOP are of the opinion that PTMKH has a valid defense against DGT's assessment. Accordingly, PTMKH has not made any adjustments in respect of the tax assessment in the combined financial statements of the Group and PTMKH.

13. ACCOUNTANTS' REPORT (Cont'd)**9. EARNINGS PER SHARE****Basic earnings per share**

The basic earnings per share is calculated by dividing the Group's profit attributable to owner of the parent by the weighted average number of ordinary shares in issue during the financial year.

Basic earnings per share are calculated as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Profit attributable to owner of the parent	<u>55,547,284</u>	<u>72,217,410</u>	<u>17,797,114</u>
Number of ordinary shares in issue at beginning of the financial year	110,474,975	62,674,975	62,674,975
Adjusted weighted average number of new ordinary shares	<u>-</u>	<u>11,950,000</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>110,474,975</u>	<u>74,624,975</u>	<u>62,674,975</u>
Basic earnings per ordinary share (sen)	<u>50.28</u>	<u>96.77</u>	<u>28.40</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Diluted earnings per share**

The diluted earnings per share has been calculated by dividing the Group's profit attributable to owner of the parent for the financial year by the weighted average number of ordinary shares that would have been in issue assuming exercise of the redeemable convertible preference shares, adjusted for the number of such ordinary shares that would have been issued at fair value:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Profit attributable to owner of the parent	55,547,284	72,217,410	17,797,114
Weighted average number of ordinary shares for the purpose of basic earnings per share	110,474,975	74,624,975	62,674,975
Weighted average number of redeemable convertible preference shares for the purpose of diluted earnings per share	-	35,850,000	47,800,000
	110,474,975	110,474,975	110,474,975
Diluted earnings per ordinary share (sen)	50.28	65.37	16.11

13. ACCOUNTANTS' REPORT (Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Motor vehicles RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Bearer plants RM	Plantation infrastructure RM	Under construction RM	Total RM
Cost/Valuation								
Balance as at October 1, 2021	43,970,499	9,231,138	93,730,701	8,881,812	315,206,981	52,877,506	15,115,943	539,014,580
Additions	3,023	1,598,903	8,702,059	1,864,832	-	-	3,943,159	16,111,976
Write-offs	(61,335)	(385,992)	(2,417,130)	(90,232)	-	-	-	(2,954,689)
Reclassification	(1,144,289)	-	4,378,192	63,430	14,936,383	178,038	(18,411,754)	-
Effect of movements in exchange rate	1,656,870	343,146	3,499,674	332,114	12,025,325	1,985,490	563,129	20,405,748
Balance as at September 30, 2022	44,424,768	10,787,195	107,893,496	11,051,956	342,168,689	55,041,034	1,210,477	572,577,615
Accumulated depreciation								
Balance as at October 1, 2021	16,242,363	6,696,615	50,140,353	6,210,000	117,306,965	21,707,069	-	218,303,365
Charge for the financial year	1,541,393	942,574	8,161,072	739,239	16,229,121	2,826,614	-	30,440,013
Write-offs	(61,335)	(322,749)	(1,912,935)	(77,717)	-	-	-	(2,374,736)
Effect of movements in exchange rate	645,382	245,993	2,298,639	232,512	4,851,824	823,912	-	9,098,262
Balance as at September 30, 2022	18,367,803	7,562,433	58,687,129	7,104,034	138,387,910	25,357,595	-	255,466,904
Net carrying amounts								
As at September 30, 2022	26,056,965	3,224,762	49,206,367	3,947,922	203,780,779	29,683,439	1,210,477	317,110,711

13. ACCOUNTANTS' REPORT (Cont'd)

	Buildings RM	Motor vehicles RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Bearer plants RM	Plantation infrastructure RM	Under construction RM	Total RM
Cost/Valuation								
Balance as at October 1, 2020	40,777,309	8,770,078	84,101,124	7,680,137	299,902,023	49,988,712	13,296,506	504,515,889
Additions	-	127,104	3,546,283	499,421	-	38,812	5,871,284	10,082,904
Write-offs	(108,540)	(106,263)	(826,116)	(154,555)	-	-	-	(1,195,474)
Reclassification	1,248,807	-	2,651,963	467,061	-	339,269	(4,707,100)	-
Effect of movements in exchange rate	2,052,923	440,219	4,257,447	389,748	15,304,958	2,510,713	655,253	25,611,261
Balance as at September 30, 2021	43,970,499	9,231,138	93,730,701	8,881,812	315,206,981	52,877,506	15,115,943	539,014,580
Accumulated depreciation								
Balance as at October 1, 2020	11,918,506	5,642,448	41,605,769	5,438,678	96,445,450	18,084,630	-	179,135,481
Charge for the financial year	3,809,651	840,774	6,842,197	615,901	15,538,975	2,697,129	-	30,344,627
Write-offs	(107,770)	(74,857)	(657,760)	(120,711)	-	-	-	(961,098)
Effect of movements in exchange rate	621,976	288,250	2,350,147	276,132	5,322,540	925,310	-	9,784,355
Balance as at September 30, 2021	16,242,363	6,696,615	50,140,353	6,210,000	117,306,965	21,707,069	-	218,303,365
Net carrying amounts								
As at September 30, 2021	27,728,136	2,534,523	43,590,348	2,671,812	197,900,016	31,170,437	15,115,943	320,711,215

13. ACCOUNTANTS' REPORT (Cont'd)

	Buildings RM	Motor vehicles RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Bearer plants RM	Plantation infrastructure RM	Under construction RM	Total RM
Cost/Valuation								
Balance as at October 1, 2019	49,599,367	9,546,838	87,421,544	7,995,453	305,642,928	51,928,734	24,172,144	536,307,008
Additions	-	-	4,219,873	333,024	-	-	4,853,483	9,406,380
Write-offs	(315,525)	(270,568)	(1,851,846)	(218,153)	-	-	-	(2,656,092)
Reclassification	3,106,393	-	(788,041)	6,964	11,605,575	915,720	(14,846,611)	-
Revaluation	(8,894,253)	-	-	-	-	-	-	(8,894,253)
Effect of movements in exchange rate	(2,718,673)	(506,192)	(4,900,406)	(437,151)	(17,346,480)	(2,855,742)	(882,510)	(29,647,154)
Balance as at September 30, 2020	40,777,309	8,770,078	84,101,124	7,680,137	299,902,023	49,988,712	13,296,506	504,515,889
Accumulated depreciation								
Balance as at October 1, 2019	26,116,004	5,319,178	34,705,778	5,196,825	86,241,440	16,431,540	-	174,010,765
Charge for the financial year	3,658,819	876,068	6,493,185	688,464	15,322,254	2,566,316	-	29,605,106
Write-offs	(289,335)	(268,210)	(1,627,000)	(166,034)	-	-	-	(2,350,579)
Revaluation	(11,732,293)	-	-	-	-	-	-	(11,732,293)
Reclassification	(4,597,302)	-	4,597,302	-	-	-	-	-
Effect of movements in exchange rate	(1,237,387)	(284,588)	(2,563,496)	(280,577)	(5,118,244)	(913,226)	-	(10,397,518)
Balance as at September 30, 2020	11,918,506	5,642,448	41,605,769	5,438,678	96,445,450	18,084,630	-	179,135,481
Net carrying amounts								
As at September 30, 2020	28,858,803	3,127,630	42,495,355	2,241,459	203,456,573	31,904,082	13,296,506	325,380,408

13. ACCOUNTANTS' REPORT (Cont'd)

The buildings stated at valuation were revalued by the directors based on independent professional valuation on the market value basis using the cost valuation method, except for certain buildings located at oil palm plantation with carrying amounts (including additions during the financial year) totalling RM9,820,197 (September 30, 2021: RM10,012,702; September 30, 2020: RM9,145,779) were not revalued as at September 2020. The directors are of the view that it is not practicable to fair value these buildings as there are mainly staff quarters and amenities which were built on oil palm plantation for use by the plantation workers and there is lack of active market for the buildings.

