

PROGRESSING ON ALL FRONTS

A meaningful and dynamic cover that outlines the importance of IOI’s five strategic priorities in the Group’s business performance for this year and beyond. The top of the speedometer depicts each individual strategic priority, clearly illustrated and defined. The needle indicates IOI’s progress being optimally powered through the execution of each of these strategies.



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FINANCIAL REPORT 2022



**Progressing
on All Fronts**



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FINANCIAL REPORT

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DIRECTORS’ REPORT

The Directors of IOI Corporation Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2022.

PRINCIPAL ACTIVITIES

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

The principal activities and the details of the subsidiaries, associates and a joint venture are set out in Note 41 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

The audited financial results of the Group and of the Company for the financial year are as follows:

<i>In RM million</i>	Group	Company
Profit before tax	2,352.6	1,131.2
Tax expense	(583.7)	(4.6)
Profit for the financial year	1,768.9	1,126.6
Attributable to:		
Owners of the parent	1,725.3	1,126.6
Non-controlling interests	43.6	–
	1,768.9	1,126.6

DIVIDENDS

Dividends declared and paid since the end of the previous financial year were as follows:

<i>In RM million</i>	Company
In respect of the financial year ended 30 June 2021	
Second interim single tier dividend of 6.0 sen per ordinary share, paid on 5 October 2021	374.0
In respect of the financial year ended 30 June 2022	
First interim single tier dividend of 6.0 sen per ordinary share, paid on 25 March 2022	372.7
	746.7

On 23 August 2022, the Board of Directors declared a second interim single tier dividend of 8.0 sen per ordinary share, amounting to RM497.0 million in respect of the financial year ended 30 June 2022. The dividend is payable on 23 September 2022 to shareholders whose names appeared in the Record of Depositors and Register of Members of the Company at the close of business on 13 September 2022.

No final dividend has been recommended by the Board of Directors for the financial year ended 30 June 2022.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at an extraordinary general meeting held on 18 November 1999, approved the Company’s plan to repurchase up to 10% of the issued share capital of the Company (“Share Buy Back”). The authority granted by the shareholders was subsequently renewed during subsequent Annual General Meetings (“AGM”) of the Company, including the last AGM held on 26 October 2021.

The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company.

During the financial year, the Company repurchased 35,801,200 of its ordinary shares from the open market. The average price paid for the ordinary shares repurchased was RM3.75 per ordinary share. The repurchase transactions were financed by internally generated funds. The ordinary shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

The Company has the right to cancel, resell and/or distribute the treasury shares as dividends or transfer the treasury shares as purchase consideration at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution are suspended. None of the treasury shares repurchased had been sold, cancelled or transferred during the financial year.

At the end of the financial year, the number of ordinary shares in issue after deducting treasury shares is 6,212,972,495 ordinary shares.

The details of the treasury shares are set out in Note 28.2 to the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The Directors of the Company who have held office during the financial year until the date of this report are as follows:

- Tan Sri Peter Chin Fah Kui
- Dato’ Lee Yeow Chor
- Lee Yeow Seng
- Tan Sri Dr Rahamat Bivi binti Yusoff
- Datuk Karownakaran @ Karunakaran a/l Ramasamy
- Cheah Tek Kuang
- Dr Nesadurai Kalanithi
- Dato’ Kong Sooi Lin (Appointed on 16 February 2022)

DIRECTORS’ REPORT

DIRECTORS’ INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and redeemable preference shares of the Company and of its related corporations during the financial year as recorded in the Register of Directors’ Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia are as follows:

	As at 1 July 2021	Acquired	Disposed	As at 30 June 2022
The Company				
Direct interest				
<i>No. of ordinary shares</i>				
Dato’ Lee Yeow Chor	9,818,800	–	–	9,818,800
Indirect interests				
<i>No. of ordinary shares</i>				
Tan Sri Peter Chin Fah Kui	20,000	–	–	20,000
Dato’ Lee Yeow Chor	3,129,664,980	–	–	3,129,664,980
Lee Yeow Seng	3,129,534,980	–	–	3,129,534,980
Cheah Tek Kuang	12,000	–	–	12,000
Ultimate Holding Company				
Progressive Holdings Sdn Bhd				
Direct interests				
<i>No. of ordinary shares</i>				
Dato’ Lee Yeow Chor	18,600,000	–	–	18,600,000
Lee Yeow Seng	5,400,000	–	–	5,400,000
<i>No. of redeemable preference shares</i>				
Dato’ Lee Yeow Chor	1,307,766,775	–	–	1,307,766,775
Lee Yeow Seng	379,674,225	–	–	379,674,225

By virtue of Dato’ Lee Yeow Chor’s and Lee Yeow Seng’s interests in the ordinary shares of the Company and of its ultimate holding company, they are also deemed to be interested in the shares of all the subsidiaries of the Company and of its ultimate holding company to the extent that the Company and its ultimate holding company have an interest.

The other Directors holding office at the end of the financial year namely, Tan Sri Dr Rahamat Bivi binti Yusoff, Datuk Karownakaran @ Karunakaran a/l Ramasamy, Dr Nesadurai Kalanithi and Dato’ Kong Sooi Lin did not have any interest in the ordinary shares and redeemable preference shares of the Company and of its related corporations during the financial year.

DIRECTORS’ BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits, which may be deemed to have arisen by virtue of the significant related party transactions entered into in the ordinary course of business as disclosed in Note 36 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS’ REMUNERATION

Directors’ remuneration of the Group and of the Company for the financial year ended 30 June 2022 were as follows:

<i>In RM million</i>	Group	Company
Fees	1.3	1.3
Remuneration	23.1	23.1
Total short term employee benefits	24.4	24.4
Post-employment benefits	2.7	2.7
	27.1	27.1

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Company for the financial year 2022 was RM66,300.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS OF THE GROUP AND OF THE COMPANY

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

- i.

to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that no known bad debts need to be written off and that adequate provision had been made for doubtful debts; and
- ii.

to ensure that any current assets, other than debts, which were unlikely to realise their book values in the ordinary course of business of the Group and of the Company have been written down to an amount which they might be expected so to realise.

As at the date of this report, the Directors are not aware of any circumstances:

- i.

which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
- ii.

which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
- iii.

which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

As at the date of this report, there does not exist:

- i.

any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; and
- ii.

any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve (12) months after the end of the financial year, which in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

DIRECTORS’ REPORT

OTHER STATUTORY INFORMATION

As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- i. the results of operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

Dato’ Lee Yeow Chor
Lee Cheng Leang
Lee Yeow Seng
Datuk Abdul Ghani bin Mohamed Yassin
Goh Pet Choo
Hans Peter Fitch
Joseph N EmuangJR
Khong Seow Kuen
Kong Kian Beng
Koo Ping Wui
Lai Choon Wah
Lawrence Lee Beng Teck
Lee Beng Hong
Lee Beng Kiong
Lee Nyuk Choon @Jamilah Ariffin
Lee Yoke Hean
Lim Jit Uei (Lin Riwei)
Low Pei Chen
Monaliza binti Zaidel
Risman
Sebastian Anak Baya
Subramaniam Arumugam
Sudhakaran a/l Nottath Bhaskaran
Shyam a/l M K Lakshmanan
Tan Kean Hua
Tan Keng Seng
Tan Sri Dato’ Sri Koh Kin Lip
Teah Chin Guan @ Teh Chin Guan
Teddy Firman bin Simanjuntak

ULTIMATE HOLDING COMPANY

The ultimate holding company is Progressive Holdings Sdn Bhd, a company incorporated in Malaysia.

AUDIT AND RISK MANAGEMENT COMMITTEE (“ARMC”)

The Directors who serve as members of the ARMC as at the date of this report are as follows:

Datuk Karownakaran @ Karunakaran a/l Ramasamy (Chairman)
Tan Sri Dr Rahamat Bivi binti Yusoff
Cheah Tek Kuang
Dato’ Kong Sooi Lin (Appointed on 16 February 2022)

GOVERNANCE, NOMINATING AND REMUNERATION COMMITTEE (“GNRC”)

The Directors who serve as members of the GNRC as at the date of this report are as follows:

Cheah Tek Kuang (Chairman)
Datuk Karownakaran @ Karunakaran a/l Ramasamy
Dr Nesadurai Kalanithi (Appointed on 14 September 2021)

SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

The details of significant event during and subsequent to the financial year are set out in Note 40 to the financial statements.

AUDITORS

The auditors, BDO PLT 201906000013 (LLP0018825-LCA) & AF 0206, have expressed their willingness to continue in office.

AUDITORS’ REMUNERATION

Auditors’ remuneration of the Group and of the Company for the financial year ended 30 June 2022 were as follows:

<i>In RM million</i>	Group	Company
Statutory audit	2.0	0.1
Non-statutory audit	0.5	–
	2.5	0.1

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Peter Chin Fah Kui
Independent Non-Executive Chairman

Dato’ Lee Yeow Chor
Group Managing Director and Chief Executive

Putrajaya
13 September 2022

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

<i>In RM million</i>	Note	Group		Company	
		2022	2021	2022	2021
Revenue	5	15,578.7	11,251.7	1,256.2	939.6
Cost of sales		(11,732.7)	(8,962.0)	(6.6)	(5.8)
Gross profit		3,846.0	2,289.7	1,249.6	933.8
Other operating income	6	880.1	840.4	85.6	49.3
Marketing and selling expenses		(284.5)	(202.2)	–	–
Administration expenses		(356.8)	(319.8)	(32.0)	(23.0)
Other operating expenses	7	(1,932.0)	(1,389.4)	(183.7)	(222.8)
Operating profit		2,152.8	1,218.7	1,119.5	737.3
Share of results of associates, net of tax		343.8	531.8	–	–
Share of result of a joint venture, net of tax		(2.4)	(3.0)	–	–
Profit before interest and tax		2,494.2	1,747.5	1,119.5	737.3
Interest income	8	30.5	38.6	43.0	27.9
Finance costs	9	(159.3)	(164.8)	(90.5)	(90.6)
Net foreign currency translation (loss)/gain on foreign currency denominated borrowings		(16.2)	120.3	55.9	(40.5)
Net foreign currency translation gain/(loss) on foreign currency denominated deposits		3.4	(1.8)	3.3	(1.3)
Profit before tax	10	2,352.6	1,739.8	1,131.2	632.8
Tax expense	11	(583.7)	(323.5)	(4.6)	(4.9)
Profit for the financial year		1,768.9	1,416.3	1,126.6	627.9
Attributable to:					
Owners of the parent		1,725.3	1,394.3	1,126.6	627.9
Non-controlling interests		43.6	22.0	–	–
		1,768.9	1,416.3	1,126.6	627.9
Earnings per ordinary share attributable to owners of the parent (sen)	12				
Basic		27.74	22.26		
Diluted		27.74	22.26		
Dividend per ordinary share (sen)	13				
First interim single tier dividend		6.0	4.5	6.0	4.5
Second interim single tier dividend		8.0	6.0	8.0	6.0
Total		14.0	10.5	14.0	10.5

The notes on pages 17 to 119 form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

<i>In RM million</i>	Group		Company	
	2022	2021	2022	2021
Profit for the financial year	1,768.9	1,416.3	1,126.6	627.9
Other comprehensive income/ (loss) that will not be reclassified subsequently to profit or loss				
Share of other comprehensive loss of associates	(0.4)	(0.9)	–	–
Re-measurements of the defined benefit obligations	9.8	1.8	–	–
Tax effect relating to re-measurements of the defined benefit obligations	(3.0)	(0.2)	–	–
	6.4	0.7	–	–
Other comprehensive income/ (loss) that will be reclassified subsequently to profit or loss when specific conditions are met				
Exchange differences on translation of foreign operations	11.1	(37.0)	–	–
Share of other comprehensive income/ (loss) of associates	88.2	(23.3)	–	–
Hedge of interest rate risk on issuance of Guaranteed Notes due 2031				
Realised gain on settlement of hedging instrument	24.8	–	–	–
Reclassified to profit or loss	(1.7)	–	–	–
Hedge of net investments in foreign operations	(35.9)	(5.3)	–	–
	86.5	(65.6)	–	–
Other comprehensive income/ (loss) for the financial year, net of tax	92.9	(64.9)	–	–
Total comprehensive income for the financial year	1,861.8	1,351.4	1,126.6	627.9
Total comprehensive income attributable to:				
Owners of the parent	1,819.2	1,328.6	1,126.6	627.9
Non-controlling interests	42.6	22.8	–	–
	1,861.8	1,351.4	1,126.6	627.9

The notes on pages 17 to 119 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		Group		Company	
<i>In RM million</i>	Note	2022	2021	2022	2021
ASSETS					
Non-current assets					
Property, plant and equipment	14	8,709.2	8,608.7	81.9	82.6
Intangible assets	15	416.0	423.4	0.9	0.6
Investments in subsidiaries	16	–	–	6,695.7	6,844.3
Amounts due from subsidiaries	16	–	–	1,016.6	695.7
Investments in associates	17	3,110.0	3,144.5	791.3	791.3
Derivative assets	18	118.8	87.4	40.4	–
Deferred tax assets	19	39.3	22.4	10.1	6.9
Other non-current assets	20	95.1	31.5	7.8	11.9
		12,488.4	12,317.9	8,644.7	8,433.3
Current assets					
Inventories	21	1,601.5	1,296.6	–	–
Trade and other receivables	22	1,607.6	1,427.2	41.6	32.4
Amounts due from subsidiaries	16	–	–	1,738.9	707.3
Amounts due from associates	23	225.1	16.0	186.7	–
Derivative assets	18	534.5	372.3	111.8	245.6
Other investments	24	61.0	106.9	1.9	3.7
Other current assets	25	96.8	93.9	0.8	3.5
Short term funds	26	1,102.6	1,391.0	–	–
Deposits with financial institutions	27	230.9	47.8	50.1	–
Cash and bank balances		1,219.4	586.1	77.3	84.9
		6,679.4	5,337.8	2,209.1	1,077.4
TOTAL ASSETS		19,167.8	17,655.7	10,853.8	9,510.7

The notes on pages 17 to 119 form an integral part of the financial statements.

		Group		Company	
<i>In RM million</i>	Note	2022	2021	2022	2021
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	28	791.1	791.1	791.1	791.1
Treasury shares	28	(275.4)	(141.2)	(275.4)	(141.2)
Reserves	29	112.8	25.3	–	–
Retained earnings		10,315.2	9,330.2	6,540.6	6,160.7
		10,943.7	10,005.4	7,056.3	6,810.6
Non-controlling interests		340.8	309.0	–	–
Total equity		11,284.5	10,314.4	7,056.3	6,810.6
LIABILITIES					
Non-current liabilities					
Borrowings	30	2,826.6	978.6	835.5	184.5
Amounts due to subsidiaries	16	–	–	1,063.4	1,529.4
Lease liabilities	31	56.9	58.2	–	–
Deferred tax liabilities	19	1,167.7	1,172.5	–	–
Other non-current liabilities	32	80.5	94.4	–	–
		4,131.7	2,303.7	1,898.9	1,713.9
Current liabilities					
Borrowings	30	2,155.4	3,919.0	1,159.5	679.7
Trade and other payables	33	940.8	767.8	105.5	100.9
Amounts due to subsidiaries	16	–	–	551.0	45.0
Derivative liabilities	18	458.7	270.0	82.6	160.6
Lease liabilities	31	8.9	7.9	–	–
Other current liabilities	34	187.8	72.9	–	–
		3,751.6	5,037.6	1,898.6	986.2
Total liabilities		7,883.3	7,341.3	3,797.5	2,700.1
TOTAL EQUITY AND LIABILITIES		19,167.8	17,655.7	10,853.8	9,510.7

The notes on pages 17 to 119 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

<i>In RM million</i>	Share capital	Treasury shares	Non-distributable				Distributable	Total attributable to owners of the parent	Non-controlling interests	Total equity
			Capital reserves	Foreign currency translation reserve	Hedging reserve	Other reserves	Retained earnings			
Group As at 1 July 2020	790.2	(68.1)	24.2	60.4	41.2	(20.7)	8,469.0	9,296.2	274.5	9,570.7
Profit for the financial year	–	–	–	–	–	–	1,394.3	1,394.3	22.0	1,416.3
Re-measurements of the defined benefit obligations	–	–	–	–	–	–	1.6	1.6	–	1.6
Exchange differences on translation of foreign operations	–	–	–	(37.8)	–	–	–	(37.8)	0.8	(37.0)
Share of other comprehensive (loss)/income of associates	–	–	–	(24.9)	–	1.6	(0.9)	(24.2)	–	(24.2)
Hedge of net investments in foreign operations	–	–	–	–	(5.3)	–	–	(5.3)	–	(5.3)
Total comprehensive (loss)/income	–	–	–	(62.7)	(5.3)	1.6	1,395.0	1,328.6	22.8	1,351.4
Transactions with owners										
Dividend paid in respect of current financial year (Note 13)	–	–	–	–	–	–	(281.8)	(281.8)	–	(281.8)
Dividend paid in respect of previous financial year (Note 13)	–	–	–	–	–	–	(250.7)	(250.7)	–	(250.7)
Issue of shares arising from exercise of share options (Note 28.1)	0.9	–	(0.2)	–	–	–	–	0.7	–	0.7
Repurchase of shares (Note 28.2)	–	(73.1)	–	–	–	–	–	(73.1)	–	(73.1)
Changes in equity interests in subsidiaries (Note 41)	–	–	–	3.1	–	–	(17.6)	(14.5)	33.4	18.9
Issuance of ordinary shares to non-controlling interest in a subsidiary (Note 41)	–	–	–	–	–	–	–	–	0.5	0.5
Employee Share Option Scheme (“ESOS”) lapsed	–	–	(16.3)	–	–	–	16.3	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(22.2)	(22.2)
As at 30 June 2021	791.1	(141.2)	7.7	0.8	35.9	(19.1)	9,330.2	10,005.4	309.0	10,314.4

The notes on pages 17 to 119 form an integral part of the financial statements.