September 30, 2022

Analysis of cost and valuation

	Buildings RM	Motor vehicles RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Bearer plants RM	Plantation infrastructure RM	Under construction RM	Total RM
At valuation – September 2020	21,479,424	-	-	-	-	-	-	21,479,424
At cost	22,945,344	10,787,195	107,893,496	11,051,956	342,168,689	55,041,034	1,210,477	551,098,191
	44,424,768	10,787,195	107,893,496	11,051,956	342,168,689	55,041,034	1,210,477	572,577,615

Net carrying amounts

At valuation – September 2020	16,236,768	-	-	-	-	-	-	16,236,768
At cost	9,820,197	3,224,762	49,206,367	3,947,922	203,780,779	29,683,439	1,210,477	300,873,943
	26,056,965	3,224,762	49,206,367	3,947,922	203,780,779	29,683,439	1,210,477	317,110,711

13. ACCOUNTANTS' REPORT (Cont'd)

	Buildings RM	Motor vehicles RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Bearer plants RM	Plantation infrastructure RM	Under construction RM	Total RM
September 30, 2021								
Analysis of cost and valuation								
At valuation – September 2020	20,702,208	-	-	-	-	-	-	20,702,208
At cost	23,268,291	9,231,138	93,730,701	8,881,812	315,206,981	52,877,506	15,115,943	518,312,372
	43,970,499	9,231,138	93,730,701	8,881,812	315,206,981	52,877,506	15,115,943	539,014,580
Net carrying amounts								
At valuation – September 2020	17,715,434	-	-	-	-	-	-	17,715,434
At cost	10,012,702	2,534,523	43,590,348	2,671,812	197,900,016	31,170,437	15,115,943	302,995,781
	27,728,136	2,534,523	43,590,348	2,671,812	197,900,016	31,170,437	15,115,943	320,711,215

13. ACCOUNTANTS' REPORT (Cont'd)

	Buildings RM	Motor vehicles RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Bearer plants RM	Plantation infrastructure RM	Under construction RM	Total RM
September 30, 2020								
Analysis of cost and valuation								
At valuation – September 2020	19,713,024	-	-	-	-	-	-	19,713,024
At cost	21,064,285	8,770,078	84,101,124	7,680,137	299,902,023	49,988,712	13,296,506	484,802,865
	40,777,309	8,770,078	84,101,124	7,680,137	299,902,023	49,988,712	13,296,506	504,515,889
Net carrying amounts								
At valuation – September 2020	19,713,024	-	-	-	-	-	-	19,713,024
At cost	9,145,779	3,127,630	42,495,355	2,241,459	203,456,573	31,904,082	13,296,506	305,667,384
	28,858,803	3,127,630	42,495,355	2,241,459	203,456,573	31,904,082	13,296,506	325,380,408

13. ACCOUNTANTS' REPORT (Cont'd)

The buildings under property, plant and equipment were revalued by directors in September 2020 based on independent professional valuation. The fair values of these assets were within level 3 of the fair value hierarchy using significant unobservable inputs.

Fair value reconciliation of buildings under property, plant and equipment measured at level 3 were as follows:

	September 2020 RM
Buildings under property, plant and equipment – At valuation 2020	
At beginning of year	15,919,780
Reclassification	3,309,331
Depreciation charge for the financial year	(1,364,979)
Revaluation	2,838,040
Effect of movements in exchange rates	(989,148)
	<hr/>
At end of year	<u>19,713,024</u>

Description of valuation techniques used and key unobservable inputs to valuation on buildings under property, plant and equipment measured at level 3 are as follows:

Property category	Valuation technique	Significant unobservable inputs	Range
Buildings	Cost method	Construction price per square feet	RM27 – RM121

Cost method of valuation

In the cost method of valuation, the market value of the subject property is the sum of the market value of the building. The value of the building is assumed to have a direct relationship with its cost of construction. The cost of construction is then adjusted to allow for cost of finance, profit and demand to reflect its profitable present market value.

Valuation processes applied by the Group

The fair values of buildings under property, plant and equipment are determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The Group revalues its buildings every five years or at shorter intervals whenever the fair values of the said assets are expected to differ substantially from the carrying amounts.

Included in the above property, plant and equipment of the Group are:

- (a) Property, plant and equipment under construction are mainly immature bearer plants, construction of buildings, plant and machinery and plantation infrastructure in oil palm plantation.

13. ACCOUNTANTS' REPORT (Cont'd)

Included in additions to the property, plant and equipment under construction are:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Interest capitalised	-	34,190	167,603
Employee benefit expenses:			
Wages, salaries and others	477,280	414,064	573,688

The interest on borrowings for the financial years was capitalised at rates ranging at Nil (September 30, 2021: 3.30%; September 30, 2020: 3.50% to 5.05%)

- (b) Bearer plants comprise oil palm trees. Bearer plants pledged as security for credit facilities granted to certain subsidiaries as disclosed in Note 23 are as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Cost			
Bearer plants	276,515,891	315,206,981	299,902,023
Net carrying amounts			
Bearer plants	149,304,534	197,900,016	203,456,573

11. PREPAID LEASE PAYMENTS

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
At beginning of year	20,341,816	20,878,248	21,821,092
Amortisation for the financial year	(556,716)	(727,493)	(723,141)
Effect of movements in exchange rate	148,303	191,061	(219,703)
At end of year	19,933,403	20,341,816	20,878,248

The above is leasehold land with remaining unexpired lease period ranging from 20 years to 23 (September 30, 2021: 21 years to 24 years; September 30, 2020: 22 years to 25 years)

The leasehold land of RM19,061,198 (September 30, 2021: RM 20,341,816; September 30, 2020: RM20,878,248) are pledged as security for credit facilities granted to the certain subsidiaries as disclosed in Note 23.

13. ACCOUNTANTS' REPORT (Cont'd)**12. GOODWILL ON CONSOLIDATION**

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
At cost:			
At beginning of year	5,146,787	4,900,865	5,181,919
Effect of movements in exchange rate	193,224	245,922	(281,054)
At end of year	<u>5,340,011</u>	<u>5,146,787</u>	<u>4,900,865</u>

Impairment test for goodwill

Goodwill is allocated to the Group's cash generating unit ("CGU") in respect of the plantation segment.

Key assumptions used in the value-in-use calculations based on 8 years (September 30, 2021: 9 years; September 30, 2020: 10 years) cash flow projections in respect of impairment test for goodwill on the plantation segment are:

- i. discount rate of 10.9% (September 30, 2021: 11.8%; September 30, 2020: 9.13%); which is pre-tax and reflected specific risks of the plantation segment in Indonesia;
- ii. oil palm trees with an average life of 25 years (September 30, 2021 and September 30, 2020: 25 years) with the first three years as immature and remaining years as mature which is average life cycle of the trees.
- iii. CPO average selling price of RM3,300 (September 30, 2021: RM2,675; September 30, 2020: RM2,000) per metric tonne ("MT") based on the management's estimate;
- iv. Average CPO extraction rate of 20.5% (September 30, 2021: 21%; September 30, 2020: 22%) based on the industry trend and past performance; and
- v. Average annual oil palm yield per hectare of 25 to 29 metric tonnes (September 30, 2021 and September 30, 2020: 30 to 33 metric tonnes) based on management's estimate and historic yield.

In assessing the value-in-use, management does not foresee any possible changes in the above key assumptions that would cause the carrying amounts of the goodwill to materially exceed its recoverable amounts.

13. ACCOUNTANTS' REPORT (Cont'd)**13. RECEIVABLES, DEPOSITS AND PREPAYMENTS**

		September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Non-current				
Non-trade				
Other receivable	(a)	11,560	1,087,331	1,035,376
Prepayments		1,379,192	1,100,130	963,460
		<u>1,390,752</u>	<u>2,187,461</u>	<u>1,998,836</u>
Current				
Trade				
Trade receivables	(b)	<u>1,871,168</u>	<u>4,060,973</u>	<u>18,916,382</u>
Non-trade				
Other receivables	(c)	4,403,246	4,569,757	8,636,029
Amount owing from a related company	(d)	-	-	3,042
Amount owing from subsidiaries	(d)	3,169,432	5,969,588	5,705,928
Amount owing from shareholder	(d)	-	-	118
Deposits		4,132,151	6,878,099	2,578,455
Prepayments		1,818,536	1,421,003	332,347
		<u>13,523,365</u>	<u>18,838,447</u>	<u>17,255,919</u>
Total current		<u>15,394,533</u>	<u>22,899,420</u>	<u>36,172,301</u>

(a) Non-current other receivable of the Group of RM11,560 (September 30, 2021: RM1,087,331; September 30, 2020: RM1,035,376) was in respect of an amount due from Plasma Farmers Cooperative in Indonesia. In accordance with the Indonesian Government policy, the subsidiaries, PTMKH and PTSPS assume the responsibilities to develop plantation for small land holders (known as Plasma Farmers) in addition to its own plantation. The subsidiaries are also required to train and to supervise the Plasma Farmers and to purchase the FFB from the Plasma Farmers Cooperative at prices determined by the Government. Plasma receivables represent a loan granted to the Plasma Farmers for the accumulated costs to develop plasma plantations which are currently being financed by the Group. When the plasma plantations start to mature, the Plasma Farmers are obliged to sell their harvests to the Group and a portion of the resulting proceeds will be used to repay the loans. The amount is unsecured, interest-free, has no fixed term in repayment but not to be settled within one year.

(b) The Group's normal credit term is 30 days (September 30, 2021 and September 30, 2020: 30 to 60 days).

13. ACCOUNTANTS' REPORT (Cont'd)

The ageing analysis of the Group's trade receivables is as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Neither past due nor impaired	1,800,746	4,060,973	12,179,873
1 to 30 days past due but not impaired	70,422	-	3,547,985
31 to 60 days past due but not impaired	-	-	2,899,015
61 to 90 days past due but not impaired	-	-	207,632
91 to 120 days past but not impaired	-	-	-
More than 121 days past due but not impaired	-	-	81,877
	70,422	-	6,736,509
	1,871,168	4,060,973	18,916,382

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired comprise mainly debtors who are creditworthy customers with good payment records and mostly are regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables of the Group amounting to RM70,422 (September 30, 2021: RMNil; September 30, 2020: RM6,736,509) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. The Group has not recognised an allowance for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECLs on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting year.