<i>In RM million</i>	Share capital	Treasury shares	Non-distributable				Distributable	Total attributable to owners of the parent	Non-controlling interests	Total equity
			Capital reserves	Foreign currency translation reserve	Hedging reserve	Other reserves	Retained earnings			
Group As at 1 July 2021	791.1	(141.2)	7.7	0.8	35.9	(19.1)	9,330.2	10,005.4	309.0	10,314.4
Profit for the financial year	–	–	–	–	–	–	1,725.3	1,725.3	43.6	1,768.9
Re-measurements of the defined benefit obligations	–	–	–	–	–	–	6.8	6.8	–	6.8
Exchange differences on translation of foreign operations	–	–	–	12.1	–	–	–	12.1	(1.0)	11.1
Share of other comprehensive income/(loss) of associates	–	–	–	75.6	–	12.6	(0.4)	87.8	–	87.8
Hedge of interest rate risk on issuance of Guaranteed Notes due 2031	–	–	–	–	23.1	–	–	23.1	–	23.1
Hedge of net investments in foreign operations	–	–	–	–	(35.9)	–	–	(35.9)	–	(35.9)
Total comprehensive income/(loss)	–	–	–	87.7	(12.8)	12.6	1,731.7	1,819.2	42.6	1,861.8
Transactions with owners										
Dividend paid in respect of current financial year (Note 13)	–	–	–	–	–	–	(372.7)	(372.7)	–	(372.7)
Dividend paid in respect of previous financial year (Note 13)	–	–	–	–	–	–	(374.0)	(374.0)	–	(374.0)
Repurchase of shares (Note 28.2)	–	(134.2)	–	–	–	–	–	(134.2)	–	(134.2)
Issuance of ordinary shares to non-controlling interest in a subsidiary (Note 41)	–	–	–	–	–	–	–	–	3.8	3.8
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(14.6)	(14.6)
As at 30 June 2022	791.1	(275.4)	7.7	88.5	23.1	(6.5)	10,315.2	10,943.7	340.8	11,284.5

The notes on pages 17 to 119 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

			Non-distributable	Distributable	
<i>In RM million</i>	Share capital	Treasury shares	Capital reserves	Retained earnings	Total equity
Company					
As at 1 July 2020	790.2	(68.1)	16.5	6,049.0	6,787.6
Profit for the financial year	–	–	–	627.9	627.9
Total comprehensive income	–	–	–	627.9	627.9
Transactions with owners					
Dividend paid in respect of current financial year (Note 13)	–	–	–	(281.8)	(281.8)
Dividend paid in respect of previous financial year (Note 13)	–	–	–	(250.7)	(250.7)
Issue of shares arising from exercise of share options (Note 28.1)	0.9	–	(0.2)	–	0.7
Repurchase of shares (Note 28.2)	–	(73.1)	–	–	(73.1)
ESOS lapsed	–	–	(16.3)	16.3	–
As at 30 June 2021	791.1	(141.2)	–	6,160.7	6,810.6

			Distributable	
<i>In RM million</i>	Share capital	Treasury shares	Retained earnings	Total equity
Company				
As at 1 July 2021	791.1	(141.2)	6,160.7	6,810.6
Profit for the financial year	–	–	1,126.6	1,126.6
Total comprehensive income	–	–	1,126.6	1,126.6
Transactions with owners				
Dividend paid in respect of current financial year (Note 13)	–	–	(372.7)	(372.7)
Dividend paid in respect of previous financial year (Note 13)	–	–	(374.0)	(374.0)
Repurchase of shares (Note 28.2)	–	(134.2)	–	(134.2)
As at 30 June 2022	791.1	(275.4)	6,540.6	7,056.3

The notes on pages 17 to 119 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

		Group		Company	
<i>In RM million</i>	Note	2022	2021	2022	2021
Cash Flows From Operating Activities					
Profit before tax		2,352.6	1,739.8	1,131.2	632.8
Adjustments for:					
Depreciation of property, plant and equipment	14	350.9	352.1	1.3	1.2
Amortisation of intangible assets	15.2	7.9	8.4	0.1	–
Net fair value (gain)/loss on derivative financial instruments		(40.1)	19.0	(10.6)	(6.9)
Net fair value gain on other investments		(5.9)	(38.7)	(0.4)	(0.8)
Net fair value loss on put and call options	7	103.8	120.3	103.8	120.3
Net gain arising from changes in fair value of biological assets	25.1	(2.6)	(21.9)	(0.1)	(0.3)
Impairment loss on investment in a subsidiary	16.1	–	–	5.0	20.6
Impairment loss on investment in a joint venture	20.2	–	9.9	–	12.9
Impairment loss on investment in an associate	17.1	33.9	–	–	–
Loss on repurchase of Guaranteed Notes due 2022	30.4	29.4	–	–	–
Net (gain)/loss on disposal of property, plant and equipment		(0.7)	0.1	(0.2)	–
Property, plant and equipment written off	7	4.0	2.1	0.5	0.2
Gain on reassessments and modifications of leases	6	–	(0.2)	–	–
Net inventories written down to net realisable value		101.3	16.1	–	–
Retirement benefits expenses	32.1	3.9	4.7	–	–
Amortisation of deferred income	32.2	(2.5)	(2.5)	–	–
Fair value changes on financial guarantee contracts	33.3	–	–	1.5	(2.2)
Dividend income from associates		–	–	(305.9)	(43.8)
Dividend income from subsidiaries		–	–	(903.2)	(863.3)
Share of results of associates		(343.8)	(531.8)	–	–
Share of results of a joint venture		2.4	3.0	–	–
Interest income	8	(30.5)	(38.6)	(43.0)	(27.9)
Finance costs	9	159.3	164.8	90.5	90.6
Net foreign currency translation loss/(gain) on foreign currency denominated borrowings	10	16.2	(120.3)	(55.9)	40.5
Others		(18.9)	7.3	(7.2)	4.4
Operating profit/(loss) before working capital changes		2,720.6	1,693.6	7.4	(21.7)
Increase in inventories		(405.9)	(311.3)	–	–
Increase in trade receivables		(87.7)	(412.7)	–	–
Increase in other receivables, deposits and prepayments		(88.1)	(116.7)	(2.9)	(3.0)
Increase in trade payables		82.8	28.1	–	–
Increase/(Decrease) in other payables and accruals		74.3	82.6	(0.8)	16.8
Cash generated from/(used in) operations		2,296.0	963.6	3.7	(7.9)
Retirement benefits paid	32.1	(2.6)	(3.6)	–	–
Tax refunded		5.4	3.4	–	–
Tax paid		(498.9)	(291.8)	(5.0)	(4.1)
Net cash from/(used in) operating activities		1,799.9	671.6	(1.3)	(12.0)

The notes on pages 17 to 119 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

		Group		Company	
<i>In RM million</i>	Note	2022	2021	2022	2021
Cash Flows From Investing Activities					
Dividends received from associates		381.4	88.1	305.9	43.8
Dividends received from subsidiaries		—	—	903.2	863.3
Dividends received from other investments		3.0	4.5	0.2	0.1
Interest received		30.4	38.7	2.3	0.9
Proceeds from disposal of property, plant and equipment		1.4	0.1	0.2	—
Proceeds from disposal of other investments		40.7	46.6	2.2	0.4
Acquisitions of additional interests in subsidiaries		—	—	(15.2)	(2.3)
Additions to property, plant and equipment	14	(439.0)	(396.1)	(1.1)	(0.7)
Additions to other investments		(55.4)	(49.3)	—	—
Additions to intangible assets	15.2	(1.6)	(8.0)	(0.4)	(0.6)
Additions to biological assets	25.1	(0.7)	(0.8)	—	—
Advances to an associate		(183.0)	—	(183.0)	—
Payments to subsidiaries		—	—	(1,347.4)	(579.1)
Subscriptions of redeemable preference shares of subsidiaries		—	—	(10.9)	(78.1)
Redemptions of redeemable preference shares of subsidiaries		—	—	112.2	158.1
Proceeds from share capital reduction of subsidiaries		—	—	57.5	185.2
Net cash (used in)/from investing activities		(222.8)	(276.2)	(174.3)	591.0
Cash Flows From Financing Activities					
Proceeds from issuance of shares arising from exercise of share options		—	0.7	—	0.7
Proceeds from issuance of shares to non-controlling interest		3.8	0.5	—	—
Repurchase of shares	28.2	(134.2)	(73.1)	(134.2)	(73.1)
Dividends paid	13	(746.7)	(532.5)	(746.7)	(532.5)
Dividends paid to non-controlling interests		(14.6)	(22.2)	—	—
Repurchase of Guaranteed Notes due 2022		(1,258.2)	—	—	—
Redemption of Guaranteed Notes due 2022	30.4	(1,342.1)	—	—	—
Issuance of new Guaranteed Notes due 2031	30.5	1,243.9	—	—	—
Net settlements of hedging instruments arising from repayments of borrowings		16.9	(18.6)	16.9	(18.6)
Drawdowns of Islamic financing facilities		686.5	60.5	686.5	60.5
Repayments of Islamic financing facilities		(469.9)	(522.4)	(238.5)	(225.6)
Net drawdowns of short term borrowings		1,092.0	593.6	643.1	207.4
Net settlement of hedging instrument - Treasury lock contract	30.5	24.8	—	—	—
Payments of lease liabilities	31.2	(9.6)	(8.1)	—	—
Payments of lease interest	31.2	(3.8)	(3.3)	—	—
Finance costs paid		(148.0)	(157.5)	(13.2)	(15.7)
Net cash (used in)/from financing activities		(1,059.2)	(682.4)	213.9	(596.9)
Net increase/(decrease) in cash and cash equivalents		517.9	(287.0)	38.3	(17.9)
Cash and cash equivalents at beginning of financial year		2,024.9	2,313.0	84.9	103.5
Effects of exchange rate changes		10.1	(1.1)	4.2	(0.7)
Cash and cash equivalents at end of financial year		2,552.9	2,024.9	127.4	84.9

The notes on pages 17 to 119 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Both the registered office and principal place of business of the Company are located at Level 29, IOI City Tower 2, Lebuhr IRC, IOI Resort City, 62502 Putrajaya, Wilayah Persekutuan (Putrajaya), Malaysia.

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

The principal activities and the details of the subsidiaries, associates and a joint venture are set out in Note 41 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The ultimate holding company is Progressive Holdings Sdn Bhd, which is incorporated in Malaysia.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency and all financial information presented in RM are rounded to the nearest million, except where otherwise stated.

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

3.1 New MFRSs adopted during the current financial year

There are no new MFRSs adopted during the financial year. The accounting standards adopted by the Group and the Company during the financial year are consistent with those adopted in the financial statements of the Group and of the Company for the financial year ended 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

3.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2022

Title	Effective Date
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
The Group and the Company are in the process of assessing the impact of the adoption of these MFRSs and Amendments to MFRSs since the effects would only be observable in future financial years.	

4. SEGMENTAL INFORMATION

The Group has two (2) reportable operating segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which require different business and marketing strategies. The reportable segments are summarised as follows:

Plantation	Cultivation of oil palm, rubber and coconut and processing of palm oil
Resource-based manufacturing	Manufacturing of oleochemical, specialty oils and fats, palm oil refinery and palm kernel crushing
Other operations	Other operations, which are not sizable to be reported separately

The Group’s chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities, loans and borrowings that are managed under centralised treasury function.

Details are provided in the reconciliations from segment assets and segment liabilities to the Group position.

4. SEGMENTAL INFORMATION (continued)

<i>In RM million</i>	Plantation	Resource-based manufacturing	Other operations	Elimination	Total
Group					
2022					
Revenue					
External sales	435.9	15,124.8	18.0	–	15,578.7
Inter-segment sales	2,891.3	–	–	(2,891.3)	–
Total revenue	3,327.2	15,124.8	18.0	(2,891.3)	15,578.7
Result					
Operating profit	1,749.5	498.5	10.7	–	2,258.7
Share of results of associates	334.6	9.2	–	–	343.8
Share of result of a joint venture	–	(2.4)	–	–	(2.4)
Segment results before fair value adjustments	2,084.1	505.3	10.7	–	2,600.1
Net fair value gain/(loss) on:					
Biological assets	2.6	–	–	–	2.6
Derivative financial instruments	(2.5)	32.0	–	–	29.5
Segment results	2,084.2	537.3	10.7	–	2,632.2
Assets					
Operating assets	8,385.3	5,155.3	432.4	–	13,973.0
Interests in associates	1,353.6	1,756.4	–	–	3,110.0
Interest in a joint venture	–	5.4	–	–	5.4
Segment assets	9,738.9	6,917.1	432.4	–	17,088.4
Liabilities					
Segment liabilities	460.1	999.0	35.9	–	1,495.0
Other Information					
Capital expenditure	282.2	125.3	38.0	–	445.5
Depreciation and amortisation	252.2	98.7	7.9	–	358.8
Non-cash items other than depreciation and amortisation	8.1	219.6	46.5	–	274.2

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION (continued)

<i>In RM million</i>	Plantation	Resource-based manufacturing	Other operations	Elimination	Total
Group					
2021					
Revenue					
External sales	375.4	10,862.2	14.1	–	11,251.7
Inter-segment sales	2,036.6	–	–	(2,036.6)	–
Total revenue	2,412.0	10,862.2	14.1	(2,036.6)	11,251.7
Result					
Operating profit	1,076.5	276.3	8.1	–	1,360.9
Share of results of associates	111.5	420.3	–	–	531.8
Share of result of a joint venture	–	(3.0)	–	–	(3.0)
Segment results before fair value adjustments	1,188.0	693.6	8.1	–	1,889.7
Net fair value gain/(loss) on:					
Biological assets	21.9	–	–	–	21.9
Derivative financial instruments	(0.3)	(25.6)	–	–	(25.9)
Segment results	1,209.6	668.0	8.1	–	1,885.7
Assets					
Operating assets	8,147.0	4,195.0	219.5	–	12,561.5
Interests in associates	1,048.3	2,096.2	–	–	3,144.5
Interest in a joint venture	–	11.9	–	–	11.9
Segment assets	9,195.3	6,303.1	219.5	–	15,717.9
Liabilities					
Segment liabilities	372.1	639.6	30.7	–	1,042.4
Other Information					
Capital expenditure	279.6	119.5	8.5	–	407.6
Depreciation and amortisation	252.2	99.8	8.5	–	360.5
Impairment loss on property, plant and equipment	3.2	–	–	–	3.2
Non-cash items other than depreciation and amortisation	11.8	98.2	43.2	–	153.2

Included in the resource-based manufacturing segment is an amount of revenue from a major customer during the financial year amounting to RM1,746.4 million (2021 – RM1,923.3 million).

4. SEGMENTAL INFORMATION (continued)

Reconciliation of reportable segment profit or loss, assets and liabilities to the Group’s corresponding amounts is as follows:

	Group	
<i>In RM million</i>	2022	2021
Profit or loss		
Segment results	2,632.2	1,885.7
Unallocated corporate net expenses	(138.0)	(138.2)
Profit before interest and tax	2,494.2	1,747.5
Finance costs	(159.3)	(164.8)
Interest income	30.5	38.6
Net foreign currency translation (loss)/gain on foreign currency denominated borrowings	(16.2)	120.3
Net foreign currency translation gain/(loss) on foreign currency denominated deposits	3.4	(1.8)
Profit before tax	2,352.6	1,739.8
Tax expense	(583.7)	(323.5)
Profit for the financial year	1,768.9	1,416.3
Assets		
Segment assets	17,088.4	15,717.9
Unallocated corporate assets	2,079.4	1,937.8
Total assets	19,167.8	17,655.7
Liabilities		
Segment liabilities	1,495.0	1,042.4
Unallocated corporate liabilities	6,388.3	6,298.9
Total liabilities	7,883.3	7,341.3

Geographical Segments

<i>In RM million</i>	Malaysia	Europe	North America	Asia	Others	Consolidated
Group						
2022						
Revenue from external customers						
by location of customers	3,588.2	3,684.6	314.3	7,674.6	317.0	15,578.7
Segment non-current assets by location of assets *	9,369.7	1,607.3	1.3	1,262.3	–	12,240.6
Capital expenditure by location of assets	396.5	6.6	–	42.4	–	445.5
2021						
Revenue from external customers						
by location of customers	2,249.2	2,347.5	261.1	6,173.8	220.1	11,251.7
Segment non-current assets by location of assets *	8,627.3	2,064.9	0.8	1,491.4	–	12,184.4
Capital expenditure by location of assets	354.2	16.0	–	37.4	–	407.6

* The amounts of non-current assets do not include financial instruments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Revenue from contracts with customers				
Commodities, other products and services:				
– Sales of plantation produce and related products	435.9	375.4	18.7	13.8
– Resource-based manufacturing	15,124.8	10,862.2	–	–
Management fees and advisory fees	0.3	0.3	28.2	18.6
Others	4.8	–	–	–
	15,565.8	11,237.9	46.9	32.4
Other revenue				
Dividend income	3.0	4.5	1,209.3	907.2
Others	9.9	9.3	–	–
	12.9	13.8	1,209.3	907.2
Total Revenue	15,578.7	11,251.7	1,256.2	939.6

Disaggregation of revenue from contracts with customers are set out in Note 4 to the financial statements, which has been presented based on geographical location from which the sales transactions originated. No revenue was recognised over time other than management fees and advisory fees.

5.1 Commodities, other products and services

Revenue is recognised at a point in time upon delivery of products and customer acceptance, if any, or performance of services, net of discounts.

There is no material right of return and warranty provided to the customers.

There is no significant financing component in the revenue as the revenue is made on the normal credit terms not exceeding twelve (12) months.

5.2 Management fees and advisory fees

Management fees and advisory fees are recognised over time when customers simultaneously receive and consume the benefits.

5.3 Dividend income

Dividend income is recognised when a shareholder’s right to receive payment is established.

6. OTHER OPERATING INCOME

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Amortisation of deferred income	2.5	2.5	–	–
Fair value gain on derivative financial instruments	251.5	36.0	10.6	6.9
Fair value gain on other investments	13.2	39.8	0.9	0.8
Fair value gain on short term funds	19.0	5.7	–	–
Fair value gain on financial guarantee contracts	–	–	–	2.2
Foreign currency translation gain				
– Realised	1.9	55.2	1.7	4.2
– Unrealised	36.2	43.8	56.4	24.5
Gain on disposal of property, plant and equipment	1.4	0.4	0.2	–
Gain on disposal of 70% equity interest in BLC arising from adjustments on disposal consideration	6.3	–	6.3	–
Gain on reassessments and modifications of leases	–	0.2	–	–
Net gain arising from changes in fair value of biological assets	2.6	21.9	0.1	0.3
Realised fair value gain on derivative financial instruments	483.2	578.2	0.1	–
Reversal of impairment losses on advances to associates	–	0.8	–	–
Reversal of impairment losses on advances to subsidiaries	–	–	–	0.7
Reversal of impairment losses on receivables	0.1	0.2	–	–
Others	62.2	55.7	9.3	9.7
	880.1	840.4	85.6	49.3

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER OPERATING EXPENSES

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Depreciation of property, plant and equipment	170.0	184.8	0.2	0.1
Fair value loss on derivative financial instruments	211.4	55.0	–	–
Fair value loss on other investments	7.3	1.1	0.5	–
Fair value loss on short term funds	1.6	0.1	–	–
Fair value loss on put and call options	103.8	120.3	103.8	120.3
Fair value loss on financial guarantee contracts	–	–	1.5	–
Foreign currency translation loss				
– Realised	61.2	32.1	3.6	0.2
– Unrealised	23.1	46.4	47.6	24.8
Impairment loss on property, plant and equipment	–	3.2	–	–
Impairment loss on investment in a subsidiary	–	–	5.0	20.6
Impairment loss on investment in an associate	33.9	–	–	–
Impairment loss on investment in a joint venture	–	9.9	–	12.9
Impairment losses on advances to subsidiaries	–	–	6.6	1.5
Impairment losses on advances to associates	1.7	–	1.5	–
Impairment losses on advances to a joint venture	4.2	–	4.2	–
Impairment losses on receivables	2.0	3.1	–	–
Indemnity claims arising from disposal of BLC	–	31.0	–	31.0
Loss on disposal of 70% equity interest in BLC arising from adjustments on disposal consideration	–	2.7	–	2.7
Loss on disposal of property, plant and equipment	0.7	0.5	–	–
Loss on repurchase of Guaranteed Notes due 2022	29.4	–	–	–
Property, plant and equipment written off	4.0	2.1	0.5	0.2
Realised fair value loss on derivative financial instruments	1,222.6	859.1	–	–
Others	55.1	38.0	8.7	8.5
	1,932.0	1,389.4	183.7	222.8

8. INTEREST INCOME

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Short term funds	13.4	27.5	–	–
Short term deposits	10.7	7.9	0.6	0.4
Subsidiaries	–	–	40.6	27.1
Associate	1.4	–	1.4	–
Others	5.0	3.2	0.4	0.4
	30.5	38.6	43.0	27.9

Interest income is recognised in profit or loss as it accrues, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

9. FINANCE COSTS

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Interest expense				
Term loans	38.1	37.8	–	–
Notes	97.9	106.0	–	–
Short term loans	8.0	2.2	1.0	0.1
Lease liabilities	3.9	3.4	–	–
Subsidiaries	–	–	72.8	74.2
Others	4.4	1.2	4.2	1.2
	152.3	150.6	78.0	75.5
Profit payment on Islamic financing	12.9	16.9	12.5	15.1
Total finance costs	165.2	167.5	90.5	90.6
Less: Interest capitalised (Note 14)	(4.2)	(2.7)	–	–
Hedging reserve reclassified to profit or loss (Note 29.3)	(1.7)	–	–	–
	(5.9)	(2.7)	–	–
Net finance costs	159.3	164.8	90.5	90.6

NOTES TO THE FINANCIAL STATEMENTS

10. PROFIT BEFORE TAX

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
a) Other than those disclosed in Notes 6 and 7 to the financial statements, profit before tax has been arrived at after charging:				
Depreciation of property, plant and equipment	350.9	352.1	1.3	1.2
Amortisation of intangible assets	7.9	8.4	0.1	–
Auditors’ remuneration				
BDO PLT and affiliates				
Statutory audit	1.1	1.1	0.1	0.1
Non-statutory audit				
– tax compliance and advisory services	0.3	0.3	–	–
– others	0.1	–	–	–
Member firms of BDO International				
Statutory audit	0.2	0.2	–	–
Non-statutory audit				
– tax compliance and advisory services	0.1	–	–	–
Other auditors				
Statutory audit	0.7	0.7	–	–
Inventories written down to net realisable value	104.9	16.4	–	–
Net foreign currency translation loss on foreign currency denominated borrowings	16.2	–	–	40.5
Net foreign currency translation loss on foreign currency denominated deposits	–	1.8	–	1.3
and crediting:				
Dividends received from:				
– other quoted investments in Malaysia	1.8	2.2	0.2	0.1
– other unquoted investments in Malaysia	1.2	2.3	–	–
– unquoted subsidiaries	–	–	903.2	863.3
Net foreign currency translation gain on foreign currency denominated borrowings	–	120.3	55.9	–
Net foreign currency translation gain on foreign currency denominated deposits	3.4	–	3.3	–
Rental income from:				
– investment properties	1.6	1.4	–	–
– others	6.5	5.2	–	–
Reversal of inventories written down to net realisable value	3.6	0.3	–	–

Cost of inventories of the Group recognised as an expense during the financial year amounted to RM9,604.4 million (2021 – RM7,818.7 million).

The Group and the Company do not present the net impairment losses on financial instruments determined in accordance with MFRS 9 separately in the statements of profit or loss as the amounts are not material.

10. PROFIT BEFORE TAX (continued)

b) Employee information

The employee benefits cost is as follows:

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Wages, salaries and others	845.7	816.3	24.4	20.4
Post-employment benefits	33.9	30.9	2.7	2.3
Retirement benefits expenses (Note 32.1)	3.9	4.7	–	–
	883.5	851.9	27.1	22.7

11. TAX EXPENSE

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Current year				
Malaysian income tax	581.3	321.7	8.2	5.8
Foreign tax	29.3	9.0	–	–
Deferred tax	(32.1)	1.0	(3.2)	(0.4)
	578.5	331.7	5.0	5.4
Prior years				
Malaysian income tax	(1.3)	(7.3)	(0.4)	(0.9)
Deferred tax	6.5	(0.9)	–	0.4
	5.2	(8.2)	(0.4)	(0.5)
	583.7	323.5	4.6	4.9

NOTES TO THE FINANCIAL STATEMENTS

11. TAX EXPENSE (continued)

A numerical reconciliation between average effective tax rate and applicable tax rate of the Group and of the Company is as follows:

	Group		Company	
%	2022	2021	2022	2021
Applicable tax rate	24.00	24.00	24.00	24.00
Tax effects in respect of:				
Non allowable expenses	4.51	6.73	5.56	13.32
Non-taxable income	(1.74)	(3.25)	(3.10)	(1.57)
Tax exempt income	(0.46)	(0.44)	(26.27)	(35.25)
Tax incentives and allowances	(0.13)	(0.29)	–	–
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(0.09)	(0.09)	–	–
Different tax rates in foreign jurisdiction	0.22	0.11	–	–
Share of post-tax results of associates	(3.51)	(7.34)	–	–
Share of post-tax result of a joint venture	0.02	0.04	–	–
Effect of Cukai Makmur	1.80	–	–	–
Other items	(0.03)	(0.41)	0.25	0.35
	24.59	19.06	0.44	0.85
Under/(Over) provision in prior years	0.22	(0.47)	(0.03)	(0.08)
	24.81	18.59	0.41	0.77

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries, associates or joint venture on distributions to the Group and the Company, and real property gains taxes, if any.

Malaysian income tax is calculated at the statutory rate of 24% (2021 – 24%) of the estimated assessable income for the year. Deferred tax is calculated on temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Other tax expenses for other tax authorities are calculated at the rates prevailing in the respective jurisdictions.

Subject to agreement with the tax authorities, certain subsidiaries of the Group have unutilised tax losses and unabsorbed capital allowances of approximately RM101.8 million (2021 – RM110.4 million), for which the related tax effects have not been recognised in the financial statements. These items are available to be carried forward for set off against future chargeable income when these subsidiaries derive future assessable income of a nature and amount sufficient for the tax losses to be utilised.

The Finance Act 2021 gazetted on 31 December 2021 enacts the special one-off tax known as “Cukai Makmur” be imposed on non-SME companies that generate high income during the COVID-19 pandemic period for year of assessment 2022. A company with chargeable income for the first RM100 million is taxed at 24% and the remaining chargeable income is taxed at a one-off rate of 33%.

12. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share of the Group is calculated based on the profit for the financial year attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the financial year, after taking into consideration of treasury shares held by the Company.

	Group	
	2022	2021
<i>In RM million</i>		
Profit for the financial year attributable to owners of the parent	1,725.3	1,394.3
<i>In million</i>		
Weighted average number of ordinary shares in issue	6,220.6	6,264.0
<i>In sen</i>		
Basic earnings per ordinary share	27.74	22.26

Diluted earnings per ordinary share

The diluted earnings per ordinary share of the Group is calculated based on the profit for the financial year attributable to owners of the parent divided by the adjusted weighted average number of ordinary shares after taking into consideration all potential dilutive ordinary shares.

	Group	
	2022	2021
<i>In RM million</i>		
Profit for the financial year attributable to owners of the parent	1,725.3	1,394.3
The adjusted weighted average number of ordinary shares for the computation of diluted earnings per ordinary share is arrived at as follows:		
<i>In million</i>		
Weighted average number of ordinary shares in issue	6,220.6	6,264.0
Adjustments for share options granted to Eligible Persons of the Group	– ^	– *
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share	6,220.6	6,264.0
<i>In sen</i>		
Diluted earnings per ordinary share	27.74	22.26

Note:
^ Nil due to expiry of ESOS in the previous financial year.
* Nil due to anti-dilutive effect.

NOTES TO THE FINANCIAL STATEMENTS

13. DIVIDENDS

	Group and Company	
<i>In RM Million</i>	2022	2021
First interim single tier dividend in respect of financial year ended 30 June 2022 declared and paid of 6.0 sen per ordinary share	372.7	–
Second interim single tier dividend in respect of financial year ended 30 June 2021 declared and paid of 6.0 sen per ordinary share	374.0	–
First interim single tier dividend in respect of financial year ended 30 June 2021 declared and paid of 4.5 sen per ordinary share	–	281.8
Second single tier dividend in respect of financial year ended 30 June 2020 declared and paid of 4.0 sen per ordinary share	–	250.7
	746.7	532.5

On 23 August 2022, the Board of Directors declared a second interim single tier dividend of 8.0 sen per ordinary share, amounting to RM497.0 million in respect of the financial year ended 30 June 2022. The dividend is payable on 23 September 2022 to shareholders whose names appeared in the Record of Depositors and Register of Members of the Company at the close of business on 13 September 2022.

No final dividend has been recommended by the Board of Directors for the financial year ended 30 June 2022.

14. PROPERTY, PLANT AND EQUIPMENT

Group

2022

<i>In RM million</i>	At beginning of financial year	Additions	Disposals	Foreign currency translation differences	Write-offs	Reclassifications	Reassessments and modifications of leases	At end of financial year
At cost								
Freehold land	1,849.5	7.5	–	(0.8)	–	2.0	–	1,858.2
Leasehold land	3,859.6	–	–	(0.7)	–	(4.1)	–	3,854.8
Land use rights	32.9	4.3	–	1.2	–	–	–	38.4
Bearer plants	2,885.1	157.4	–	11.3	(82.5)	–	–	2,971.3
Buildings and improvements	1,137.5	3.8	(0.2)	(1.0)	(2.0)	19.6	0.4	1,158.1
Plant and machinery	2,654.1	64.8	(1.2)	(11.2)	(14.4)	60.5	(4.6)	2,748.0
Construction in progress	170.9	189.6	–	(1.2)	–	(101.8)	–	257.5
Other property, plant and equipment	552.8	28.8	(0.9)	(0.2)	(2.1)	21.7	–	600.1
	13,142.4	456.2	(2.3)	(2.6)	(101.0)	(2.1)	(4.2)	13,486.4

<i>In RM million</i>	At beginning of financial year	Current year depreciation charge	Disposals	Foreign currency translation differences	Write-offs	Reclassifications	Reassessments and modifications of leases	At end of financial year
Accumulated depreciation								
Leasehold land	398.8	54.3	–	–	–	(2.1)	–	451.0
Land use rights	0.5	0.8	–	–	–	–	–	1.3
Bearer plants	1,295.0	97.2	–	1.5	(82.5)	–	–	1,311.2
Buildings and improvements	613.0	45.4	(0.1)	(1.1)	(1.9)	–	–	655.3
Plant and machinery	1,884.5	120.0	(0.6)	(5.9)	(10.7)	–	(0.4)	1,986.9
Other property, plant and equipment	319.5	33.2	(0.9)	(0.8)	(1.9)	–	–	349.1
	4,511.3	350.9	(1.6)	(6.3)	(97.0)	(2.1)	(0.4)	4,754.8

<i>In RM million</i>	At beginning of financial year	Current year impairment loss	At end of financial year
Accumulated impairment			
Leasehold land	3.2	–	3.2
Bearer plants	16.2	–	16.2
Buildings and improvements	2.0	–	2.0
Plant and machinery	0.1	–	0.1
Other property, plant and equipment	0.9	–	0.9
	22.4	–	22.4

NOTES TO THE FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

2021

<i>In RM million</i>	At beginning of financial year	Additions	Disposals	Foreign currency translation differences	Write-offs	Reclassifications	Re-assessments and modifications of leases	Reversals	Transfer from prepayment for land use rights	At end of financial year
At cost										
Freehold land	1,849.2	–	–	0.3	–	–	–	–	–	1,849.5
Leasehold land	3,860.0	–	–	0.3	–	–	–	(0.7)	–	3,859.6
Land use rights	9.0	–	–	(0.5)	–	–	–	–	24.4	32.9
Bearer plants	2,829.3	180.5	–	(15.4)	(109.3)	–	–	–	–	2,885.1
Buildings and improvements	1,103.9	24.0	(0.2)	(2.4)	(1.3)	20.0	(0.4)	(6.1)	–	1,137.5
Plant and machinery	2,568.6	55.0	(3.0)	0.6	(9.3)	43.7	–	(1.5)	–	2,654.1
Construction in progress	95.9	155.0	–	–	–	(80.0)	–	–	–	170.9
Other property, plant and equipment	532.2	12.2	(1.7)	(0.5)	(5.7)	16.3	–	–	–	552.8
	12,848.1	426.7	(4.9)	(17.6)	(125.6)	–	(0.4)	(8.3)	24.4	13,142.4

<i>In RM million</i>	At beginning of financial year	Current year depreciation charge	Disposals	Foreign currency translation differences	Write-offs	Reversals	At end of financial year
Accumulated depreciation							
Leasehold land	345.0	54.5	–	–	–	(0.7)	398.8
Land use rights	0.1	0.4	–	–	–	–	0.5
Bearer plants	1,303.0	102.7	–	(1.7)	(109.0)	–	1,295.0
Buildings and improvements	576.7	45.0	(0.1)	(1.3)	(1.2)	(6.1)	613.0
Plant and machinery	1,778.2	116.3	(2.9)	2.1	(7.7)	(1.5)	1,884.5
Other property, plant and equipment	294.1	33.2	(1.7)	(0.5)	(5.6)	–	319.5
	4,297.1	352.1	(4.7)	(1.4)	(123.5)	(8.3)	4,511.3

<i>In RM million</i>	At beginning of financial year	Current year impairment loss	At end of financial year
Accumulated impairment			
Leasehold land	–	3.2	3.2
Bearer plants	16.2	–	16.2
Buildings and improvements	2.0	–	2.0
Plant and machinery	0.1	–	0.1
Other property, plant and equipment	0.9	–	0.9
	19.2	3.2	22.4