13. ACCOUNTANTS' REPORT (Cont'd)

- (c) Included in other receivables of the Group are:
- i. an amount of RM296,350 (September 30, 2021: RM4,352; September 30, 2020: RM1,448,824) being indirect taxes paid in advance to tax authorities by the subsidiaries;
 - ii. an amount of RM2,322,839 (September 30, 2021: RM1,966,862; September 30, 2020: RM4,748,005) being amount due from Plasma Farmers Cooperative in Indonesia. Plasma receivables represent a loan granted to the Plasma Farmers for the accumulated costs to develop plasma plantations which are currently being financed by the Group. When the plasma plantations start to mature, the Plasma Farmers are obliged to sell their harvests to the Group and a portion of the resulting proceeds will be used to repay the loans; and
 - iii. an amount of RMNil (September 30, 2021: RMNil; September 30, 2020: RM663,050) being amount due from PT Agro Raya Malindo, holding company of PTSPS, in which directors of the Company are also director of the subsidiary, PTSPS and is unsecured, interest free and is repayable on demand.
- (d) The amount owing from related company, subsidiaries and shareholder arose mainly from advances by the Group which are repayable on demand and are interest free.

14. INVESTMENT IN SUBSIDIARIES

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Unquoted shares – at cost			
Ordinary shares	4,463,630	1,222,446	1,222,446
Less: Accumulated impairment loss			
At beginning of year	(1,222,445)	(1,222,445)	-
Impairment loss for the financial year	(3,191,184)	-	(1,222,445)
At end of year	(4,413,629)	(1,222,445)	(1,222,445)
Net carrying amount	50,001	1	1

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by the Group		
			2022 %	2021 %	2020 %
PT Nusantara Makmur Jaya (“PTNMJ”)	Republic of Indonesia	Dormant	100	99.75	99.75
Restu Mesra Sdn. Bhd. (“Restu”)	Malaysia	Dormant	100	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

On December 8, 2021, the Company subscribed for additional 800,000 new ordinary shares, representing 100% of new issuing shares in PTNMJ, a Company incorporated in Republic of Indonesia, with a total cash consideration of RM3,191,184. As a result, the Company has increased the ownership interest in PTNMJ from 99.75% to 99.92%.

On February 16, 2022, the Company acquired 1 ordinary share representing 100% of the equity interest in Restu, a company incorporated in Malaysia for a cash consideration of RM1. On August 5, 2022, the Company increased its investment in Restu by way of subscribing 49,999 new ordinary shares of Restu for a total cash consideration of RM49,999. On August 15, 2022, Restu acquired 0.08% of the equity interest in PT NMJ from Metro Kajang (Oversea) Sdn. Bhd. ("MKO"), for a cash consideration of RM3,970.

15. INVENTORIES

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
At cost:			
Fertiliser	20,804,242	12,693,641	12,948,843
Plantation consumables	16,813,998	14,567,268	10,543,195
CPO and palm kernel	30,096,167	17,713,778	6,570,205
	<u>67,714,407</u>	<u>44,974,687</u>	<u>30,062,243</u>

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM185,948,501 (September 30, 2021: RM166,236,960; September 30, 2020: RM182,790,649).

16. BIOLOGICAL ASSETS

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Net book value:			
At beginning of year	6,177,026	4,233,267	5,181,734
Changes in fair value (Note 6)	(577,142)	1,637,252	(913,440)
Effect of movements in exchange rate	<u>317,476</u>	<u>306,507</u>	<u>(35,027)</u>
At end of year	<u>5,917,360</u>	<u>6,177,026</u>	<u>4,233,267</u>

The biological assets of the Group comprise FFB prior to harvest. Management has considered FFB less than 15 days before harvesting in the calculation of fair value. FFB more than 15 days before harvesting are excluded from the valuation as their fair values are considered negligible.

The fair value measurement of the biological assets is valued using present value of net cashflows expected to be generated from the sales of FFB, adjusted for estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell and is categorised within Level 3 of the fair value hierarchy as disclosed in Note 32.

During the financial year, the Group harvested approximately 382,752 MT of FFB (September 30, 2021: 441,016 MT; September 30, 2020: 477,157 MT).

13. ACCOUNTANTS' REPORT (Cont'd)**17. CASH AND BANK BALANCES**

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Cash and bank balances	<u>42,014,471</u>	<u>57,464,522</u>	<u>36,250,247</u>

Included in cash and bank balances of the Group is an amount of RMNil (September 30, 2021: RM10,259,714; September 30, 2020: RM12,664,674) pledged as security for the credit facilities as disclosed in Note 23.

13. ACCOUNTANTS' REPORT (Cont'd)

18. SHARE CAPITAL

	September 30, 2022		September 30, 2021		September 30, 2020	
	Number of shares	RM	Number of shares	RM	Number of shares	RM
Issued and fully paid:						
<u>Ordinary shares</u>						
At beginning of the year	110,474,975	112,595,375	62,674,975	64,795,375	62,674,975	64,795,375
Issued during the year	-	-	47,800,000	47,800,000	-	-
At end of the year	110,474,975	112,595,375	110,474,975	112,595,375	62,674,975	64,795,375
<u>Redeemable convertible preference shares</u>						
At beginning of the year	-	-	478,000	47,800,000	478,000	47,800,000
Redeemed and converted to fresh issue of ordinary shares	-	-	(478,000)	(47,800,000)	-	-
At end of the year	-	-	-	-	478,000	47,800,000
Total	110,474,975	112,595,375	110,474,975	112,595,375	63,152,975	112,595,375

13. ACCOUNTANTS' REPORT (*Cont'd*)

Ordinary shares

On June 30, 2021, the Company has issued 47,800,000 new ordinary shares of the Company at RM1.00 each to redeem the entire 478,000 redeemable convertible preference shares ("RCPS") of RM1.00 each, registered in the name of Metro Kajang (Oversea) Sdn. Bhd., which was issued at a premium of RM99 per RCPS by converting each RCPS into 100 ordinary shares at RM1.00 each in the share capital of the Company.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Redeemable convertible preference shares

The rights attached to the redeemable convertible preference shares ("RCPS") were as follows:

(a) Dividend

- (i) The holder has the right to be paid, out of such profits of the Company available for distribution determined by the Directors at their discretion to be distributed in respect of each financial year or other accounting period of the Company, a dividend at rate as the Board of Directors shall determine from time to time.
- (ii) the holder of the RCPS shall not be entitled to participate in the surplus profits or assets of the Company beyond such rights as are expressly set out herein.

(b) Voting rights

The RCPS carry rights to vote at any general meeting of the Company if:

- (i) any resolution is proposed for the winding up of the Company, in which case the holder of the RCPS may only then vote at such general meeting on the election of a chairman, any motion for adjournment and the resolution for winding up; or
- (ii) the meeting is convened for the purpose of considering the reduction of the capital of the Company; or
- (iii) the meeting is relating to any dividend or part thereof unpaid on any RCPS; or
- (iv) the proposition which is submitted to the meeting proposes to abrogate or vary or otherwise directly affects the special rights and privileges attaching to the RCPS; in which event the holder of the RCPS shall have such number of votes for each RCPS registered in his name equivalent to the number of ordinary shares, which solely for the purpose of calculating the number of votes of the holder of the RCPS is entitled to, one RCPS held by the holder of RCPS shall be deemed to be equivalent to one of ordinary share of the Company. The holder of the RCPS shall further be entitled to speak, demand a poll, to move resolutions and participate in the meeting of the shareholders of RCPS of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)**(c) Redemption**

- (i) Subject to the provisions of Section 72 the Act, the Company shall have the right to redeem all or any of the RCPS at RM100 only per RCPS at any time after the date of issuance of RCPS; and
- (ii) All of the RCPS have been redeemed on May 21, 2021 and no RCPS redeemed by the Company shall be capable of reissue.

(d) Conversion

The Company shall, at any time during the period commencing on the date of issuance of RCPS be entitled to convert all or any of the RCPS registered in the name of each holder of the RCPS. The conversion of RCPS into ordinary shares of the Company is subject to the following terms and conditions: Each RCPS shall be converted into 100 ordinary shares in the share capital of the Company. The ordinary shares issued and allotted herein shall rank pari passu in all respects with all other ordinary shares in issue at the date of conversion.

(e) Capital

The holder has the right on winding up or other return of capital (other than on the redemption of the RCPS) to receive, in priority to the holders of any other class of shares in the capital of the Company.