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

2022

<i>In RM million</i>	At beginning of financial year	Additions	Disposals	Write-offs	At end of financial year
At cost					
Freehold land	71.9	–	–	–	71.9
Bearer plants	20.8	0.4	–	(2.6)	18.6
Other property, plant and equipment	1.9	0.7	(0.6)	–	2.0
	94.6	1.1	(0.6)	(2.6)	92.5

<i>In RM million</i>	At beginning of financial year	Current year depreciation charge	Disposals	Write-offs	At end of financial year
Accumulated depreciation					
Bearer plants	10.6	1.1	–	(2.1)	9.6
Other property, plant and equipment	1.4	0.2	(0.6)	–	1.0
	12.0	1.3	(0.6)	(2.1)	10.6

2021

<i>In RM million</i>	At beginning of financial year	Additions	Write-offs	At end of financial year
At cost				
Freehold land	71.9	–	–	71.9
Bearer plants	20.9	0.1	(0.2)	20.8
Other property, plant and equipment	1.3	0.6	–	1.9
	94.1	0.7	(0.2)	94.6

<i>In RM million</i>	At beginning of financial year	Current year depreciation charge	At end of financial year
Accumulated depreciation			
Bearer plants	9.5	1.1	10.6
Other property, plant and equipment	1.3	0.1	1.4
	10.8	1.2	12.0

NOTES TO THE FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Carrying amount				
Freehold land	1,858.2	1,849.5	71.9	71.9
Leasehold land	3,400.6	3,457.6	–	–
Land use rights	37.1	32.4	–	–
Bearer plants	1,643.9	1,573.9	9.0	10.2
Buildings and improvements	500.8	522.5	–	–
Plant and machinery	761.0	769.5	–	–
Construction in progress	257.5	170.9	–	–
Other property, plant and equipment	250.1	232.4	1.0	0.5
	8,709.2	8,608.7	81.9	82.6

Included in the Group’s property, plant and equipment are right-of-use assets as follows:

<i>In RM million</i>	Leasehold land	Land use rights	Buildings and improvements	Plant and machinery	Total
Group					
2022					
At cost					
At beginning of financial year	3,859.6	32.9	27.2	16.0	3,935.7
Additions	–	4.3	0.3	12.7	17.3
Reassessments and modifications of leases	–	–	0.4	(4.6)	(4.2)
Reclassifications	(4.1)	–	–	–	(4.1)
Foreign currency translation differences	(0.7)	1.2	(0.7)	–	(0.2)
At end of financial year	3,854.8	38.4	27.2	24.1	3,944.5
Accumulated depreciation					
At beginning of financial year	(398.8)	(0.5)	(9.4)	(2.8)	(411.5)
Current year depreciation charge	(54.3)	(0.8)	(3.8)	(4.1)	(63.0)
Reassessments and modifications of leases	–	–	–	0.4	0.4
Reclassifications	2.1	–	–	–	2.1
Foreign currency translation differences	–	–	0.9	–	0.9
At end of financial year	(451.0)	(1.3)	(12.3)	(6.5)	(471.1)
Accumulated impairment					
At beginning of financial year/At end of financial year	(3.2)	–	–	–	(3.2)
Carrying amount					
At end of financial year	3,400.6	37.1	14.9	17.6	3,470.2

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the Group’s property, plant and equipment are right-of-use assets as follows: (continued)

<i>In RM million</i>	Leasehold land	Land use rights	Buildings and improvements	Plant and machinery	Total
Group					
2021					
At cost					
At beginning of financial year	3,860.0	9.0	16.8	6.3	3,892.1
Additions	–	–	17.0	10.9	27.9
Reassessments and modifications of leases	–	–	(0.4)	–	(0.4)
Reversals	(0.7)	–	(6.1)	(1.5)	(8.3)
Transfer from prepayment for land use rights	–	24.4	–	–	24.4
Foreign currency translation differences	0.3	(0.5)	(0.1)	0.3	–
At end of financial year	3,859.6	32.9	27.2	16.0	3,935.7
Accumulated depreciation					
At beginning of financial year	(345.0)	(0.1)	(10.3)	(2.1)	(357.5)
Current year depreciation charge	(54.5)	(0.4)	(5.1)	(2.2)	(62.2)
Reversals	0.7	–	6.1	1.5	8.3
Foreign currency translation differences	–	–	(0.1)	–	(0.1)
At end of financial year	(398.8)	(0.5)	(9.4)	(2.8)	(411.5)
Accumulated impairment					
At beginning of financial year	–	–	–	–	–
Current year impairment loss	(3.2)	–	–	–	(3.2)
At end of financial year	(3.2)	–	–	–	(3.2)
Carrying amount					
At end of financial year	3,457.6	32.4	17.8	13.2	3,521.0

Leasehold land for which the Group has land titles during the financial year amounted to RM3,397.7 million (2021 – RM3,453.5 million).

An impairment loss on property, plant and equipment amounting to RM3.2 million had been recognised in the previous financial year due to the recoverable amount of the property, plant and equipment in the Cash-generating Unit, which was determined based on estimation of value-in-use, was lower than its carrying amount. The value-in-use was determined using a pre-tax discount rate of 7.55% per annum.

Included in the Group’s bearer plants is an amount of interest expense capitalised during the financial year amounting to RM4.2 million (2021 – RM2.7 million).

Interest is capitalised at 3.41% (2021 – 3.04%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT (continued)

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Additions to property, plant and equipment	456.2	426.7	1.1	0.7
Interest capitalised (Note 9)	(4.2)	(2.7)	–	–
Additions via lease liabilities (Note 31.2)	(13.0)	(27.9)	–	–
Cash payments on purchase of property, plant and equipment	439.0	396.1	1.1	0.7

14.1 Property, plant and equipment excluding right-of-use assets

All items of property, plant and equipment excluding right-of-use assets are initially measured at cost.

After initial recognition, property, plant and equipment excluding right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Bearer plants are living plants that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce, except for incidental scrap sales. The bearer plants that are available for use are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting. Bearer plants have an average life cycle of twenty-five (25) years with the first three (3) years as immature bearer plants and the remaining years as mature bearer plants. The mature bearer plants are depreciated over their remaining useful lives of twenty-two (22) years on a straight-line basis. The immature bearer plants are not depreciated until such time when they are available for use.

Freehold land has an unlimited useful life and therefore is not depreciated.

Construction in progress is not depreciated until such time when the asset is available for use.

Other property, plant and equipment are depreciated on the straight-line basis so as to write-off the cost of the assets over their estimated useful lives. The principal depreciation annual rates are as follows:

Buildings and improvements	2% – 10%
Plant and machinery	4% – 20%
Other property, plant and equipment	4% – 33%

14.2 Right-of-use assets under property, plant and equipment

The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The principal depreciation periods are as follows:

Leasehold land	over the lease period from 4 to 99 years
Land use rights	over the lease period of up to 35 years
Buildings and improvements	over the lease period from 1 to 10 years
Plant and machinery	over the lease period from 1 to 5 years

15. INTANGIBLE ASSETS

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Goodwill (Note 15.1)	335.1	336.2	–	–
Other intangible assets (Note 15.2)	80.9	87.2	0.9	0.6
	416.0	423.4	0.9	0.6

15.1 Goodwill

	Group	
<i>In RM million</i>	2022	2021
At cost		
At beginning of financial year	338.2	338.6
Foreign currency translation differences	(1.1)	(0.4)
	337.1	338.2
Less: Impairment losses	(2.0)	(2.0)
	335.1	336.2

The goodwill recognised on the acquisitions was attributable mainly to the skills and technical talents of the acquired business’s work force and the synergies expected to be achieved from integrating the company into the Group’s existing business.

For the purpose of impairment testing, goodwill is allocated to the Group’s Cash-generating Units (“CGUs”) identified according to the operating segments as follows:

	Group	
<i>In RM million</i>	2022	2021
Plantation	126.5	126.5
Resource-based manufacturing	208.6	209.7
	335.1	336.2

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGUs based on estimation of the value-in-use, which requires significant judgements, estimates about the future results and key assumptions made by the management. Value-in-use is determined by discounting the future cash flows to be generated from the continuing use of the CGUs based on the following assumptions, including taking into consideration the effects of COVID-19 and Russia-Ukraine war, where applicable:

- i. Cash flows are projected based on the management’s most recent three-year business plan and extrapolated to a period of ten (10) years (the average economic useful lives of the assets) for all companies with the exception of plantation companies. For plantation companies, cash flows are projected based on the average life cycle of oil palm trees.
- ii. Discount rates used for cash flows discounting purpose is the Group’s weighted average cost of capital adjusted for specific risks relating to the relevant segments. The average discount rate applied for cash flow projections is 8.53% (2021 – 7.55%).
- iii. Growth rates for the plantation segment are determined based on the management’s estimate of commodity prices, FFB yields, oil extraction rates and also cost of productions whilst growth rates of other segments are determined based on the industry trends and past performances of the segments. CPO price is based on average historical price in the previous financial years while FFB yields are based on the average yields achieved in the previous financial years throughout the life cycle of oil palm trees.
- iv. Profit margins are projected based on the industry trends and historical profit margin achieved.

The management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amounts of the CGUs to materially exceed their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS (continued)

15.2 Other intangible assets

<i>In RM million</i>	Brand names	Computer software	Total
Group			
2022			
At cost			
At beginning of financial year	66.8	48.8	115.6
Additions	–	1.6	1.6
At end of financial year	66.8	50.4	117.2
Accumulated amortisation			
At beginning of financial year	(20.3)	(8.1)	(28.4)
Current year amortisation charge	(3.0)	(4.9)	(7.9)
At end of financial year	(23.3)	(13.0)	(36.3)
Carrying amount			
At end of financial year	43.5	37.4	80.9
2021			
At cost			
At beginning of financial year	66.8	40.8	107.6
Additions	–	8.0	8.0
At end of financial year	66.8	48.8	115.6
Accumulated amortisation			
At beginning of financial year	(16.7)	(3.3)	(20.0)
Current year amortisation charge	(3.6)	(4.8)	(8.4)
At end of financial year	(20.3)	(8.1)	(28.4)
Carrying amount			
At end of financial year	46.5	40.7	87.2

15. INTANGIBLE ASSETS (continued)

15.2 Other intangible assets (continued)

<i>In RM million</i>	Computer software	Total
Company		
2022		
At cost		
At beginning of financial year	0.6	0.6
Additions	0.4	0.4
At end of financial year	1.0	1.0
Accumulated amortisation		
At beginning of financial year	–	–
Current year amortisation charge	(0.1)	(0.1)
At end of financial year	(0.1)	(0.1)
Carrying amount		
At end of financial year	0.9	0.9
2021		
At cost		
At beginning of financial year	–	–
Additions	0.6	0.6
At end of financial year	0.6	0.6
Accumulated amortisation		
At beginning of financial year/ At end of financial year	–	–
Carrying amount		
At end of financial year	0.6	0.6

Other intangible assets are initially measured at cost of acquisition.

After initial recognition, other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Brand names

The costs of brand names recognised in a business combination are their fair values as at the date of acquisition. Brand names with finite lives are amortised on a straight-line basis over the estimated economic useful lives ranging from three (3) to fifteen (15) years.

Computer software

Computer software that do not form an integral part of the related hardware are treated as intangible assets with finite lives and are amortised on a straight-line basis over the estimated useful lives ranging from five (5) to ten (10) years.

Computer software are not amortised until such time when the assets are available for use.

NOTES TO THE FINANCIAL STATEMENTS

16. SUBSIDIARIES

16.1 Investments in subsidiaries

In RM million	Company	
	2022	2021
At cost		
Unquoted shares in Malaysia	6,195.4	6,349.9
Unquoted shares outside Malaysia	554.2	543.3
	6,749.6	6,893.2
Less: Impairment losses	(53.9)	(48.9)
	6,695.7	6,844.3

In the Company’s separate financial statements, investments in subsidiaries are stated at cost less impairment losses, if any.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstance, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are initially measured at either fair value or at the present ownership instruments’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity.

Details of the subsidiaries are set out in Note 41 to the financial statements.

2022

During the financial year, the Company:

- i. subscribed for an additional 15,200,000 ordinary shares in IOI Palm Wood Sdn Bhd with cash payments of RM15.2 million.
- ii. subscribed for an additional 2,580,000 redeemable preference shares in Eglinton Investments Pte Ltd with cash payments equivalent to RM10.9 million.
- iii. redeemed 111,763,254 redeemable preference shares in IOI Plantation Sdn Bhd with total redemption amount of RM111.7 million.
- iv. redeemed 480,000 redeemable preference shares in Morisem Consolidated Sdn Bhd with total redemption amount of RM0.5 million.
- v. reduced its costs of investments in the following subsidiaries by cancellation of ordinary shares pursuant to Section 117 of the Companies Act 2016:

Subsidiaries	No. of shares	Amount RM Million
Pamol Plantations Sdn Bhd	37,500,000	37.5
Palmco Plantations (Sabah) Sdn Bhd	13,991,144	14.0
Dynamic Plantations Berhad	6,000,000	6.0
Fruitful Plantations Sdn Bhd	70,000	—*

* The amount is negligible

The above capital reduction exercise was settled by cash.

16. SUBSIDIARIES (continued)

16.1 Investments in subsidiaries (continued)

2021

In the previous financial year, the Company:

- i. subscribed for an additional 1,999,997 ordinary shares in IOI Palm Wood Sdn Bhd with cash payments of RM2.0 million.
- ii. subscribed for 100,000 ordinary shares and 680,000 redeemable preference shares in Eglinton Investments Pte Ltd with cash payments equivalent to RM0.3 million and RM2.1 million respectively.
- iii. subscribed for an additional 35,000,000 redeemable preference shares in IOI Bio Energy Sdn Bhd with cash payments of RM35.0 million.
- iv. subscribed for an additional 25,000,000 redeemable preference shares in Ladang Cantawan (Sabah) Sdn Bhd with cash payments of RM25.0 million.
- v. subscribed for an additional 16,000,000 redeemable preference shares in Morisem Consolidated Sdn Bhd with cash payments of RM16.0 million.
- vi. redeemed 158,094,603 redeemable preference shares in IOI Plantation Sdn Bhd with total redemption amount of RM158.1 million.
- vii. reduced its costs of investments in the following subsidiaries by cancellation of ordinary shares pursuant to Section 117 of the Companies Act 2016:

Subsidiaries	No. of shares	Amount RM Million
IOI Plantation Sdn Bhd	14,431,750	14.4
Dynamic Plantations Berhad	14,000,000	14.0
Pamol Plantations Sdn Bhd	75,884,384	75.9
Syarikat Pukin Ladang Kelapa Sawit Sdn Bhd	15,400,000	15.4
Unipamol Malaysia Sdn Bhd	65,515,639	65.5

The above capital reduction exercise was settled by cash.

Impairment loss on cost of investment in a subsidiary amounting to RM5.0 million has been recognised during the financial year due to declining operation of the subsidiary. There was no other indication of impairment on costs of investments in subsidiaries as at the end of the reporting period.

In the previous financial year, impairment loss on cost of investment in a subsidiary amounted to RM20.6 million had been recognised due to the recoverable amount, which was determined based on estimation of value-in-use derived from cash flow projections, was lower than its carrying amount. Management had made estimates about the future results and key assumptions applied to cash flow projections of the subsidiary in determining its recoverable amount using the value-in-use model. These key assumptions included projected growth in future revenue and profit margins, terminal value, as well as determining an appropriate pre-tax discount rate and growth rates used. The disclosures of the key assumptions were similar to the impairment assessment on the goodwill, which had been set out in Note 15.1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

16. SUBSIDIARIES (continued)

16.1 Investments in subsidiaries (continued)

Due to the inherent uncertainties arising from the COVID-19 pandemic, the Company had adopted the Expected Cash Flow approach in performing its impairment assessment of investment in a subsidiary in the previous financial year. The cash flow projections used in determining the value-in-use calculations were probability weighted based on the following scenarios:

Scenario	Weighting	Assumptions
Base Case	70%	Based on the key assumptions above.
Best Case	15%	CPO price was forecasted to be 107% of base case.
Worst Case	15%	FFB yields were forecasted to be 98% of base case and CPO price was forecasted to be 93% of base case.

The above key assumptions were determined based on management’s assessment of future trends in the subsidiary, which were, among others, dependent on forecasted economic conditions affected by COVID-19 pandemic. Any differences in expectations from the original estimates might impact the impairment loss amount in respect of the investment in the subsidiary of the Company.

16.2 Amounts due from and to subsidiaries

The amounts due from and to subsidiaries represent outstanding amounts arising from inter-company sales and purchases, both at normal credit terms, advances and payments made on behalf of or by subsidiaries, which are unsecured and interest-free except for amounts due from subsidiaries amounting to RM2,779.2 million (2021 – RM1,422.4 million), which bear interest at rates ranging from 0.74% to 3.93% (2021 – 0.79% to 3.10%) per annum and amounts due to subsidiaries amounting to RM1,593.4 million (2021 – RM1,559.4 million), which bear interest at rates ranging from 1.87% to 5.00% (2021 – 1.87% to 5.00%) per annum.

The current amounts due from and to subsidiaries are payable within the next twelve (12) months in cash and cash equivalents. The non-current amounts due from and to subsidiaries are either not payable within the next twelve (12) months or payable on a back-to-back basis with the corresponding borrowings of the Group. The carrying amounts of non-current amounts due from and to subsidiaries approximate their fair values as their interest rates are priced at reasonable approximation of the market interest rates as at the end of the reporting period.

16.2.1 Impairment for amounts due from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss (“ECL”) model as disclosed in Note 22.2 to the financial statements.

The reconciliation of movements in the impairment losses accounts for amounts due from subsidiaries is as follows:

<i>In RM million</i>	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Company			
2022			
At beginning of financial year	44.9	5.6	50.5
Charge for the financial year	6.1	0.5	6.6
At end of financial year	51.0	6.1	57.1
2021			
At beginning of financial year	44.0	5.7	49.7
Charge for the financial year	1.5	–	1.5
Reversal of impairment losses	(0.6)	(0.1)	(0.7)
At end of financial year	44.9	5.6	50.5

Credit impaired refers to individually determined subsidiaries who are in significant financial difficulties as at the end of the reporting period.

16. SUBSIDIARIES (continued)

16.3 Material non-controlling interests

The Group does not have any subsidiary that has non-controlling interests, which are individually material to the Group as at 30 June 2022.

17. ASSOCIATES

17.1 Investments in associates

<i>In RM million</i>	Group		Company	
	2022	2021	2022	2021
At cost				
Shares quoted outside Malaysia	434.0	434.0	–	–
Unquoted shares outside Malaysia	1,387.8	1,387.8	766.4	766.4
Unquoted shares in Malaysia	86.9	86.9	24.9	24.9
	1,908.7	1,908.7	791.3	791.3
Less: Impairment loss	(33.9)	–	–	–
	1,874.8	1,908.7	791.3	791.3
Share of post-acquisition results and reserves	1,235.2	1,235.8	–	–
	3,110.0	3,144.5	791.3	791.3
At Market Value				
Shares quoted outside Malaysia	1,169.6	782.3	–	–

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting based on the latest financial statements of the associates concerned, from the date significant influence commences until the date the Group ceases to have significant influence over the associates. The investments in associates in the consolidated statement of financial position are initially recognised at cost and adjusted thereafter for the post-acquisition changes in the Group’s share of net assets of the investments.

Details of the associates are set out in Note 41 to the financial statements.

After the end of the reporting period, on 5 August 2022, the Company had completed the sale of 10% equity interest in an associate. The fair value less cost to sell of the 10% of the Group’s equity interest in the associate, which was derived based on Share Sales Consideration as disclosed in Note 18(v) to the financial statements, was lower than its carrying amount as at 30 June 2022. As a result, an impairment loss on the 10% of the Group’s equity interest in the associate amounting to RM33.9 million has been recognised during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

17. ASSOCIATES (continued)

17.2 Material associates and summary of financial information

The Group regards Bumitama Agri Ltd (“Bumitama”) and Bunge Loders Croklaan Group B.V. (“BLC”) as material associates.

Bumitama

The summary of unaudited financial information of Bumitama for the periods ended 30 June 2022 and 30 June 2021 are summarised as follows:

	Bumitama	
<i>In RM million</i>	2022	2021
Assets and liabilities		
Current assets	1,510.8	620.3
Non-current assets	4,498.8	4,452.2
Total assets	6,009.6	5,072.5
Current liabilities	(500.4)	(414.9)
Non-current liabilities	(1,341.0)	(1,585.5)
Total liabilities	(1,841.4)	(2,000.4)
Net assets	4,168.2	3,072.1
Non-controlling interests	(621.6)	(462.6)
Net assets attributable to shareholders of Bumitama	3,546.6	2,609.5
Results		
Revenue	4,678.4	3,022.7
Profit for the financial period	1,005.2	334.3
Other comprehensive income	38.4	8.8
Total comprehensive income	1,043.6	343.1

17. ASSOCIATES (continued)

17.2 Material associates and summary of financial information (continued)

BLC

The summary of unaudited financial information of BLC for the periods ended 30 June 2022 and 30 June 2021 are summarised as follows:

	BLC	
<i>In RM million</i>	2022	2021
Assets and liabilities		
Current assets	4,470.4	4,072.2
Non-current assets	1,739.0	1,866.8
Total assets	6,209.4	5,939.0
Current liabilities	(2,105.4)	(701.8)
Non-current liabilities	(282.0)	(268.6)
Total liabilities	(2,387.4)	(970.4)
Net assets attributable to shareholders of BLC	3,822.0	4,968.6
Results		
Revenue	10,281.8	7,242.8
(Loss)/Profit for the financial period	(127.5)^	1,301.2*
Other comprehensive income/(loss)	251.8	(83.9)
Total comprehensive income	124.3	1,217.3

Notes:
^ Included impairment losses on property, plant and equipment amounting to RM184.4 million.
* Included gain amounting to RM894.2 million, which arose from the disposal of 100% equity stake in a subsidiary of BLC.

The information above represents the unaudited amounts in the financial statements of associates and does not reflect the Group’s proportionate share in those amounts.

NOTES TO THE FINANCIAL STATEMENTS

17. ASSOCIATES (continued)

17.2 Material associates and summary of financial information (continued)

The reconciliation of the above summarised unaudited financial information to the carrying amount of the Group’s interests in associates is as follows:

<i>In RM million</i>	Bumitama	BLC
2022		
Net assets attributable to shareholders of associates	3,546.6	3,822.0
Proportion of ownership interest held by the Group	32.10%	30.00%
Group’s share of net assets	1,138.5	1,146.6
Goodwill	168.7	–
Gain on re-measurement of remaining 30% equity interest	–	342.1
	1,307.2	1,488.7
Less: Impairment loss	–	(33.9)
Carrying amount of Group’s interests in associates	1,307.2 ^	1,454.8
Dividend received during the financial year	65.9	298.5
2021		
Net assets attributable to shareholders of associates	2,609.5	4,968.6
Proportion of ownership interest held by the Group	32.10%	30.00%
Group’s share of net assets	837.6	1,490.6
Goodwill	168.7	–
Gain on re-measurement of remaining 30% equity interest	–	342.1
Carrying amount of Group’s interests in associates	1,006.3 ^	1,832.7
Dividend received during the financial year	41.1	43.8

Note:

^ The market value of the Group’s investment in Bumitama is below the carrying amount of the Group’s interest in Bumitama as at 30 June 2022 and 30 June 2021. However, the carrying amount is supported by the net assets of Bumitama as well as future cash flows to be generated by Bumitama. With the strong financial position of Bumitama and the resilient fundamentals of palm oil industry, the Group is of the view that the carrying amount of the interest in Bumitama is recoverable and should not be impacted by the fluctuation of the share price of Bumitama, therefore no impairment loss was provided.

17. ASSOCIATES (continued)

17.3 Other associates and summary of financial information

The summarised unaudited financial information based on the Group’s interests in the individually immaterial associates in aggregate is as follows:

<i>In RM million</i>	Group	
	2022	2021
Profit for the financial period	59.4	34.1
Other comprehensive loss	–	(0.6)
Total comprehensive income	59.4	33.5
Carrying amount	348.0	305.5

Dividends received from immaterial associates during the financial year amounted to RM17.0 million (2021 – RM3.2 million).

18. DERIVATIVE FINANCIAL INSTRUMENTS

<i>In RM million</i>	Contract/ Notional amount Net (short)/long	Fair value	
		Financial Assets	Financial Liabilities
Group			
2022			
Forward foreign exchange contracts	(3,311.5)	0.3	69.1
Commodity forward contracts	(1,434.2)	390.2	187.8
Commodity futures	422.5	32.2	119.2
Cross currency swap contracts	919.2	111.7	–
Interest rate swap contracts	110.1	7.1	–
Put option	1,387.1	111.8	–
Call option	(1,733.9)	–	82.6
Total derivative financial instruments		653.3	458.7
Less: Current portion		(534.5)	(458.7)
Non-current portion		118.8	–
2021			
Forward foreign exchange contracts	(2,535.2)	0.8	18.5
Commodity forward contracts	(834.7)	112.9	70.8
Commodity futures	306.5	13.0	20.1
Cross currency swap contracts	1,408.5	87.4	44.5
Interest rate swap contracts	228.5	–	3.5
Put option	1,630.5	245.6	–
Call option	(2,038.1)	–	112.6
Total derivative financial instruments		459.7	270.0
Less: Current portion		(372.3)	(270.0)
Non-current portion		87.4	–

NOTES TO THE FINANCIAL STATEMENTS

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

		Fair value	
<i>In RM million</i>	Contract/ Notional amount Net long/(short)	Financial Assets	Financial Liabilities
Company			
2022			
Cross currency swap contracts	242.2	33.3	–
Interest rate swap contracts	110.1	7.1	–
Put option	1,387.1	111.8	–
Call option	(1,733.9)	–	82.6
Total derivative financial instruments		152.2	82.6
Less: Current portion		(111.8)	(82.6)
Non-current portion		40.4	–
2021			
Cross currency swap contracts	623.2	–	44.5
Interest rate swap contracts	228.5	–	3.5
Put option	1,630.5	245.6	–
Call option	(2,038.1)	–	112.6
Total derivative financial instruments		245.6	160.6
Less: Current portion		(245.6)	(160.6)
Non-current portion		–	–

i. Forward foreign exchange contracts

Forward foreign exchange contracts were entered into as hedges for sales and purchases denominated in foreign currencies and to limit the exposure to potential changes in foreign exchange rates with respect to the Group’s foreign currencies denominated financial assets and financial liabilities.

ii. Commodity forward contracts and futures

The commodities forward contracts and futures were entered into with the objective of managing and hedging the respective exposure of the Group’s plantation segment and resource-based manufacturing segment to adverse price movements in vegetable oil commodities. The fair values of these components have been determined based on published market prices or quoted prices from reputable financial institutions.

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

iii. Cross currency swap contracts

The cross currency swap contracts of the Group are mainly used to hedge against its exposures of borrowings, except for:

- a) Cross currency swap contract, which swapped a fixed rate of USD100.0 million liability to a fixed rate of EUR90.9 million liability (“USDEUR CCS I”) to serve as a net investment hedge against the Group’s Euro denominated assets. The USDEUR CCS I matured in the current financial year. In the previous financial year, the carrying amount of derivative liability in respect of the USDEUR CCS I was RM29.7 million;
- b) Cross currency swap contract, which swapped a floating rate of USD50.0 million liability to a fixed rate of EUR45.0 million liability (“USDEUR CCS II”) to serve as a net investment hedge against the Group’s Euro denominated assets. The USDEUR CCS II matured in the current financial year. In the previous financial year, the carrying amount of derivative liability in respect of the USDEUR CCS II was RM14.8 million; and
- c) Cross currency swap contract, which swapped a floating rate of USD55.0 million liability to a fixed rate of EUR48.6 million liability (“USDEUR CCS III”) to serve as a net investment hedge against the Group’s Euro denominated assets. The carrying amount of derivative asset in respect of the USDEUR CCS III as at end of the financial year is RM33.3 million (2021 – Nil). The USDEUR CCS III will mature in financial year 2026.

iv. Interest rate swap contracts

Interest rate swap contracts are used to hedge the Group’s exposures to movements in interest rates.

v. Put and call options

Following the divestment of 70% equity interest in Loders Croklaan Group B.V. (now known as Bunge Loders Croklaan Group B.V.) (“BLC”) to Koninklijke Bunge B.V. (“KBBV”) in the previous financial years, the Company and KBBV entered into a Shareholders’ Agreement (“SHA”) to regulate the business of BLC as well as the rights and obligation of the shareholders of BLC.

In accordance with the SHA, the Company and KBBV were granted put and call options respectively during the first five (5) years from 1 March 2018 (“Option Period”) as follows:

- a) During the Option Period, the Company shall have the right to require KBBV to purchase all, but not less than all, of the Company’s shares in BLC (“Put option”) for a purchase price calculated in accordance with the terms and conditions of the SHA (“put price”).
- b) During the Option Period, KBBV shall have the right to require the Company to sell to KBBV all, but not less than all, of the Company’s shares in BLC (“Call option”) for an amount equal to 25% above of the put price.

The fair values of the put and call options have been derived using the Binomial option pricing model, which require significant judgements and assumptions made by the management.

The method and assumption applied in determining the fair values of the put and call options and sensitivity analysis are disclosed in Note 38.6 to the financial statements.

After the end of the reporting period, on 5 August 2022, the Company had completed the sale of 1,800 shares, representing its 10% shareholdings in BLC to KBBV for a total cash consideration of USD84,416,807.30 plus EUR19,724,815.30 (the “Share Sale Consideration”) (“Share Sale”).

The Share Sale is provided for in the SHA entered into by KBBV and the Company and the Share Sale Consideration is based on the mechanism for the put and call options provided in the SHA. With the completion of the Share Sale, the Company’s equity interest in BLC has reduced from 30% to 20% and accordingly, the existing put and call options provided in the SHA have been terminated.

NOTES TO THE FINANCIAL STATEMENTS

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

All the above derivatives were initially recognised at fair value on the date the derivative contracts were entered into. The derivatives were subsequently remeasured at fair value and the changes in fair value were recognised as follows:

- i. Derivatives recognised in the other comprehensive income pursuant to hedge accounting
- a) Cross currency swap contract, which swapped a fixed rate USD100.0 million liability to a fixed rate EUR90.9 million liability. This cross currency swap contact matured in the current financial year;
- b) Cross currency swap contract, which swapped a floating rate USD50.0 million liability to a fixed rate EUR45.0 million liability. This cross currency swap contact matured in the current financial year;
- c) Cross currency swap contract, which swapped a floating rate USD55.0 million liability to a fixed rate EUR48.6 million liability. This cross currency swap contact will mature in the financial year 2026.
- ii. Derivatives recognised in the profit or loss
- a) All other derivatives other than those mentioned in (i) above.

During the financial year, the Group and the Company recognised total fair value loss of RM188.7 million (2021– RM60.1 million) and fair value gain of RM78.0 million (2021 – loss of RM22.6 million) respectively arising from fair value changes of derivative liabilities. The determination of the fair values of the derivative financial instruments involves significant judgements and assumptions made by the management. The methods and assumptions applied in determining the fair values of derivatives are disclosed in Note 38.6 to the financial statements.

19. DEFERRED TAX

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
At beginning of financial year	1,150.1	1,150.1	(6.9)	(6.9)
Recognised in profit or loss				
– Current year	(32.1)	1.0	(3.2)	(0.4)
– Prior years	6.5	(0.9)	–	0.4
	(25.6)	0.1	(3.2)	–
Recognised in other comprehensive income	3.0	0.2	–	–
Foreign currency translation differences	0.9	(0.3)	–	–
At end of financial year	1,128.4	1,150.1	(10.1)	(6.9)

Presented after appropriate offsetting as follows:

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Deferred tax liabilities, net *	1,167.7	1,172.5	–	–
Deferred tax assets, net *	(39.3)	(22.4)	(10.1)	(6.9)
	1,128.4	1,150.1	(10.1)	(6.9)

Note:

* The amounts of set-off between deferred tax liabilities and deferred tax assets were RM37.5 million (2021 – RM26.2 million) and RM5.4 million (2021 – RM5.6 million) for the Group and the Company respectively.

19. DEFERRED TAX (continued)

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

Deferred tax liabilities

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
At beginning of financial year	1,198.7	1,188.3	5.6	5.9
Recognised in profit or loss				
Temporary differences on property, plant and equipment	10.6	7.8	(0.2)	(0.3)
Other temporary differences	(4.3)	2.7	–	–
	6.3	10.5	(0.2)	(0.3)
Foreign currency translation differences	0.2	(0.1)	–	–
At end of financial year	1,205.2	1,198.7	5.4	5.6

Deferred tax assets

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
At beginning of financial year	48.6	38.2	12.5	12.8
Recognised in profit or loss				
Temporary differences on unutilised tax losses	4.3	4.0	–	(0.4)
Other deductible temporary differences	27.6	6.4	3.0	0.1
	31.9	10.4	3.0	(0.3)
Recognised in other comprehensive income	(3.0)	(0.2)	–	–
Foreign currency translation differences	(0.7)	0.2	–	–
At end of financial year	76.8	48.6	15.5	12.5

NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED TAX (continued)

The components of deferred tax liabilities and deferred tax assets at the end of the financial year comprise the tax effects of:

Deferred tax liabilities

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Temporary differences on property, plant and equipment	1,191.4	1,180.8	5.3	5.5
Other temporary differences	13.8	17.9	0.1	0.1
	1,205.2	1,198.7	5.4	5.6

Deferred tax assets

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Temporary differences on unutilised tax losses	13.8	8.6	–	–
Other deductible temporary differences	63.0	40.0	15.5	12.5
	76.8	48.6	15.5	12.5

The amount of temporary differences for which no deferred tax assets have been recognised in the statements of financial position is as follows:

	Group	
<i>In RM million</i>	2022	2021
Unutilised tax losses expire in year of assessment (“YA”)		
YA2028 (2021 – YA2025)	65.3	67.9
YA2029 (2021 – YA2026)	2.3	5.2
YA2030 (2021 – YA2027)	1.0	1.0
YA2031 (2021 – YA2028)	0.2	0.3
Unabsorbed capital allowances	33.0	36.0
	101.8	110.4

The Group has assessed the likelihood of sufficient future profits available to recover the amount of deductible temporary differences, including taking into consideration the effects of COVID-19. Deferred tax assets of certain subsidiaries of the Group have not been recognised in respect of these items as it is not probable that taxable income of the subsidiaries will be available against which the deductible temporary differences can be utilised.