19. RESERVE

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Distributable			
Retained earnings	141,092,618	84,752,106	10,421,616
Non-distributable			
Translation reserve	7,216,767	(989,576)	(7,683,311)
Revaluation reserve	6,775,200	6,775,200	6,775,200
	<u>155,084,585</u>	<u>90,537,730</u>	<u>9,513,505</u>

Retained earnings

Distributable reserves are those available for distribution as dividends. The entire retained earnings of the Company are available to be distributed as single tier dividends to the shareholder of the Company. No dividend has been paid or declared by the Company for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

13. ACCOUNTANTS' REPORT (Cont'd)**Revaluation reserve**

The revaluation reserve relates to the revaluation of buildings.

20. NON-CONTROLLING INTERESTS**Non-controlling interests**

The subsidiaries that have material non-controlling interests ("NCI") are as follows:

	PTMKH RM	PTSPS RM	Total RM
September 30, 2022			
NCI percentage of ownership interests and voting interests	<u>5.6%</u>	<u>25%</u>	
Carrying amount of NCI	<u>15,686,730</u>	<u>(2,417,218)</u>	<u>13,269,512</u>
Profit allocated to NCI	<u>3,465,049</u>	<u>1,125,576</u>	<u>4,590,625</u>
Total comprehensive income allocated to NCI	<u>4,005,031</u>	<u>1,025,103</u>	<u>5,030,134</u>
September 30, 2021			
NCI percentage of ownership interests and voting interests	<u>5.6%</u>	<u>25%</u>	
Carrying amount of NCI	<u>11,681,699</u>	<u>(3,442,321)</u>	<u>8,239,378</u>
Profit allocated to NCI	<u>4,077,366</u>	<u>1,156,999</u>	<u>5,234,365</u>
Total comprehensive income allocated to NCI	<u>4,620,908</u>	<u>951,490</u>	<u>5,572,398</u>

13. ACCOUNTANTS' REPORT (Cont'd)

	PTMKH RM	PTSPS RM	Total RM
September 30, 2020			
NCI percentage of ownership interests and voting interests	<u>5.6%</u>	<u>25%</u>	
Carrying amount of NCI	<u>7,060,791</u>	<u>(4,393,811)</u>	<u>2,666,980</u>
Profit/(loss) allocated to NCI	<u>1,181,715</u>	<u>(288,906)</u>	<u>892,809</u>
Total comprehensive income/(loss) allocated to NCI	<u>992,446</u>	<u>(20,543)</u>	<u>971,903</u>

The financial information of the subsidiaries, namely PTMKH and PTSPS that have material NCI before intra-group elimination are as follows:

	September 30, 2022 RM	PTMKH September 30, 2021 RM	September 30, 2020 RM
Assets and liabilities			
Non-current assets	268,409,720	275,418,632	282,591,768
Current assets	135,286,086	135,580,797	100,757,392
Non-current liabilities	(49,599,818)	(103,369,851)	(143,205,735)
Current liabilities	<u>(74,379,163)</u>	<u>(99,528,374)</u>	<u>(114,670,566)</u>
Net assets	<u>279,716,825</u>	<u>208,101,204</u>	<u>125,472,859</u>

	September 30, 2022 RM	PTMKH September 30, 2021 RM	September 30, 2020 RM
Results			
Revenue	315,817,268	294,458,125	250,453,420
Profit for the financial year	61,959,966	72,909,054	21,130,740
Total comprehensive income	<u>71,615,621</u>	<u>82,628,345</u>	<u>17,746,320</u>
Cash flows (used in)/from:			
Operating activities	73,236,942	106,718,806	68,398,631
Investing activities	(12,277,875)	(6,999,634)	(4,402,629)
Financing activities	<u>(81,918,680)</u>	<u>(77,115,755)</u>	<u>(59,339,097)</u>
Net (decrease)/increase in cash and cash equivalent	<u>(20,959,613)</u>	<u>22,603,417</u>	<u>4,656,905</u>

13. ACCOUNTANTS' REPORT (Cont'd)

	September 30, 2022 RM	PTSPS September 30, 2021 RM	September 30, 2020 RM
Assets and liabilities			
Non-current assets	58,057,977	56,448,435	53,595,022
Current assets	2,350,264	2,034,311	5,154,953
Non-current liabilities	(2,562,385)	(2,494,996)	(2,307,831)
Current liabilities	(67,514,727)	(69,757,034)	(74,017,389)
Capital deficiencies	(9,668,871)	(13,769,284)	(17,575,245)
	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Results			
Revenue	15,810,761	12,705,773	11,224,893
Profit/(loss) for the financial year	4,502,304	4,627,996	(1,155,626)
Total comprehensive income/(loss)	4,100,412	3,805,961	(82,173)
Cash flows (used in)/from:			
Operating activities	4,740,231	5,442,746	466,225
Investing activities	(2,412,011)	(2,937,108)	(4,206,284)
Financing activities	(2,423,583)	(5,312,529)	4,560,730
Net (decrease)/increase in cash and cash equivalent	(95,363)	(2,806,891)	820,671

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group except for the covenants of the bank term loans taken by PTMKH and PTSPS, subsidiaries of the Company, which restrict the ability of these subsidiaries to provide advances to other companies within the Group and to declare dividends to their shareholders until full settlement of the loans amounting to RMNil (September 30, 2021: RM51,329,721; September 30, 2020: RM124,976,370) unless prior written consent is obtained from the lenders. The term loan taken by PTSPS has been fully settled as at September 30, 2021. The assets to which such restrictions apply are the cash and cash equivalent of the subsidiaries included in the combined financial statements amounting to RMNil (September 30, 2021: RM10,259,714; September 30, 2020: RM12,664,674).

13. ACCOUNTANTS' REPORT (Cont'd)**21. PROVISIONS****Post-employment benefit obligations**

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
At beginning of year	15,210,765	16,654,766	14,561,361
Amounts recognised in profit or loss (Note 6):			
Current service costs	2,105,789	3,572,036	3,840,786
Interest on obligation	1,057,568	1,159,198	1,183,489
Past service cost	-	(2,667,128)	(1,312,880)
	3,163,357	2,064,106	3,711,395
Amounts recognised in other comprehensive income:			
Remeasurement (gains)/losses	(1,357,260)	(3,189,373)	144,860
Benefit paid	(1,978,519)	(1,514,693)	(746,241)
Effect of movements in exchange rates	667,424	1,195,959	(1,016,609)
At end of year	<u>15,705,767</u>	<u>15,210,765</u>	<u>16,654,766</u>

Certain subsidiaries of the Company in Indonesia operate unfunded defined benefit schemes, as required under the Labour Law of the Republic of Indonesia. The defined benefit schemes expose the Group to actuarial risks, such as longevity risk and interest rate risk.

The amount recognised in the combined statement of financial position is determined as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Present value of obligations	<u>15,705,767</u>	<u>15,210,765</u>	<u>16,654,766</u>

13. ACCOUNTANTS' REPORT (Cont'd)

The defined benefit obligation expenses were determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method. Principal assumptions at reporting date are as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Discount rate	7.50%	7.50%	8.00%
Future salary increase	8.00%	8%	8%
Mortality rate	100% TMI 4	100% TMI4	100% TMI4
Resignation age	6% - 22% per annum until age of 18 - 38, then decrease linearly to 0% until age 57	6% - 22% per annum until age of 18 -38, then decrease linearly to 0% until age 57	4% - 9% per annum until age of 30 -32, then decrease linearly to 0% until age 57
Disability	5% of mortality rate	5% of mortality rate	5% of mortality rate
Normal retirement age	57	57	57

Sensitivity analysis

The sensitivity analysis below has been determined based on reasonably possible changes in the discount rate and future salary increase occurring at the reporting date, while holding all other assumptions constant.

	Increase/(decrease) in profit		
	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Discount rate increase by 1%	1,085,386	1,209,346	1,592,570
Discount rate decrease by 1%	(1,226,606)	(1,397,101)	(1,875,762)
Future salary increase by 1%	(1,238,478)	(1,407,012)	(1,881,374)
Future salary decrease by 1%	1,115,909	1,240,490	1,626,228

The sensitivity analysis presented above has been determined using deterministic method and may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

As at September 30, 2022, the weighted-average duration of the defined benefit obligation was 12.66 to 16 years (September 30, 2021: 15.75 to 16.36 years; September 30, 2020: 15.68 to 19.16 years).

13. ACCOUNTANTS' REPORT (Cont'd)

The benefits, which reflect the expected future services, as appropriate are expected to be paid as follows:

	September 30, 2021 RM	September 30, 2020 RM	September 30, 2019 RM
Within 1 year	1,819,351	1,534,518	1,112,637
Between 2 and 5 years	7,947,757	7,671,028	7,118,381
After 5 years	16,315,601	15,074,434	16,790,635
	<u>26,082,709</u>	<u>24,279,980</u>	<u>25,021,653</u>

22. PAYABLES AND ACCRUALS

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Non-current			
Non-trade			
Amount due to a related company (a)	<u>31,326,624</u>	<u>59,516,424</u>	<u>62,457,570</u>
Current			
Trade			
Trade payables (b)	11,729,633	7,874,296	20,477,012
Amount due to a related company (a)	-	-	1,354,879
Non-trade			
Amount due to related companies (a)	92,917,256	68,106,394	85,190,242
Other payables	16,176,896	12,024,590	10,044,054
Advances from customers (c)	11,394,209	-	221,526
Accruals	<u>10,445,419</u>	<u>10,931,722</u>	<u>6,489,960</u>
	<u>142,663,413</u>	<u>98,937,002</u>	<u>123,777,673</u>

(a) Included in amount due to related companies are:

- (i) Advances of RM8,408,291 (September 30, 2021: RM4,441,949; September 30, 2020: RM2,427,901) of the Group, which bears interest at 5.01% (September 30, 2021 and September 30, 2020: 4.51%) per annum, is unsecured and is repayable on demand.
- (ii) An amount of RM56,478,927 (September 30, 2021: RM60,719,198; September 30, 2020: RM80,330,723) of the Group, which is unsecured, interest free and is repayable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)

- (iii) Advances of RM59,356,662 (September 30, 2021: RM62,461,671; September 30, 2020: RM66,244,067) of the Group, which bears interest at 7.00% (September 30, 2021 and September 30, 2020: 7.00%) per annum, is unsecured and repayable by 19 quarterly instalments commencing from June 2020.

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Repayable within one year	28,030,038	2,945,247	3,786,497
Repayable after 1 year but not later than 2 years	27,925,319	28,049,968	2,945,053
Repayable after 2 years but not later than 3 years	3,401,305	28,049,968	28,048,127
Repayable after 3 years but not later than 4 years	-	3,416,488	28,048,127
Repayable after 4 years but not later than 5 years	-	-	3,416,263
	<u>59,356,662</u>	<u>62,461,671</u>	<u>66,244,067</u>

- (b) The normal credit term granted to the Group ranges from 14 days to 90 days (September 30, 2021 and September 30, 2020: 14 days to 90 days) unless as specified in the agreements.
- (c) This represents downpayment from purchasers of CPO and palm kernel.

13. ACCOUNTANTS' REPORT (Cont'd)
23. LOANS AND BORROWINGS

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Non-current:			
Term loans			
Secured:			
United States Dollar ("USD")	-	8,352,013	48,207,725
Unsecured:			
USD	2,317,544	13,917,287	6,243,183
	2,317,544	22,269,300	54,450,908
Current:			
Term loans			
Secured:			
USD	-	11,538,054	24,742,120
Unsecured:			
USD	-	3,521,241	-
Revolving credits			
Secured:			
USD	-	31,439,654	52,026,525
	-	46,498,949	76,768,645
Total	2,317,544	68,768,249	131,219,553

13. ACCOUNTANTS' REPORT (Cont'd)

The maturity profile of loans and borrowings of the Group is as follows:

September 30, 2022
Floating rate instruments

Term loans							
Unsecured:							
USD	2,317,544	-	2,317,544	-	-	-	-
	2,317,544	-	2,317,544	-	-	-	-

September 30, 2021
Floating rate instruments

Term loans							
Secured:							
USD	19,890,067	11,538,054	8,352,013	-	-	-	-
Unsecured:							
USD	17,438,528	3,521,241	7,042,483	6,874,804	-	-	-
Revolving credits							
Secured:							
USD	31,439,654	31,439,654	-	-	-	-	-
	68,768,249	46,498,949	15,394,496	6,874,804	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

	Carrying amount RM	Within 1 year RM	1-2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM
September 30, 2020						
Floating rate instruments						
Term loans						
Secured:						
USD	72,949,845	24,742,120	39,883,481	8,324,244	-	-
Unsecured:						
USD	6,243,183	-	6,243,183	-	-	-
Revolving credits						
Secured:						
USD	52,026,525	52,026,525	-	-	-	-
	131,219,553	76,768,645	46,126,664	8,324,244	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

The term loans and revolving credits bear effective interest rates ranging from 2.54% to 5.20% (September 30, 2021: 2.52% to 2.62%; September 30, 2020: 2.30% to 5.27%).

Secured term loan I of RMNil (September 30, 2021: RM19,890,067; September 30, 2020: RM68,038,541) is repayable in 20 quarterly principal instalments commencing 9th month from the day of first drawdown on March 2017. Secured revolving credits of RMNil (September 30, 2021: RM31,439,654; September 30, 2020: RM52,026,525) is repayable on demand. The secured term loan and secured revolving credit are secured and supported as follows:

- (a) legal charge over the oil palm plantation land of a subsidiary in Indonesia;
- (b) pledge of shares of a subsidiary;
- (c) corporate guarantee of the corporate shareholder, MKH Berhad; and
- (d) charge over designated bank accounts of certain subsidiaries in Indonesia.

Secured term loan II of RMNil (September 30, 2021: RMNil; September 30, 2020: RM4,911,304) is repayable in 12 quarterly principal instalments commencing 48th month from the day of first drawdown in December 2014. In 2020, the secured term loan is secured and is supported as follows:

- (a) facility agreement and security sharing agreement;
- (b) legal charge over the oil palm plantation land of a subsidiary in Indonesia;
- (c) deed of fiduciary by way of fixed and floating charge over the oil palm plantation in Indonesia;
- (d) charge over a designated bank account of a subsidiary in Indonesia;
- (e) pledge of 95% shares of a subsidiary and substantial shareholder of a subsidiary;
- (f) assignment over all applicable insurance policies;
- (g) negative pledge over a subsidiary's assets; and
- (h) corporate guarantee of the corporate shareholder, MKH Berhad.

Unsecured term loan I of RMNil (September 30, 2021: RM17,438,528; September 30, 2020: RM6,243,183) is repayable in 11 equal quarterly instalments commencing 15th month from the date of first drawdown in September 2020 and are supported by corporate guarantee of the corporate shareholder, MKH Berhad.

Unsecured term loan II of RM2,317,544 (September 30, 2021 and September 30, 2020: RMNil) is repayable in 16 equal quarterly instalments commencing 15 months from the date of first drawdown in September 2022 and is supported by corporate guarantee of the corporate shareholder, MKH Berhad.

13. ACCOUNTANTS' REPORT (Cont'd)
24. DEFERRED TAX LIABILITIES

The movements during the financial year relating to deferred tax are as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
At beginning of year	9,726,487	7,234,613	8,572,173
Recognised in profit or loss (Note 8)	(5,930,260)	1,325,380	(1,422,312)
Recognised in other comprehensive income (Note 8)	512,070	958,113	54,180
Effect of movements in exchange rate	1,494,171	208,381	30,572
At end of year	<u>5,802,468</u>	<u>9,726,487</u>	<u>7,234,613</u>

Deferred tax assets and deferred tax liabilities are attributable to the following:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Deferred tax liabilities			
Taxable temporary differences arising from:			
Fair value adjustments on biological assets	1,301,819	1,358,946	931,319
Property, plant and equipment	2,247,079	5,986,668	5,373,629
Surplus arising from revaluation of buildings	810,269	975,550	1,295,418
Inventories	2,312,560	1,701,944	402,801
Fair value adjustments in respect of subsidiary acquired	2,960,200	3,070,200	3,217,200
	<u>9,631,927</u>	<u>13,093,308</u>	<u>11,220,367</u>
Deferred tax assets			
Deductible temporary differences arising from:			
Property, plant and equipment	374,191	20,453	804,524
Provisions	3,455,268	3,346,368	3,181,230
	<u>3,829,459</u>	<u>3,366,821</u>	<u>3,985,754</u>
	<u>5,802,468</u>	<u>9,726,487</u>	<u>7,234,613</u>

13. ACCOUNTANTS' REPORT (Cont'd)**25. CAPITAL COMMITMENT**

As at September 30, 2022, the Group has the following commitments in respect of capital expenditure on property, plant and equipment.

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Approved and contracted for	5,440,000	-	-
Approved but not contracted for	18,130,778	21,882,735	10,576,422
	<u>23,570,778</u>	<u>21,882,735</u>	<u>10,576,422</u>

26. RELATED PARTY DISCLOSURE**(a) Identity of related parties**

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

The Group has a related party relationship with its subsidiaries, related companies and key management personnel. Related companies refer to subsidiaries of MKH Berhad.

(b) Related party transactions and balances of the Company

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
With related companies:			
Metro Kajang (Oversea) Sdn. Bhd.			
Interest expense (Note 6)	4,596,524	4,667,598	5,404,304
MKH Resource Sdn. Bhd.			
Management fee paid/payable	6,372,134	8,525,121	8,753,260
Laju Jaya Sdn. Bhd.			
Expenses relating to short-term leases	125,480	-	-
MKH Building Materials Sdn. Bhd.			
Purchase of building materials	-	50,201	1,371,791

Information on outstanding balances with related companies is disclosed in Note 13 and 22.