For the Malaysia entities, effective from the YA2019, a new provision under subsection 44(5F) of the Income Tax Act was introduced via Finance Act 2018 to limit the carry forward period of unabsorbed adjusted business losses to seven (7) consecutive years of assessment. However, the time limit was subsequently amended from a period of seven (7) consecutive years of assessment to ten (10) consecutive years of assessment through the Finance Act 2021.

Accordingly, any unabsorbed business losses from YA2019 onwards shall be carried forward for a maximum of ten (10) years and balance unabsorbed business losses up to YA2018 can be carried forward until YA2028.

The amount and availability of these items to be carried forward up to the period as disclosed above are subject to the agreement of the respective tax authorities.

20. OTHER NON-CURRENT ASSETS

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Investment properties (Note 20.1)	6.8	6.8	–	–
Interest in a joint venture (Note 20.2)	5.4	11.9	7.8	11.9
Other non-current investments (Note 20.3)	82.9	12.8	–	–
	95.1	31.5	7.8	11.9

20.1 Investment properties

Investment properties are initially measured at cost, including transaction costs.

After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land under investment properties has an unlimited useful life and therefore is not depreciated. The principal depreciation periods for the buildings component of the investment properties are 22 to 30.5 years.

The fair value of the investment properties for disclosure purposes, which is at Level 3 fair value, is based on Directors’ estimation by reference to the market evidence of transaction prices for similar properties and recent experience in the location and category of the property being valued.

The fair value of the investment properties at the end of the reporting period is RM9.7 million (2021 – RM9.9 million).

20.2 Interest in a joint venture

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Unquoted shares, at cost	36.0	36.0	36.0	36.0
Less: Impairment loss	(9.9)	(9.9)	(35.0)	(35.0)
	26.1	26.1	1.0	1.0
Amount due from a joint venture	12.9	12.8	12.9	12.8
Less: Impairment loss	(6.1)	(1.9)	(6.1)	(1.9)
	6.8	10.9	6.8	10.9
Share of post-acquisition results and reserves	(27.5)	(25.1)	–	–
	5.4	11.9	7.8	11.9

Details of the joint venture are set out in Note 41 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER NON-CURRENT ASSETS (continued)

20.2 Interest in a joint venture (continued)

Investment in a joint venture is stated at cost less impairment loss in the separate financial statements. The Group recognises its interest in a joint venture as investment and accounts for that investment using the equity method of accounting.

An impairment loss on cost of investment in a joint venture of the Group and the Company amounted RM9.9 million and RM12.9 million respectively had been recognised in the previous financial year due to the recoverable amount, which was determined based on estimation of value-in-use, was lower than its carrying amount. The pre-tax discount rate applied was 7.55%.

Amount due from a joint venture represents outstanding amount arising from advances and payments made on behalf of a joint venture, which are unsecured, bear interest at 3.50% (2021 – 3.50%) per annum, except for an amount of RM0.1 million (2021 – Nil), which is interest-free. The amount due from a joint venture is not repayable within the next twelve (12) months in cash and cash equivalents. The carrying amount of non-current amount due from a joint venture approximates its fair value as its interest rate is priced at reasonable approximation of the market interest rate as at the end of the reporting period.

Impairment for non-trade amount due from a joint venture is recognised based on the general approach within MFRS 9 using the forward looking expected credit loss (“ECL”) model as disclosed in Note 22.2 to the financial statements.

The reconciliation of movements in the impairment loss account for amount due from a joint venture is as follows:

	Lifetime ECL – not credit impaired	
<i>In RM million</i>	2022	2021
Group and Company		
At beginning of financial year	1.9	1.9
Charge for the financial year	4.2	–
At end of financial year	6.1	1.9

The summarised financial information based on the Group’s interest in the joint venture is as follows:

	Group	
<i>In RM million</i>	2022	2021
Loss for the financial year	(2.4)	(3.0)
Total comprehensive loss	(2.4)	(3.0)
Carrying amount	5.4	11.9

20.3 Other non-current investments

	Group	
<i>In RM million</i>	2022	2021
At fair value through profit or loss		
Outside Malaysia		
– Unquoted equity investments	82.9	12.8

21. INVENTORIES

	Group	
<i>In RM million</i>	2022	2021
At cost		
Plantation produce	83.0	45.8
Raw materials and consumables	88.1	146.0
Nursery inventories	48.0	35.9
Finished goods	545.2	634.6
Semi-finished goods	52.4	48.0
Others	7.0	2.9
	823.7	913.2
At net realisable value		
Raw materials and consumables	308.0	149.7
Finished goods	357.5	176.0
Semi-finished goods	112.3	57.7
	777.8	383.4
	1,601.5	1,296.6

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

Cost is determined on a weighted average basis. Cost comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition. The cost of plantation produce and finished goods includes the cost of raw materials, direct labour and a proportion of production overheads.

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

A write down of inventories to net realisable value of RM104.9 million (2021 – RM16.4 million) was made by the Group during the financial year.

The Group reversed RM3.6 million (2021 – RM0.3 million) in respect of inventories written down in the previous financial year that were subsequently not required due to the increase in selling prices of commodities and products.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Trade receivables (Note 22.1)	1,166.5	1,080.5	–	–
Other receivables, deposits and prepayments (Note 22.2)	441.1	346.7	41.6	32.4
	1,607.6	1,427.2	41.6	32.4

22.1 Trade receivables

	Group	
<i>In RM million</i>	2022	2021
Trade receivables	1,176.3	1,093.4
Less: Impairment losses	(9.8)	(12.9)
	1,166.5	1,080.5

NOTES TO THE FINANCIAL STATEMENTS

22. TRADE AND OTHER RECEIVABLES (continued)

22.1 Trade receivables (continued)

- i. The normal trade credit terms granted by the Group range from 2 to 120 days (2021 – 2 to 90 days). They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.
- ii. Impairment for trade receivables and trade amounts due from associates that do not contain a significant financing component are recognised based on the simplified approach by applying the provisional matrix approach using the flow-rate model to calculate the lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group as identified in Note 4 to the financial statements to estimate the amount of expected impairment losses. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probabilities of non-payments by the trade receivables and trade amounts due from associates are adjusted by forward looking information and multiplied by the amounts of the expected losses arising from defaults to determine the lifetime expected credit losses (“ECL”) for the trade receivables and trade amounts due from associates. The Group has identified the Gross Domestic Product (“GDP”), crude palm oil prices and unemployment rate as the key macroeconomic factors. For trade receivables and trade amounts due from associates, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within the statements of profit or loss. On confirmation that the trade receivables and trade amounts due from associates would not be collectable, the gross carrying values of the assets would be written off against the associated impairment.

Individual assessment of impairment of trade receivables are separately assessed when it is probable that cash due will not be received in full.

It requires management to exercise significant judgement in determining the probabilities of default by trade receivables and trade amounts due from associates and appropriate forward looking information, after taking into consideration the effects of COVID-19.

- iii. The reconciliation of movements in the impairment losses accounts for trade receivables is as follows:

<i>In RM million</i>	Lifetime ECL	Credit impaired	Total
Group			
2022			
At beginning of financial year	12.8	0.1	12.9
Charge for the financial year	2.0	–	2.0
Written off	(5.0)	–	(5.0)
Reversal of impairment losses	(0.1)	–	(0.1)
At end of financial year	9.7	0.1	9.8
2021			
At beginning of financial year	9.9	0.1	10.0
Charge for the financial year	3.1	–	3.1
Reversal of impairment losses	(0.2)	–	(0.2)
At end of financial year	12.8	0.1	12.9

Credit impaired refers to individually determined debtors who are in significant financial difficulties as at the end of the reporting period.

22. TRADE AND OTHER RECEIVABLES (continued)

22.2 Other receivables, deposits and prepayments

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Other receivables	376.5	294.8	7.1	0.7
Deposits	34.0	31.9	28.8	28.7
Prepayments	30.6	20.0	5.7	3.0
	441.1	346.7	41.6	32.4

- i. Impairment for other receivables, financial guarantee contracts, amounts due from subsidiaries, an associate and joint venture are recognised based on the three-stage general approach within MFRS 9 using the forward looking expected credit loss (“ECL”) model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month ECL along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while twelve-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the twelve months after the end of the reporting period. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment delays and past due information.

The probabilities of non-payments by other receivables, financial guarantee contracts and amounts due from subsidiaries, an associate and joint venture are adjusted by forward looking information and multiplied by the amounts of the expected losses arising from defaults to determine the twelve-month or lifetime ECL for the other receivables, financial guarantee contracts and amounts due from subsidiaries, an associate and joint venture. The Group has identified the Gross Domestic Product (“GDP”), crude palm oil prices and unemployment rate as the key macroeconomic factors.

It requires management to exercise significant judgement in determining the probabilities of default by other receivables, financial guarantee contracts and amounts due from subsidiaries, an associate and joint venture, appropriate forward looking information and significant increase in credit risk, after taking into consideration the effects of COVID-19.

- ii. No ECL is recognised arising from other receivables as the amount is negligible.

23. AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Amounts due from associates	226.9	16.1	188.2	–
Less: Accumulated impairment losses	(1.8)	(0.1)	(1.5)	–
	225.1	16.0	186.7	–

NOTES TO THE FINANCIAL STATEMENTS

23. AMOUNTS DUE FROM ASSOCIATES (continued)

Amounts due from associates represent outstanding amounts arising from sales, advances and payments made on behalf by associates, which are unsecured, interest-free and payable within the next twelve (12) months in cash and cash equivalents except for an amount of RM188.2 million (2021 – Nil) which bears interest at rates ranging from 2.04% to 4.02% per annum.

Impairment for receivables from trade amounts due from associates are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 22.1 to the financial statements.

Impairment for receivable from non-trade amount due from an associate is recognised based on the three-stage general approach within MFRS 9 using the forward looking expected credit loss (“ECL”) model as disclosed in Note 22.2 to the financial statements.

The reconciliation of movements in the impairment losses accounts for amounts due from associates is as follows:

<i>In RM million</i>	12 months ECL	Lifetime – Not credit impaired	Total
Group			
2022			
At beginning of financial year	–	0.1	0.1
Charge for the financial year	1.5	0.2	1.7
At end of financial year	1.5	0.3	1.8
2021			
At beginning of financial year	–	0.9	0.9
Reversal of impairment losses	–	(0.8)	(0.8)
At end of financial year	–	0.1	0.1
Company			
2022			
At beginning of financial year	–	–	–
Charge for the financial year	1.5	–	1.5
At end of financial year	1.5	–	1.5

24. OTHER INVESTMENTS

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
At fair value through profit or loss				
In Malaysia				
– Quoted shares	53.1	98.4	1.9	3.7
– Unquoted shares	7.9	7.6	–	–
Outside Malaysia				
– Quoted shares	–	0.9	–	–
	61.0	106.9	1.9	3.7

25. OTHER CURRENT ASSETS

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Biological assets (Note 25.1)	61.8	58.8	0.5	0.4
Current tax assets	35.0	35.1	0.3	3.1
	96.8	93.9	0.8	3.5

25.1 Biological assets

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
At fair value				
Plantation expenditure for orchard				
At beginning of financial year	0.8	–	–	–
Additions	0.7	0.8	–	–
Transfer to inventories	(0.3)	–	–	–
At end of financial year	1.2	0.8	–	–
Fresh fruit bunches				
At beginning of financial year	58.0	36.1	0.4	0.1
Changes in fair value less costs to sell	2.6	21.9	0.1	0.3
At end of financial year	60.6	58.0	0.5	0.4
Total biological assets	61.8	58.8	0.5	0.4

The biological assets of the Group and the Company comprise:

- i Plantation expenditure for orchard

The Group deems the fair value less costs to sell of the plantation expenditure for orchard to approximate cost.

The fair value of planting expenditure of the Group is categorised within Level 3 of the fair value hierarchy. There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

- ii Fresh Fruit Bunches (“FFB”) prior to harvest

The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sales of FFB. To arrive at the fair value, the management has considered the oil content of the unripe FFB and derived the assumption that the net cash flows to be generated from FFB prior to more than 15 days to harvest is negligible, therefore quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 80% of the ripe FFB, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Costs to sell include harvesting cost, transport and windfall profit levy.

During the financial year, the Group and the Company harvested approximately 2,726,516 tonnes (2021 – 2,917,621 tonnes) and 13,410 tonnes (2021 – 16,030 tonnes) of FFB respectively.

As at 30 June 2022, none of the biological assets are pledged as securities for liabilities.

The fair value measurement of the Group’s biological assets is categorised within Level 3 of the fair value hierarchy. If the FFB selling price changes by 10%, profit or loss for the Group would have equally increased or decreased by approximately RM7.5 million (2021 – RM6.9 million) and no significant impact for profit or loss for the Company.

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

26. SHORT TERM FUNDS

<i>In RM million</i>	Group	
	2022	2021
At fair value through profit or loss		
Investments in fixed income trust funds in Malaysia	1,102.6	1,391.0

Investments in fixed income trust funds in Malaysia represent investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

27. DEPOSITS WITH FINANCIAL INSTITUTIONS

<i>In RM million</i>	Group		Company	
	2022	2021	2022	2021
Deposits with licensed banks	230.9	47.8	50.1	–

No expected credit loss is recognised arising from deposits with licensed banks because the probability of default by these financial institutions is negligible.

28. SHARE CAPITAL AND TREASURY SHARES

28.1 Share capital

	2022		2021	
	No. of shares	Amount <i>RM million</i>	No. of shares	Amount <i>RM million</i>
Group and Company				
Issued and fully paid with no par value				
Ordinary shares				
At beginning of financial year	6,285,198,995	791.1	6,285,038,995	790.2
Issue of shares arising from the exercise of ESOS at RM4.42 per ordinary share	–	–	160,000	0.9
At end of financial year	6,285,198,995	791.1	6,285,198,995	791.1

- i. The owners of the parent are entitled to receive dividends as declared from time to time and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.
- ii. Of the total 6,285,198,995 (2021 – 6,285,198,995) issued and fully paid-up ordinary shares, 72,226,500 (2021 – 36,425,300) shares are held as treasury shares as disclosed in Note 28.2 to the financial statements. Accordingly, the number of ordinary shares in issue and fully paid-up after deducting treasury shares as at end of the financial year is 6,212,972,495 (2021 – 6,248,773,695).

28. SHARE CAPITAL AND TREASURY SHARES (continued)

28.1 Share capital (continued)

28.1.1 Executive Share Option Scheme (“ESOS”)

An ESOS was established on 28 January 2016 for the benefit of the eligible employees and Executive Directors of the Group.

On 12 October 2016, the Company offered a total of 19,537,500 share options at an option price of RM4.42 per ordinary share to the Eligible Persons (as defined below) of the Group in accordance with the By-Laws of the ESOS out of which 18,772,500 share options were accepted by the Eligible Persons.

On 6 March 2019, the Company offered a total of 6,530,000 share options at an option price of RM4.50 per ordinary share to the Eligible Persons (as defined below) of the Group in accordance with the By-Laws of the ESOS out of which 6,470,000 share options were accepted by the Eligible Persons.

In the previous financial year, the ESOS expired on 28 January 2021 pursuant to the By-Laws of the ESOS.