13. ACCOUNTANTS' REPORT (Cont'd)**(c) Key management personnel compensation**

The key management personnel compensation is as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Directors of company			
Executive Directors:			
Other emoluments	421,433	200,484	-
Estimated monetary value of benefits-in-kind	7,487	4,400	-
	428,920	204,884	-
Other key management personnel			
Remuneration	884,850	431,615	85,891
Post-employment benefits	93,821	41,364	-
	978,671	472,979	85,891
	1,407,591	677,863	85,891

Other key management personnel comprise persons other than the directors of Company, having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

27. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on their products and services. The Group's chief operation decision maker reviews the information of each business segment on at least on a monthly basis for the purposes of resource allocation and assessment of segment performance. Therefore, the Group's reportable segments under MFRS 8 are as follows:

- (i) Plantation - oil palm cultivation, production and sales of CPO and PK
- (ii) Trading - trading in building materials and household related products and general trading. However, the Group had ceased its operations in trading of building materials and household related products in 2021
- (iii) Investment holding - investment holding and management services.

Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represents profit before tax of the segment. Inter-segment transactions are entered into in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

13. ACCOUNTANTS' REPORT (Cont'd)**Segment assets**

Segment assets are measured based on all assets (including goodwill) of the segment, excluding, deferred tax assets, current tax asset and tax recoverable.

Segment liabilities

Segment liabilities are measured based on all liabilities, excluding loans and borrowings, current tax liabilities and deferred tax liabilities.

Segment revenue and results

September 30, 2022	Plantation RM	Trading RM	Investment holding RM	Elimination RM	Total RM
Revenue					
Total external revenue	315,817,268	-	-	-	315,817,268
Inter-segment revenue	15,810,761	-	2,741,005	(18,551,766)	-
Total segment revenue	331,628,029	-	2,741,005	(18,551,766)	315,817,268
Results					
Operating results	83,934,750	-	(5,265,593)	-	78,669,157
Interest expenses	(5,475,300)	-	(364,634)	-	(5,839,934)
Interest income	654,507	-	-	-	654,507
Segment results	79,113,957	-	(5,630,227)	-	73,483,730
Tax expenses	(13,060,672)	-	(285,149)	-	(13,345,821)
Profit/(loss) for the financial year	66,053,285	-	(5,915,376)	-	60,137,909
Other segment information					
Depreciation of property, plant and equipment	30,394,867	-	45,146	-	30,440,013
Impairment loss on investment in subsidiary	-	-	3,191,184	-	3,191,184
Provision for post-employment benefit obligations	3,163,357	-	-	-	3,163,357
Property, plant and equipment written off	579,953	-	-	-	579,953
Changes in fair values of biological assets	577,142	-	-	-	577,142
Amortisation of prepaid lease payments	556,716	-	-	-	556,716
Inventories written off	577	-	-	-	577
(Gain)/Loss on foreign exchange:					
Realised	644,378	-	(2,815)	-	641,563
Unrealised	(4,490,904)	-	-	-	(4,490,904)

13. ACCOUNTANTS' REPORT (Cont'd)

September 30, 2021	Plantation RM	Trading RM	Investment holding RM	Elimination RM	Total RM
Revenue					
Total external revenue	294,458,125	12,152,681	-	-	306,610,806
Inter-segment revenue	12,705,773	-	936,200	(13,641,973)	-
Total segment revenue	<u>307,163,898</u>	<u>12,152,681</u>	<u>936,200</u>	<u>(13,641,973)</u>	<u>306,610,806</u>
Results					
Operating results	108,455,369	677,574	87,064	-	109,220,007
Interest expenses	(7,738,813)	-	(129,796)	-	(7,868,609)
Interest income	675,821	-	-	-	675,821
Segment results	101,392,377	677,574	(42,732)	-	102,027,219
Tax expenses	<u>(24,399,244)</u>	<u>(167,200)</u>	<u>(9,000)</u>	<u>-</u>	<u>(24,575,444)</u>
Profit/(loss) for the financial year	<u>76,993,133</u>	<u>510,374</u>	<u>(51,732)</u>	<u>-</u>	<u>77,451,775</u>
Other segment information					
Depreciation of property, plant and equipment	30,338,267	-	6,360	-	30,344,627
Provision for post- employment benefit obligations	2,064,106	-	-	-	2,064,106
Amortisation of prepaid lease payments	727,493	-	-	-	727,493
Property, plant and equipment written off	234,376	-	-	-	234,376
Bad debts written off	94,291	-	-	-	94,291
Inventories written off	721	-	-	-	721
Gain on foreign exchange:					
Realised	(3,079,205)	-	(153)	-	(3,079,358)
Unrealised	(7,785,247)	-	-	-	(7,785,247)
Changes in fair values of biological assets	<u>(1,637,252)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,637,252)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

September 30, 2020	Plantation RM	Trading RM	Investment holding RM	Elimination RM	Total RM
Revenue					
Total external revenue	250,453,420	31,870,089	-	-	282,323,509
Inter-segment revenue	11,224,893	-	-	(11,224,893)	-
Total segment revenue	261,678,313	31,870,089	-	(11,224,893)	282,323,509
Results					
Operating results	40,094,598	769,584	(1,196,669)	-	39,667,513
Interest expenses	(12,479,479)	-	(125,611)	-	(12,605,090)
Interest income	543,266	-	-	-	543,266
Segment results	28,158,385	769,584	(1,322,280)	-	27,605,689
Tax expenses	(8,722,244)	(193,522)	-	-	(8,915,766)
Profit/(loss) for the financial year	19,436,141	576,062	(1,322,280)	-	18,689,923
Other segment information					
Depreciation of property, plant and equipment	29,598,746	-	6,360	-	29,605,106
Provision for post- employment benefit obligations	3,711,395	-	-	-	3,711,395
Loss on foreign exchange:					
Realised	3,366,041	-	171	-	3,366,212
Unrealised	13,878,605	-	-	-	13,878,605
Impairment loss on investment in subsidiary	-	-	1,222,445	-	1,222,445
Changes in fair values of biological assets	913,440	-	-	-	913,440
Amortisation of prepaid lease payments	723,141	-	-	-	723,141
Property, plant and equipment written off	305,513	-	-	-	305,513
Bad debts written off	251,486	-	-	-	251,486
Inventories written off	4,493	-	-	-	4,493

13. ACCOUNTANTS' REPORT (Cont'd)

September 30, 2022	Plantation RM	Trading RM	Investment holding RM	Elimination RM	Total RM
Assets					
Segment assets	464,939,740	-	9,875,908	-	474,815,648
Investment in subsidiaries	-	-	50,001	-	50,001
Current tax assets					<u>3,909,828</u>
Total assets					<u><u>478,775,477</u></u>
Liabilities					
Segment liabilities	175,161,309	-	14,534,495	-	189,695,804
Loans and borrowings					2,317,544
Current and deferred tax liabilities					<u>5,812,657</u>
Total liabilities					<u><u>197,826,005</u></u>
Other segment information					
Additions to non- current assets other than financial instruments and deferred tax assets	<u>14,954,101</u>	<u>-</u>	<u>1,157,875</u>	<u>-</u>	<u><u>16,111,976</u></u>

13. ACCOUNTANTS' REPORT (Cont'd)

September 30, 2021	Plantation RM	Trading RM	Investment holding RM	Elimination RM	Total RM
Assets					
Segment assets	477,383,904	1,164,291	1,354,739	-	479,902,934
Investment in subsidiaries	-	-	1	-	1
Current tax assets					-
Total assets					<u>479,902,935</u>
Liabilities					
Segment liabilities	168,910,782	-	4,753,409	-	173,664,191
Loans and borrowings					68,768,249
Current and deferred tax liabilities					<u>26,098,012</u>
Total liabilities					<u>268,530,452</u>
Other segment information					
Additions to non-current assets other than financial instruments and deferred tax assets	<u>10,082,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,082,904</u>
September 30, 2020	Plantation RM	Trading RM	Investment holding RM	Elimination RM	Total RM
Assets					
Segment assets	437,652,041	17,342,792	4,881,582	-	459,876,415
Investment in subsidiaries	-	-	1	-	1
Current tax assets					<u>6,352,358</u>
Total assets					<u>466,228,774</u>
Liabilities					
Segment liabilities	183,921,040	16,502,027	2,466,942	-	202,890,009
Loans and borrowings					131,219,553
Current and deferred tax liabilities					<u>7,343,352</u>
Total liabilities					<u>341,452,914</u>
Other segment information					
Additions to non-current assets other than financial instruments and deferred tax assets	<u>9,406,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,406,380</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Geographical information**

Revenue and non-current assets information is presented based on the segment's country of domicile. Revenue from external customers based on the location of its customers has not been disclosed as revenue earned outside the segment's country of domicile is insignificant. Non-current assets do not include receivables, deposits and prepayments and tax recoverable.

	September 30, 2022 RM	Revenue September 30, 2021 RM	September 30, 2020 RM
Malaysia	-	12,152,681	31,870,089
Republic of Indonesia	315,817,268	294,458,125	250,453,420
	<u>315,817,268</u>	<u>306,610,806</u>	<u>282,323,509</u>
	September 30, 2022 RM	Non-current assets September 30, 2021 RM	September 30, 2020 RM
Malaysia	1,179,160	16,430	22,790
Republic of Indonesia	342,645,718	348,370,850	353,135,568
	<u>343,824,878</u>	<u>348,387,280</u>	<u>353,158,358</u>

Major customer information

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Customer A	253,189,507	162,044,345	53,241,223
Customer B	-	59,022,528	56,156,127
Customer C	-	-	52,816,415
Customer D	-	-	37,942,438
	<u>253,189,507</u>	<u>221,066,873</u>	<u>200,156,203</u>

13. ACCOUNTANTS' REPORT (*Cont'd*)

28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS

- (a) On February 24, 2022, the conflict between Russia and Ukraine intensified significantly with Russia's invasion of Ukraine. The Russia-Ukraine war continues to evolve as military activities escalate and sanctions being imposed on Russia leading to significant uncertainties and challenges to the global economics.

During the financial year under review, the Russia-Ukraine war has further exacerbated the tight vegetable oils supply situation and drove an upsurge in crude palm oil prices. On the other hand, the war has also pushed up inflation and caused supply chain disruptions to fuel and fertiliser.

The Group will continue to assess the impact of the Russia-Ukraine war on the combined financial statements of the Group for the financial year ending September 30, 2023. The global uncertainties in the markets, particularly as a result of the Russia-Ukraine war will continue to pose challenges to the Group. Nevertheless, with its strong cash position and resilient fundamentals of its palm oil business, the Group expects its financial performance for the financial year ending September 30, 2023 to remain healthy.

- (b) On January 9, 2023, the Company has entered into a Share Sale Agreement with MKO, a related company of the Group for the disposal of 50,000 ordinary shares representing 100% of the equity interest in Restu Mesra Sdn. Bhd. ("RMSB") for a total cash consideration of RM50,000. The transaction has been completed on January 16, 2023 and thereafter, RMSB has ceased to be a subsidiary of the Company and the Group.

On January 9, 2023, the Company has entered into a Share Sale Agreement with MKO, a related company of the Group for the disposal of 1,199,000 ordinary shares representing 99.92% of the equity interest in PT Nusantara Makmur Jaya ("PTNMJ") for a total cash consideration of RM2,853,714. The transaction has been completed on January 19, 2023 and thereafter, PTNMJ has ceased to be a subsidiary of the Company and the Group.

13. ACCOUNTANTS' REPORT (Cont'd)**29. FINANCIAL INSTRUMENTS****Categories of financial instruments**

The following table analyses the financial assets and financial liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
Financial assets			
At amortised cost:			
Receivables and deposits	13,587,557	22,565,748	36,875,330
Cash and bank balances	<u>42,014,471</u>	<u>57,464,522</u>	<u>36,250,247</u>
Financial liabilities			
At amortised cost:			
Payables and accruals	173,990,037	158,453,426	186,235,243
Loans and borrowings	<u>2,317,544</u>	<u>68,768,249</u>	<u>131,219,553</u>

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks and corresponding management policies arising from the Group's normal course of business are as follows:

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk primarily arises from the receivables. For other financial assets, the Group minimises credit risk by dealing with high credit rating counterparties. The maximum risk associated with recognised financial assets is the carrying amounts as presented in the combined statements of financial position.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

13. ACCOUNTANTS' REPORT (Cont'd)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amount	12 months ECL
Doubtful	Amount > 120 days past due and/or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – Not credit-impaired
In default	Amount > 180 days past due and/or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	Amount > 365 days past due and/or there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

Note	External credit rating	Internal credit rating	12 months or lifetime ECL	Gross carrying amount RM	Loss allowance RM	Net carrying amount RM
September 30, 2022						
Trade receivables	13	N/A	(a) Lifetime ECL (simplified approach)	<u>1,871,168</u>	<u>-</u>	<u>1,871,168</u>
September 30, 2021						
Trade receivables	13	N/A	(a) Lifetime ECL (simplified approach)	<u>4,060,973</u>	<u>-</u>	<u>4,060,973</u>
September 30, 2020						
Trade receivables	13	N/A	(a) Lifetime ECL (simplified approach)	<u>18,916,382</u>	<u>-</u>	<u>18,916,382</u>

13. ACCOUNTANTS' REPORT (Cont'd)

- (a) For trade receivables, the Group has applied the simplified approach in MFRS 9 *Financial Instruments* to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's net trade related receivables at the reporting date are as follows:

	September 30, 2022	September 30, 2021	September 30, 2020
	RM	RM	RM
	% of total	% of total	% of total
By country:			
Malaysia	-	-	15,751,881
Republic of Indonesia	1,871,168	4,060,973	3,164,501
	1,871,168	4,060,973	18,916,382
	100.00%	100.00%	100.00%

At the reporting date, the Group has no significant concentration of credit risk on a trade receivable except for the 3 individual customers with balance amounting to RM1,728,717 (September 30, 2021: RM3,690,172; September 30, 2020: RM10,713,214), representing 92.4% (September 30, 2021: 90.9%; September 30, 2020: 56.6%) of the total receivable balances.

13. ACCOUNTANTS' REPORT (*Cont'd*)

(ii) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions so as to achieve overall cost effectiveness.

13. ACCOUNTANTS' REPORT (Cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment of obligations.

	Carrying amounts RM	Total contractual amount RM	On demand or within 1 year RM	1-2 years RM	2 to 5 years RM
September 30, 2022					
Financial liabilities:					
Payables and accruals	173,990,037	179,001,590	146,340,183	29,220,833	3,440,574
Loans and borrowings	<u>2,317,544</u>	<u>2,468,184</u>	<u>120,512</u>	<u>2,347,672</u>	<u>-</u>
September 30, 2021					
Financial liabilities:					
Payables and accruals	158,453,426	164,861,082	101,016,040	31,184,733	32,660,309
Loans and borrowings	<u>68,768,249</u>	<u>71,177,521</u>	<u>48,429,128</u>	<u>15,766,048</u>	<u>6,982,345</u>
September 30, 2020					
Financial liabilities:					
Payables and accruals	186,235,243	198,950,254	127,753,468	7,187,935	64,008,851
Loans and borrowings	<u>131,219,553</u>	<u>135,369,833</u>	<u>79,916,649</u>	<u>47,075,457</u>	<u>8,377,727</u>

13. ACCOUNTANTS' REPORT (Cont'd)**(iii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk when the currency denomination differs from its functional currency.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily RM and Indonesian Rupiah ("IDR"). The foreign currency in which these transactions are denominated are mainly USD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in Republic of Indonesia is not hedged as currency positions in IDR are considered to be long-term in nature.

Financial assets and financial liabilities denominated in USD and RM are as follows:

	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
USD			
Cash and bank			
balances	4,918,572	19,433,052	15,458,455
Loans and borrowings	<u>2,317,544</u>	<u>68,768,249</u>	<u>131,219,553</u>
RM			
Cash and bank			
balances	98,181	98,914	99,731
Amount due to related companies	<u>110,269,562</u>	<u>121,025,768</u>	<u>127,940,300</u>

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the USD and RM exchange rate against their respective functional currencies, with all other variables held constant.

13. ACCOUNTANTS' REPORT (Cont'd)

	Profit for the financial year		
	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
USD/IDR			
Strengthened 5%	101,000	(1,924,000)	(4,515,000)
Weakened 5%	<u>(101,000)</u>	<u>1,924,000</u>	<u>4,515,000</u>
RM/IDR			
Strengthened 5%	(4,297,000)	(4,716,000)	(4,986,000)
Weakened 5%	<u>4,297,000</u>	<u>4,716,000</u>	<u>4,986,000</u>
	Translation reserve		
	September 30, 2022 RM	September 30, 2021 RM	September 30, 2020 RM
IDR/RM			
Strengthened 5%	13,502,400	9,716,600	5,394,800
Weakened 5%	<u>(13,502,400)</u>	<u>(9,716,600)</u>	<u>(5,394,800)</u>

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates to interest bearing financial liabilities. Interest bearing financial liabilities comprise revolving credits, term loans and amount due to related companies.

The amount due to related companies totalling RM59,356,662 (September 30, 2021: RM62,461,671; September 30, 2020: RM66,244,067) at fixed rate exposes the Group to fair value interest rate risk whilst term loans and amount due to related companies totalling RM10,725,835 (September 30, 2021: RM73,210,198; September 30, 2020: RM133,647,454) at floating rate expose the Group to cash flow interest rate risk.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group also actively reviews its debts portfolio to ensure favourable rates are obtained, taking into account the investment holding period and nature of assets.

As at the reporting date, a change of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the total equity and profit after tax by approximately RM40,800 (September 30, 2021: RM278,200; September 30, 2020: RM521,200), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

13. ACCOUNTANTS' REPORT (Cont'd)**31. FAIR VALUES OF FINANCIAL INSTRUMENTS**

The methods and assumptions used to estimate the fair values of the following classes of financial assets and financial liabilities are as follows:

(i) Cash and cash equivalents, trade and other receivables and payables

The carrying amounts approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

(ii) Long-term receivables and payables

The fair values of long-term other receivables and payables are estimated using expected future cash flows of contractual instalment payments discounted at current prevailing rates offered for similar types of credit or lending arrangements.