The salient features of the ESOS were as follows:

a) Maximum number of shares available under the ESOS

The maximum number of new ordinary shares in the Company (“IOI Shares”), which may be granted under the ESOS shall not in aggregate exceed ten percent (10%) of the total number of issued share (excluding treasury shares) of the Company at any point of time throughout the duration of the ESOS.

b) Eligibility

Employee of the Group

Subject to the discretion of the committee appointed by the Board to administer the ESOS (“ESOS Committee”), any employee of the Group shall be eligible to participate in the ESOS if, as at the date of the offer (“Offer Date”), the employee:

- i. has attained at least eighteen (18) years of age;
- ii. falls under the grade of M1 and above;
- iii. is confirmed in writing as a full time employee and/or has been in employment of the Group (excluding subsidiaries which are dormant and/or incorporated outside Malaysia) for a period of at least three (3) years of continuous service prior to and up to the Offer Date; and
- iv. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

Director of the Group

Subject to the discretion of ESOS Committee, any Director of the Group shall be eligible to participate in the ESOS if, as at the Offer Date, the Director:

- i. has attained at least eighteen (18) years of age;
- ii. is an Executive Director who has been involved in the management of the Group (excluding subsidiaries which are dormant and/or incorporated outside Malaysia) for a period of at least three (3) years of continuous service prior to and up to the Offer Date;
- iii. the specific allocation of the new IOI Share to such Executive Director under the ESOS must have been approved by the shareholders at a general meeting and he/she is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS; and
- iv. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

(The eligible employees (including Executive Director) above are hereinafter referred to as “Eligible Person(s)”)

NOTES TO THE FINANCIAL STATEMENTS

28. SHARE CAPITAL AND TREASURY SHARES (continued)

28.1 Share capital (continued)

28.1.1 Executive Share Option Scheme (“ESOS”) (continued)

The salient features of the ESOS were as follows: (continued)

c) Maximum allowable allotment and basis of allocation

Subject to any adjustment which may be made under the By-Laws, the maximum number of new IOI Shares that may be offered under the ESOS shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the Eligible Person’s position, performance, length of service and seniority in the Group respectively, or such other matters which the ESOS Committee may in its discretion deem fit subject to the following:

- i. the Eligible Person does not participate in the deliberation or discussion in respect of their own allocation; and
- ii. the number of new IOI Shares allotted to any Eligible Person, who either singularly or collectively through person connected with him/her [as defined under the Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”)], holds twenty percent (20%) or more of the issued capital of the Company, shall not exceed ten percent (10%) of the total number of new IOI Shares to be issued under the ESOS, provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other requirements of the relevant authorities and as amended from time to time.

d) Exercise price

Following the implementation of the Companies Act 2016 in Malaysia, the exercise price shall be based on the five (5)-day volume weighted average market price of IOI Shares, as quoted on Bursa Securities, immediately preceding the Offer Date, with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS.

e) Duration and termination of the ESOS

- i. The ESOS came into force on 28 January 2016 (“Effective Date”) and shall be for a duration of five (5) years.
- ii. The ESOS may be terminated by the ESOS Committee at any time before the expiry of its duration provided that the Company makes an announcement immediately to Bursa Securities. The announcement shall include:
 - the effective date of termination;
 - the number of options exercised or shares vested, if applicable; and
 - the reasons and justification for termination.
- iii Approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of grantees who have yet to exercise their options and/or vest the unvested shares (if applicable) are not required to effect the termination of the ESOS.

f) Exercise of option

Options are exercisable commencing from the Offer Date and expiring at the end of five (5) years from the Effective Date or in the event of the termination of the ESOS, the date of termination of the ESOS.

g) Ranking of the new IOI Shares

The new IOI Shares to be allotted and issued upon any exercise of the option shall, upon allotment and issuance, rank pari passu in all respects with the existing issued shares of the Company, save and except that the holders of the new IOI Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid to the shareholders of the Company, where the record date precedes the date of allotment of the said shares. The option shall not carry any right to vote at a general meeting of the Company.

28. SHARE CAPITAL AND TREASURY SHARES (continued)

28.1 Share capital (continued)

28.1.1 Executive Share Option Scheme (“ESOS”) (continued)

The movements of the options over the unissued ordinary shares in the Company granted under the ESOS in the previous financial year were as follows:

Option price <i>RM</i>	Date of offer	Outstanding	Exercised	Lapsed *	Outstanding	Exercisable
		as at beginning of the financial year			as at end of the financial year	as at end of the financial year
2021						
4.42	12 October 2016	12,771,000	(160,000)	(12,611,000)	—	—
4.50	6 March 2019	5,740,000	—	(5,740,000)	—	—
		18,511,000	(160,000)	(18,351,000)	—	—
Weighted average exercise price (<i>RM</i>)		4.44	4.42	4.45	—	—

* Due to expiry of ESOS on 28 January 2021.

Fair value of share options granted

The fair value of share options were determined using a Black-Scholes model. The fair values of the share options were arrived at based on the following assumptions:

	Granted on 6 March 2019	Granted on 12 October 2016
Weighted average share price (<i>RM</i>)	4.52	4.48
Exercise price (<i>RM</i>)	4.50	4.42
Expected volatility (%)	19.8	22.4
Expected dividend yield (%)	2.1	2.5
Risk free interest rate (%)	3.5	3.2
Fair value of share options granted (<i>RM</i>)	0.61	1.015

The expected volatility was measured at the standard deviation of continuously compounded share returns, which was based on statistical analysis of daily share price over the last three (3) years.

NOTES TO THE FINANCIAL STATEMENTS

28. SHARE CAPITAL AND TREASURY SHARES (continued)

28.2 Treasury shares

The shareholders of the Company, by an ordinary resolution passed at an extraordinary general meeting held on 18 November 1999, approved the Company’s plan to repurchase up to 10% of the issued share capital of the Company (“Share Buy Back”). The authority granted by the shareholders was subsequently renewed during subsequent Annual General Meetings (“AGM”) of the Company, including the last AGM held on 26 October 2021.

The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company.

The Company has the right to cancel, resell and/or distribute the treasury shares as dividends or transfer the treasury shares as purchase consideration at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution are suspended. None of the treasury shares repurchased had been sold, cancelled or transferred during the financial year.

During the financial year, the Company repurchased its issued ordinary shares from the open market as follows:

	No. of Shares	Cost RM million	Purchase Price *		
			Highest RM	Lowest RM	Average RM
2022					
At beginning of financial year	36,425,300	141.2	4.48	3.65	3.88
Purchased during the financial year					
July 2021	13,704,500	50.8	3.81	3.65	3.70
August 2021	2,191,600	8.0	3.71	3.64	3.67
September 2021	5,640,000	21.3	3.90	3.73	3.77
October 2021	3,411,600	13.8	4.05	4.03	4.04
November 2021	5,380,000	20.3	3.87	3.67	3.78
December 2021	5,473,500	20.0	3.74	3.61	3.65
	35,801,200	134.2	4.05	3.61	3.75
At end of financial year	72,226,500	275.4	4.48	3.61	3.81
2021					
At beginning of financial year	18,220,000	68.1	4.48	3.65	3.74
Purchased during the financial year					
October 2020	656,000	2.8	4.24	4.24	4.24
February 2021	2,650,000	11.2	4.26	4.22	4.23
April 2021	4,312,600	17.7	4.22	4.03	4.11
May 2021	1,820,500	7.4	4.11	4.04	4.08
June 2021	8,766,200	34.0	4.10	3.75	3.88
	18,205,300	73.1	4.26	3.75	4.02
At end of financial year	36,425,300	141.2	4.48	3.65	3.88

* Purchase price includes stamp duty, brokerage and clearing fees.

The transactions under Share Buy Back were financed by internally generated funds. The repurchased ordinary shares of the Company were held as treasury shares in accordance with the provision of Section 127 of the Companies Act 2016 in Malaysia.

29. RESERVES

In RM million	Group	
	2022	2021
Capital reserves (Note 29.1)	7.7	7.7
Foreign currency translation reserve (Note 29.2)	88.5	0.8
Hedging reserves (Note 29.3)	23.1	35.9
Other reserves (Note 29.4)	(6.5)	(19.1)
	112.8	25.3

The movements in reserves are shown in the statements of changes in equity.

29.1 Capital reserves

In RM million	Group	
	2022	2021
Net accretion in Group’s share of net assets arising from shares issued by certain subsidiaries to non-controlling shareholders	7.7	7.7
	7.7	7.7

29.2 Foreign currency translation reserve

The foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group’s presentation currency. It is also used to record the exchange 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.

29.3 Hedging reserves

Hedging reserves of the Group comprise:

- i. The effective portion of cumulative gain or loss on hedging instruments relating to the hedges of the Group’s net investment in a foreign operation; and
- ii. Realised gain on settlement of Treasury lock contract (“T-lock”), which was used to hedge the fluctuations in benchmark interest rate risk of the U.S. Treasury Bill yield for the issuance of USD300 million 3.375% Guaranteed Notes due 2031 under a Euro Medium Term Note Programme as disclosed in Note 30.5 to the financial statements. A portion of the realised gain on the T-lock amounting to RM1.7 million has been reclassified to profit or loss as an adjustment of the interest expense on the Notes during the financial year.

29.4 Other reserves

The other reserves arising from the Group’s share of associates fair value reserve.

NOTES TO THE FINANCIAL STATEMENTS

30. BORROWINGS

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Non-current liabilities				
Unsecured				
Term loans (Note 30.1)	677.0	785.3	–	–
Islamic financing facilities (Note 30.2)	901.1	641.4	901.1	412.9
Less: Portion due within 12 months included under short term borrowings	(65.6)	(456.9)	(65.6)	(228.4)
	835.5	184.5	835.5	184.5
Guaranteed Notes due 2031 (Note 30.5)	1,305.9	–	–	–
Finance lease obligation	8.4	9.0	–	–
Less: Portion due within 12 months included under short term borrowings	(0.2)	(0.2)	–	–
	8.2	8.8	–	–
	2,826.6	978.6	835.5	184.5
Current liabilities				
Unsecured				
Guaranteed Notes due 2022 (Note 30.4)	–	2,490.1	–	–
Islamic financing facilities – portion due within 12 months (Note 30.2)	65.6	456.9	65.6	228.4
Revolving credits (Note 30.6)	623.1	103.9	623.1	103.9
Trade financing (Note 30.7)	995.7	520.5	–	–
Islamic revolving credit financing facilities (Note 30.8)	470.8	347.4	470.8	347.4
Finance lease obligation – portion due within 12 months	0.2	0.2	–	–
	2,155.4	3,919.0	1,159.5	679.7
Total borrowings	4,982.0	4,897.6	1,995.0	864.2

30.1 Term loans

The term loans of the Group include:

Unsecured

- i. 30-year JPY15.0 billion fixed-rate loan due 2037 that was drawn down on 22 January 2007 by a wholly-owned subsidiary incorporated in Labuan. This fixed-rate loan bears interest at 4.325% per annum. The outstanding amount as at the end of the financial year is JPY15.0 billion (2021 – JPY15.0 billion) and is repayable in full on 22 January 2037.
- ii. 30-year JPY6.0 billion fixed-rate loan due 2038 that was drawn down on 5 February 2008 by a wholly-owned subsidiary incorporated in Labuan. This fixed-rate loan bears interest at 4.50% per annum. The outstanding amount as at end of the financial year is JPY6.0 billion (2021 – JPY6.0 billion) and is repayable in full on 5 February 2038.

30. BORROWINGS (continued)

30.2 Islamic financing facilities

The Islamic financing facilities of the Group include:

Unsecured

- i. Commodity Murabahah Financing Facility of USD110.0 million that was drawn down on 13 December 2016 by a wholly-owned subsidiary. The profit rate of this Islamic financing facility is 1.05% plus LIBOR and is repayable in two (2) annual instalments of USD55.0 million each commencing 48 months from the first drawn date. Part of the Commodity Murabahah Financing Facility of USD55.0 million was repaid in the previous financial year and the remaining Commodity Murabahah Financing Facility amounted to USD55.0 million was fully repaid during the financial year. The outstanding amount as at end of the financial year is Nil (2021 – USD55.0 million).
- ii. Commodity Murabahah Financing Facility of USD110.0 million that was drawn down on 4 May 2017 by the Company. The profit rate of this Islamic financing facility is 0.92% plus LIBOR and is repayable in two (2) annual instalments of USD55.0 million each commencing 48 months from the first drawn date. Part of the Commodity Murabahah Financing Facility of USD55.0 million was repaid in the previous financial year and the remaining Commodity Murabahah Financing Facility amounted to USD55.0 million was fully repaid during the financial year. The outstanding amount as at end of the financial year is Nil (2021 – USD55.0 million).
- iii. Commodity Murabahah Financing Facility of USD30.0 million that was drawn down on 31 May 2019 by the Company. The profit rate of this fixed-rate Islamic financing facility is 1.75% per annum and is repayable in two (2) annual instalments of USD15.0 million each commencing 48 months from the first drawn date. The outstanding amount as at end of the financial year is USD30.0 million (2021 – USD30.0 million).
- iv. Commodity Murabahah Financing Facility of USD15.0 million that was drawn down on 21 July 2020 by the Company. The profit rate of this fixed-rate Islamic financing facility is 1.25% per annum. The outstanding amount as at end of the financial year is USD15.0 million (2021 – USD15.0 million) and is repayable in full on 1 August 2024.
- v. Commodity Murabahah Foreign Currency Term Financing Facility of USD55.0 million that was drawn down on 13 December 2021 by the Company. The profit rate of this Islamic financing facility is 0.90% plus LIBOR and is repayable in two (2) annual instalments of USD27.5 million each commencing 48 months from the first drawn date. The outstanding amount as at end of the financial year is USD55.0 million.
- vi. Commodity Murabahah Foreign Currency Term Financing Facility of USD25.0 million and USD30.0 million that were drawn down on 29 December 2021 and 29 April 2022 respectively by the Company. The profit rate of this Islamic financing facility is 0.90% plus LIBOR and is repayable in two (2) annual instalments of USD27.5 million each commencing 48 months from the first drawn date. The outstanding amount as at end of the financial year is USD55.0 million.
- vii. Commodity Murabahah Foreign Currency Term Financing Facility of USD50.0 million that was drawn down on 22 June 2022 by the Company. The profit rate of this Islamic financing facility is 1.162% plus Secured Overnight Financing Rate (“SOFR”) and is repayable in two (2) annual instalments of USD30.0 million and USD20.0 million commencing 48 months from the first drawn date. The outstanding amount as at end of the financial year is USD50.0 million.

NOTES TO THE FINANCIAL STATEMENTS

30. BORROWINGS (continued)

30.3 Repayment schedule

The term loans and the Islamic financing facilities are repayable by instalments of varying amounts or upon maturity over the following periods:

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Less than 1 year	65.6	456.9	65.6	228.4
1 – 2 years	65.8	61.7	65.8	61.7
2 – 3 years	65.1	61.7	65.1	61.7
3 – 4 years	374.3	61.1	374.3	61.1
4 – 5 years	330.3	–	330.3	–
More than 5 years	677.0	785.3	–	–
	1,578.1	1,426.7	901.1	412.9

30.4 USD600 Million 4.375% Guaranteed Notes due 2022 (“Guaranteed Notes due 2022”)

On 15 May 2012, the Company’s wholly-owned subsidiary, IOI Investment (L) Berhad (“IOI Investment”), a company incorporated in the Federal Territory of Labuan under the Labuan Companies Act, 1990, established a Euro Medium Term Note Programme, with an initial programme size of USD1.5 billion (“EMTN Programme”).

Subsequently, on 27 June 2012, IOI Investment issued USD600 million 4.375% Notes due 2022 at an issue price of 99.288% (“Guaranteed Notes due 2022”) under the EMTN Programme. The Guaranteed Notes due 2022 were listed on the Singapore Exchange Securities Trading Limited. The Guaranteed Notes due 2022 carried an interest rate of 4.375% per annum payable semi-annually in arrears on 27 June and 27 December commencing 27 December 2012 with maturity date on 27 June 2022. The Guaranteed Notes due 2022 were unconditionally and irrevocably guaranteed by the Company.

At initial recognition, the Guaranteed Notes due 2022 were recognised in the Group’s statement of financial position as follows:

<i>In RM million</i>	Group
Principal amount	1,912.2
Discount on issue price	(13.7)
Net proceeds received	1,898.5
Transaction cost	(3.8)
	1,894.7

On 9 November 2021, the Group repurchased USD295.2 million of the USD600 million 4.375% Guaranteed Notes due 2022 with a premium of USD6.8 million (equivalent to RM29.4 million) via a cash tender offer. Subsequent to the repurchase, the outstanding amount of Guaranteed Notes due 2022 was USD304.8 million, which was fully redeemed by the Group as at the end of the financial period.

The movements of the Guaranteed Notes due 2022 during the financial year are as follows:

	Group	
<i>In RM million</i>	2022	2021
At beginning of financial year	2,490.1	2,565.5
Repurchase of Guaranteed Notes due 2022	(1,228.8)	–
Redemption of Guaranteed Notes due 2022	(1,342.1)	–
Foreign currency translation differences	78.9	(78.0)
Interest expense	1.9	2.6
At end of financial year	–	2,490.1

30. BORROWINGS (continued)

30.5 USD300 Million 3.375% Guaranteed Notes due 2031 (“Guaranteed Notes due 2031”)

On 26 October 2021, IOI Investment issued USD300 million 3.375% Notes due 2031 at an issue price of 99.053% (“Guaranteed Notes due 2031”) under the EMTN Programme. The Guaranteed Notes due 2031 are listed on the Singapore Exchange Securities Trading Limited. The Guaranteed Notes due 2031 carry an interest rate of 3.375% per annum payable semi-annually in arrears on 2 May and 2 November commencing 2 May 2022 and will mature on 2 November 2031. The Guaranteed Notes 2031 are fully and unconditionally guaranteed by the Company.

Prior to the issuance of Guaranteed Notes due 2031, the Group entered into a Treasury lock contract (“T-lock”), which was akin to a forward contract on U.S. Treasury Bill yield (“UST”). The T-lock hedged the fluctuations in benchmark interest rate risk of the UST, which form part of the pricing of the Guaranteed Notes due 2031. Upon the settlement of the T-lock, a realised gain of USD6.0 million (equivalent to RM24.8 million) was recognised in other comprehensive income as disclosed in Note 29.3 to the financial statements.

At initial recognition, the Guaranteed Notes due 2031 were recognised in the Group’s statement of financial position as follows:

<i>In RM million</i>	Group
Principal amount	1,259.2
Discount on issue price	(11.9)
Net proceeds received	1,247.3
Transaction cost	(3.4)
	1,243.9

The movements of the Guaranteed Notes due 2031 during the financial year are as follows:

	Group
<i>In RM million</i>	2022
At drawdown date	1,243.9
Foreign currency translation differences	61.2
Interest expense	0.8
At end of financial year	1,305.9

NOTES TO THE FINANCIAL STATEMENTS

30. BORROWINGS (continued)

30.6 Revolving credit financing facilities

Unsecured

The revolving credit financing facilities is subject to interest rates ranging from 0.58% to 2.34% (2021 – 0.59% to 0.61%) per annum.