The carrying amounts and fair values of financial instruments, are as follows:

	Carrying amounts RM	Fair values RM
September 30, 2022		
Financial assets		
Long-term other receivables	<u>11,560</u>	<u>11,560</u>
Financial liabilities		
Long-term amount due to a related company	<u>31,326,624</u>	<u>28,331,140</u>
September 30, 2021		
Financial assets		
Long-term other receivables	<u>1,087,331</u>	<u>977,770</u>
Financial liabilities		
Long-term amount due to a related company	<u>59,516,424</u>	<u>53,715,026</u>
September 30, 2020		
Financial assets		
Long-term other receivables	<u>1,035,376</u>	<u>971,496</u>
Financial liabilities		
Long-term amount due to a related company	<u>62,457,570</u>	<u>56,712,451</u>

(iii) Loans and borrowings

The carrying amounts of long-term floating rate term loans approximate its fair values as the loans will be re-priced to market interest rate on or near reporting date.

13. ACCOUNTANTS' REPORT (Cont'd)**32. FAIR VALUE HIERARCHY**

The following table provides the fair value measurement hierarchy of the Group's financial assets at the reporting date:

	Fair value measurement using			Total
	Level 1 RM	Level 2 RM	Level 3 RM	RM
September 30, 2022				
<i>Biological assets (Note 16)</i>	-	-	5,917,360	5,917,360
<i>Assets for which fair values are disclosed (Note 31)</i>				
Long-term other receivables	-	11,560	-	11,560
September 30, 2021				
<i>Biological assets (Note 16)</i>	-	-	6,177,026	6,177,026
<i>Assets for which fair values are disclosed (Note 31)</i>				
Long-term other receivables	-	977,770	-	977,770
September 30, 2020				
<i>Biological assets (Note 16)</i>	-	-	4,233,267	4,233,267
<i>Assets for which fair values are disclosed (Note 31)</i>				
Long-term other receivables	-	971,496	-	971,496

Fair value reconciliation of biological assets measured at level 3 are disclosed in Note 16.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

13. ACCOUNTANTS' REPORT (Cont'd)**33. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to sustain future development of the businesses so that it can continue to maximise returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or to adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or repay existing borrowings. No changes were made in the objectives, policies and processes during the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020.

The Group is not subject to any externally imposed capital requirements other than PTMKH and PTSPS which are required to maintain a debt-to-equity ratio of 75:25 and 65:35 respectively as well as loan-to-value ratio of not more than 75% and 65% respectively in respect of the term loan facilities. Based on the proforma financial information provided to the financial institutions, the Group has complied with this capital requirement.

34. COMBINING ENTITIES

The combined financial statements consist of the financial statements of the Company and its subsidiaries as below, which were under common control of MKH Berhad. The Company's ultimate holding company is MKH Berhad, which is incorporated in Malaysia and is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad.

Details of the subsidiaries is as follows:

Name of Company	Place of incorporation	Effective ownership	Date of incorporation	Principal activities
PT Maju Kalimantan Hadapan ("PTMKH")	Republic of Indonesia	94.33%	September 9, 2005	Oil palm plantation

Details of the combining entity is as follows:

Name of Company	Place of incorporation	Effective ownership	Date of incorporation	Principal activities
PT Sawit Prima Sakti ("PTSPS")	Republic of Indonesia	75%	October 20, 2004	Oil palm plantation

13. ACCOUNTANTS' REPORT (Cont'd)**35. PRIOR YEAR ADJUSTMENTS**

Prior year adjustments have been made to the combined financial statements as at September 30, 2021, September 30, 2020 and October 1, 2019. The Group has made prior year adjustments in relation to:

(i) Fair value of inventories

In accordance with IAS 41 Agriculture, the fair values of inventories such as CPO and PK shall be determined based on the market price and the estimated yield of FFB. In prior years, the inventories such as CPO and PK are not valued based on their fair values and these have been retrospectively adjusted in these combined financial statements.

	As previously reported RM	Adjustments RM	As restated RM
Statement of financial position as of September 30, 2020			
Current Asset			
Inventories	<u>28,242,233</u>	<u>1,822,143</u>	<u>30,064,376</u>
Capital and Reserve			
Reserves	<u>8,098,731</u>	<u>1,824,276</u>	<u>9,923,007</u>
Current Liability			
Payables and accruals	<u>123,255,410</u>	<u>(2,133)</u>	<u>123,253,277</u>

(ii) Current and deferred tax liabilities

In previous financial years, the temporary difference between PPE and plantation were under/overstated in profit and loss. The Group has adjusted the prior years' corporate income taxes in these combined financial statements.

The deferred tax liabilities have been adjusted accordingly with the prior year adjustments made on fair values of inventories and temporary difference between PPE and plantation.

	As previously reported/As restated above RM	Adjustment RM	As restated RM
Statement of financial position as of September 30, 2021			
Non-Current Liability			
Deferred tax liabilities	<u>7,202,445</u>	<u>2,524,042</u>	<u>9,726,487</u>

13. ACCOUNTANTS' REPORT (Cont'd)

	As previously reported/ As restated above RM	Adjustment RM	As restated RM
Capital and Reserve			
Reserves	<u>93,061,772</u>	<u>(2,524,042)</u>	<u>90,537,730</u>
September 30, 2020			
Non-Current Liability			
Deferred tax liabilities	<u>7,210,161</u>	<u>24,452</u>	<u>7,234,613</u>
Capital and Reserve			
Reserves	<u>9,923,007</u>	<u>(24,452)</u>	<u>9,898,555</u>

(iii) Bad debt expenses

Certain other receivables were determined to be uncollectible and these have been retrospectively corrected in these combined financial statements.

	As previously reported RM	Adjustment RM	As restated RM
Statement of profit or loss for the financial year ended September 30, 2020			
Other expenses	<u>22,512,496</u>	<u>251,486</u>	<u>22,763,982</u>
Statement of financial position as of September 30, 2020			
Current Asset			
Receivables, deposits and prepayments	<u>35,879,312</u>	<u>(251,486)</u>	<u>35,627,826</u>

13. ACCOUNTANTS' REPORT (Cont'd)

(iv) Project cost

In prior financial years, some projects which were not related to plantation segments were incorrectly recognised under other assets and had understated the prior years' expenses. These have been corrected for in these combined financial statements.

	As previously reported/ As restated above RM	Adjustment RM	As restated RM
Statement of financial position as of September 30, 2020			
Non-Current Asset			
Receivables, deposits and prepayments	2,401,832	(402,996)	1,998,836
Capital and Reserve			
Reserves	9,898,555	(402,996)	9,495,559

(v) Trade payables

The Group has identified certain incorrect recognition of trade payables that were not accounted during prior years. Such trade payables were reassessed by the Group and corrected in these combined financial statements.

	As restated above RM	Adjustment RM	As restated RM
Statement of financial position as of September 30, 2020			
Current Assets			
Inventories	30,064,376	(2,133)	30,062,243
Receivables, deposits and prepayments	35,627,826	544,475	36,172,301
Current Liability			
Payables and accruals	123,253,277	524,396	123,777,673
Capital and Reserve			
Reserves	9,495,559	17,946	9,513,505

As a result of the material restatements listed above, the Group has restated the combined financial statements whereby the amounts presented will not directly agree to prior years' financial statements. Additionally, the Group have also reclassified certain comparative figures to conform with current financial years' presentation.

13. ACCOUNTANTS' REPORT (*Cont'd*)

36. CHANGE OF NAME

On January 7, 2021, the Company changed its name from Detik Merdu Sdn. Bhd. to MKH Global Plantation Sdn. Bhd..

On October 1, 2021, the Company changed its name from MKH Global Plantation Sdn. Bhd. to MKH Oil Palm (East Kalimantan) Sdn. Bhd..

On August 11, 2022, the Company converted from a private company to a public company and the name of the company is changed from MKH Oil Palm (East Kalimantan) Sdn. Bhd. to MKH Oil Palm (East Kalimantan) Berhad.

13. ACCOUNTANTS' REPORT (Cont'd)

ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus of
MKH Oil Palm (East Kalimantan) Berhad)

MKH OIL PALM (EAST KALIMANTAN) BERHAD

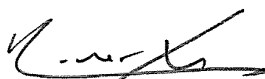
STATEMENT BY DIRECTORS

The directors of **MKH OIL PALM (EAST KALIMANTAN) BERHAD** state that, in their opinion, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission of Malaysia so as to give a true and fair view of the financial position of the combining entities as of September 30, 2022, September 30, 2021 and September 30, 2020 and of the financial performance and the cash flows for the financial years ended September 30, 2022, September 30, 2021 and September 30, 2020.

Signed in accordance with a resolution of the Directors dated **24 MAR 2023**



CHEN WEI CHYONG



DATO' LEE KHÉE MENG