30.7 Trade financing

Unsecured

Trade financing utilised during the financial year is subject to interest rates ranging from 0.39% to 2.54% (2021 – 0.44% to 2.35%) per annum.

30.8 Islamic revolving credit financing facilities

Unsecured

The Islamic revolving credit financing facilities (Commodity Murabahah Revolving Credit) is subject to profit rates ranging from 0.25% to 2.17% (2021 – 0.30% to 0.77%) per annum.

30.9 Reconciliation of liabilities from financing activities

Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows is as follows:

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
At beginning of financial year	4,897.6	4,926.7	864.2	840.6
Cash flows				
– Notes	(1,356.4)	–	–	–
– Islamic financing facilities	216.6	(461.9)	448.0	(165.1)
– Short term borrowings	1,092.0	593.6	643.1	207.4
Non-cash flows				
– Loss on repurchase of Guaranteed Notes due 2022	29.4	–	–	–
– Interest expense	3.7	3.7	1.0	1.0
– Foreign currency translation differences	99.1	(164.5)	38.7	(19.7)
At end of financial year	4,982.0	4,897.6	1,995.0	864.2

31. LEASE LIABILITIES

31.1 The Group as lessee

	Group	
<i>In RM million</i>	2022	2021
Non-current liabilities	56.9	58.2
Current liabilities	8.9	7.9
Total lease liabilities	65.8	66.1

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the Group’s incremental borrowing rates ranging from 4.55% to 7.09% (2021 – 4.55% to 7.09%).

After initial recognition, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessments or lease modifications.

The Group determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant options. Management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.

The Group has recognised the lease payments associated with short term leases of twelve (12) months or less and low value assets of RM20,000 and below on a straight-line basis over the lease terms and recognised as rental expenses as follows:

	Group	
<i>In RM million</i>	2022	2021
Short term leases	1.0	2.0
Low value assets	0.1	0.2

31.2 Reconciliation of liabilities from financing activities

Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows is as follows:

	Group	
<i>In RM million</i>	2022	2021
At beginning of financial year	66.1	46.8
Cash flows		
– Payments of lease liabilities	(9.6)	(8.1)
– Payments of lease interest	(3.8)	(3.3)
Non-cash flows		
– Additions	13.0	27.9
– Interest expense	3.9	3.4
– Reassessments and modifications of leases	(3.8)	(0.6)
At end of financial year	65.8	66.1

At the end of the financial year, the Group had total cash outflow for leases of RM14.5 million (2021 – RM13.6 million).

NOTES TO THE FINANCIAL STATEMENTS

32. OTHER NON-CURRENT LIABILITIES

<i>In RM million</i>	Group	
	2022	2021
Retirement benefits (Note 32.1)	54.5	65.9
Deferred income (Note 32.2)	26.0	28.5
	80.5	94.4

32.1 Retirement benefits

<i>In RM million</i>	Group	
	2022	2021
Present value of unfunded obligations	54.5	65.9
Recognised liability for defined benefit obligations	54.5	65.9

The plans of the subsidiaries are operated on an unfunded basis. The benefits payable on retirement are generally based on the length of service and average salary of the eligible employees.

The last actuarial valuations for the unfunded plans were carried out on 30 June 2021 and 30 June 2022.

Movements in the net liabilities recognised in the statements of financial position:

Present value of unfunded obligations

<i>In RM million</i>	Group	
	2022	2021
At beginning of financial year	65.9	65.6
Benefits paid	(2.6)	(3.6)
Expenses recognised in profit or loss (Note 10(b))	3.9	4.7
Re-measurements		
– Actuarial gain recognised in other comprehensive income	(9.8)	(1.8)
Foreign currency translation differences	(2.9)	1.0
At end of financial year	54.5	65.9

Expenses recognised in profit or loss:

<i>In RM million</i>	Group	
	2022	2021
Current service cost	3.0	3.0
Interest cost	0.9	1.7
	3.9	4.7

32. OTHER NON-CURRENT LIABILITIES (continued)

32.1 Retirement benefits (continued)

Liability for defined benefit obligations

Principal actuarial assumption used at the end of the reporting period (expressed as weighted averages):

%	Group	
	2022	2021
Discount rate	3.3	2.1

Sensitivity analysis

The impact on changes of the significant actuarial assumption as at the end of the reporting period is as follows:

<i>In RM million</i>	Group	
	2022	2021
Discount rate increase by 0.1%	(0.7)	(0.9)
Discount rate decrease by 0.1%	0.8	1.2

32.2 Deferred income

Government grant

<i>In RM million</i>	Group	
	2022	2021
At beginning of financial year	28.5	31.0
Current year amortisation charge	(2.5)	(2.5)
At end of financial year	26.0	28.5

Deferred income represents government grant received from the Malaysian Palm Oil Board to build a new fatty ester and specialty oleo derivative production facility. The grant is amortised over the remaining useful life of ten (10) years of the plant.

33. TRADE AND OTHER PAYABLES

<i>In RM million</i>	Group		Company	
	2022	2021	2022	2021
Trade payables (Note 33.1)	394.3	302.8	–	–
Other payables and accruals (Note 33.2)	546.5	465.0	100.8	97.7
Financial guarantee contracts (Note 33.3)	–	–	4.7	3.2
	940.8	767.8	105.5	100.9

33.1 Trade payables

Credit terms of trade payables vary from 2 to 60 days (2021 – 2 to 60 days) from date of invoices.

NOTES TO THE FINANCIAL STATEMENTS

33. TRADE AND OTHER PAYABLES (continued)

33.2 Other payables and accruals

<i>In RM million</i>	Group		Company	
	2022	2021	2022	2021
Other payables	328.6	260.1	37.1	35.4
Customer deposits and other deposits	8.0	2.1	–	–
Accruals	209.9	202.8	63.7	62.3
	546.5	465.0	100.8	97.7

33.3 Financial guarantee contracts

Financial guarantee contracts are subject to forward looking expected credit loss model based on the general approach within MFRS 9 as disclosed in Note 22.2 to the financial statements.

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the term of a debt instrument.

Financial guarantee contracts are recognised as financial liabilities at the time the guarantees are issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantee is determined based on the present value of the different in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

The nominal amounts of financial guarantee provided are as follows:

<i>In RM million</i>	Company	
	2022	2021
Banking facilities granted to subsidiaries	2,125.9	3,709.3

The movements of the financial guarantee contracts during the financial year are as follows:

<i>In RM million</i>	Company	
	2022	2021
At beginning of financial year	3.2	5.4
Fair value changes on financial guarantee contracts	1.5	(2.2)
At end of financial year	4.7	3.2

34. OTHER CURRENT LIABILITIES

<i>In RM million</i>	Group	
	2022	2021
Amounts due to associates (Note 34.1)	6.0	4.5
Current tax liabilities	181.8	68.4
	187.8	72.9

34.1 Amounts due to associates

Amounts due to associates represent outstanding amounts arising from agency income, purchases, advances and payments made on behalf by associates, which are unsecured, interest-free and payable within the next twelve (12) months in cash and cash equivalents.

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year comprise:

<i>In RM million</i>	Group		Company	
	2022	2021	2022	2021
Short term funds (Note 26)	1,102.6	1,391.0	–	–
Deposits with financial institutions with maturities of less than 3 months (Note 27)	230.9	47.8	50.1	–
Cash and bank balances	1,219.4	586.1	77.3	84.9
	2,552.9	2,024.9	127.4	84.9

The Group has undrawn borrowing facilities of RM6,123.9 million (2021 – RM4,583.0 million) at the end of the financial year, and this includes undrawn facilities amounting to RM5,284.2 million in respect of the EMTN Programme as disclosed in Note 30.4 to the financial statements.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments and short term funds, which are readily convertible to cash and are subject to insignificant risk of changes in value.

No expected credit loss is recognised arising from cash and bank balances and deposits with financial institutions because the probability of default by these financial institutions is negligible.

NOTES TO THE FINANCIAL STATEMENTS

36. SIGNIFICANT RELATED PARTY DISCLOSURES

36.1 Identity of related parties

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 operation decisions, 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.

Related parties of the Group include:

- i. Progressive Holdings Sdn Bhd, the ultimate holding company;
- ii. Direct and indirect subsidiaries as disclosed in Note 41 to the financial statements;
- iii. Associates and joint venture as disclosed in Note 41 to the financial statements;
- iv. Key management personnel, which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and
- v. Affiliates, companies in which the Directors are also the substantial shareholders of the Company and have substantial shareholding interests.

36.2 Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

<i>In RM million</i>	2022	2021
Group		
Associates		
Sales of oleochemical products and palm products	847.6	1,099.9
Purchases of oleochemical products and palm products	128.6	100.7
Rental income on storage tank	10.5	10.1
Interest income	1.4	—
Affiliates		
Management fees income	4.7	7.4
Agency fees income	3.5	2.8
Purchases of palm products	72.9	59.9
Rental paid	4.6	4.8
Company		
Subsidiaries		
Sales of palm products	18.7	13.8
Advisory fees income	28.2	18.6
Management fees expenses	8.6	8.2
Interest income	40.6	27.1
Interest expense	72.8	74.2
Associate		
Interest income	1.4	—

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2022 is disclosed in Note 16.2, Note 20.2, Note 23 and Note 34.1 to the financial statements.

36. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

36.3 Key management personnel compensation

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Directors				
Fees	1.3	1.1	1.3	1.1
Remuneration	23.1	19.3	23.1	19.3
Total short term employee benefits	24.4	20.4	24.4	20.4
Post-employment benefits	2.7	2.3	2.7	2.3
	27.1	22.7	27.1	22.7
Other key management personnel				
Short term employee benefits	3.0	3.0	—	—
Post-employment benefits	0.4	0.4	—	—
	3.4	3.4	—	—

37. CAPITAL MANAGEMENT

The primary objective of the Group’s capital management is to ensure that the entities of the Group are able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity mix. The overall strategy of the Group remains unchanged from that in financial year ended 30 June 2021.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Capital of the Group comprises equity, borrowings and other long term liabilities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, buy back shares or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2022 and 30 June 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to owners of the parent. The Group’s net debt includes borrowings and lease liabilities less cash and cash equivalents. The Group has an appropriate target gearing ratio, which is monitored by the Group on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

37. CAPITAL MANAGEMENT (continued)

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Borrowings (Note 30)	4,982.0	4,897.6	1,995.0	864.2
Lease liabilities (Note 31.1)	65.8	66.1	–	–
	5,047.8	4,963.7	1,995.0	864.2
Less: Cash and cash equivalents (Note 35)	(2,552.9)	(2,024.9)	(127.4)	(84.9)
Net debt	2,494.9	2,938.8	1,867.6	779.3
Equity attributable to owners of the parent	10,943.7	10,005.4	7,056.3	6,810.6
Gearing ratio (%)	22.80	29.37	26.47	11.44

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders’ equity of more than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders’ equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 30 June 2022.

The Group is not subject to any other externally imposed capital requirements.

38. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group’s activities expose it to a variety of financial risks, including foreign currency risk, interest rate risk, price fluctuation risk, credit risk and liquidity and cash flow risk. The Group’s overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions. The Group operates within an established risk management framework and clearly defined guidelines that are approved by the Board of Directors.

The Group operates within an established Enterprise Risk Management framework with clearly defined policies and guidelines, which are administered via divisional Risk Management Committees. Divisional Risk Management Committees report regularly to the Audit and Risk Management Committee, which oversees the management of risk in the Group on behalf of the Board of Directors.

38.1 Foreign currency risk

The Group operates internationally and is exposed to various currencies, mainly US Dollar (“USD”), Euro (“EUR”) and Japanese Yen (“JPY”). Foreign currency denominated assets and liabilities together with expected cash flows from committed purchases and sales give rise to foreign currency exposures.

The Group’s foreign currency risk management objective is to minimise foreign currency exposure that gives rise to economic impact, both at transaction and reporting period translation levels.

38. FINANCIAL INSTRUMENTS (continued)

38.1 Foreign currency risk (continued)

38.1.1 Risk management approach

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country, in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign currency exposures in transactional currencies other than the functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged with derivative financial instruments such as forward foreign exchange contracts and options on a back-to-back basis.

The downstream segment’s forward contractual commitments intended to be physically settled are fully hedged with respect to its currency risk on a back-to-back basis with currency forward contracts. Where the netting of forward sales against forward purchases with matching currency risk characteristics is possible, these would first be netted before hedging the net currency exposure with forward contracts. Currency risk on forward contractual commitments with clear intention for net-cash settlement (i.e. paper trading) are not considered for hedging until the exercising of the net settlement.

The hedging methods that the Group adopts in managing its currency risk depend on the principal forms of foreign currency exposure, as discussed below:

i. Structural foreign currency exposure from its net investment in foreign operations (subsidiaries, associates, and joint venture)

Background

The Group’s foreign operations of various functional currencies when translated into its parent’s reporting currency based on closing rates (for assets and liabilities) and average transaction rates (for income and expenses) at consolidation, gives rise to foreign currency translation gain or loss that will be recognised in other comprehensive income. Intragroup transactions with foreign operations involving monetary financial instruments will also result in foreign currency translation gain or loss that cannot be eliminated on consolidation, but has to be recognised either in profit or loss or in other comprehensive income. However, non-monetary financial items translated at historical exchange rates will not give rise to foreign currency risk. Resulting from its net investment in foreign operations, the Group’s current and future profit stream in various foreign currencies will also be exposed to foreign currency risk.

Hedging method

Where feasible, the Group would match its foreign currency borrowing with the functional currency of its foreign operations. Nevertheless, the Group considers such foreign currencies’ overall fiscal position and borrowing costs before deciding on the major currency to be carried as debt in its book. In this regard, the Group has major foreign currency borrowings denominated in USD, EUR and JPY, which do not necessarily match all the functional currencies of its foreign operations. Where appropriate, exposures from mismatch in foreign currency borrowings are hedged with Cross Currency Swap.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.1 Foreign currency risk (continued)

38.1.1 Risk management approach (continued)

ii. Transactional obligations or rights denominated in foreign currency

Background

The majority of the Group’s transactional currency risk arises from its foreign currency based forward sales and purchases of commodity items, contracted by its subsidiaries along the palm value chain. These forward commodity contracts for “own use” purposes are non-financial instruments and are generally not recognised in the statements of financial position. However, these non-financial forward contracts denominated in foreign currency are exposed to economic risk due to currency fluctuations. Certain product-streams underlying the forward contracts are net-cash settled or have contract provisions for net-cash settlement, and these are accounted by the Group as financial instruments with fair valuation impact to its financial statements. Regardless of “own use” or fair value through profit or loss, these forward contracts on fulfilment at maturity will result in book receivables or payables in foreign currency.

Hedging method

Intra-day transactions or forward contracts in foreign currencies are first netted based on matching characteristics. The net exposure is then hedged off with vanilla foreign exchange forwards.

In general, currency exposure from foreign investments and borrowings is managed centrally at the Group HQ level, whilst currency exposure arising from transactions or contractual obligations is managed at the respective entity or business unit’s level. The Group adopts a uniform Foreign Currency Risk Management Policy and Guide, which sets out the authority and limits for inception of foreign currency derivatives; types of approved foreign currency derivatives; acceptable hedging practices and methods; and over-sight structure and controls. Below are extracts of key policies:

- a) Speculative positioning on foreign currency is prohibited;
- b) Net currency exposure on trade transactions and forward contracts are to be hedged in full on back-to-back basis. Hedging on portfolio basis (or macro-hedging) comprising unmatched mixed maturity and amount is disallowed;
- c) Inception of foreign currency derivatives as hedging instrument against forecast trade transactions in foreign currency is disallowed;
- d) Hedging with foreign currency futures on traded exchanges is generally disallowed;
- e) Inception of over-the-counter structured derivatives for hedging purposes are confined to HQ and each contract is subject to executive management’s approval; and
- f) Subsidiaries inception of foreign currency derivative for hedging purposes are confined to vanilla foreign currency forwards and plain European style foreign currency options.

The Group’s entire currency exposure (as hedge items) and corresponding foreign currency derivative hedging instruments are marked-to-market and fair valued once a month primarily for operational hedge effectiveness testing and for executive management reporting and oversight. Weekly long-short positions on foreign currencies and foreign currency derivatives are also produced for timely control and intervention.

38. FINANCIAL INSTRUMENTS (continued)

38.1 Foreign currency risk (continued)

38.1.2 Foreign currency risk exposure

The analysis of the Group’s and the Company’s foreign currencies long/(short) positions for each class of financial instruments with separate lines on currency derivative is as follows:

<i>In RM million</i> Contract based currency	USD		EUR		JPY		Others	
Maturity	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year

Group

2022

Financial assets in
foreign currencies

Cash and bank balances	227.9	–	0.4	–	–	–	0.1	–
Trade and other receivables	869.1	–	48.9	–	15.2	–	12.9	–
Amounts due from associates	194.3	–	–	–	–	–	–	–
Derivative assets	2,437.6	–	1,387.1	–	–	–	–	–

Financial liabilities
in foreign
currencies

Trade and other payables	(138.5)	–	(9.4)	–	–	–	(1.9)	–
Borrowings	(1,729.6)	(2,157.7)	(92.1)	–	–	(677.0)	–	–
Derivative liabilities	(1,332.1)	–	(1,733.9)	–	–	–	–	–

Currency
derivatives

Foreign currency forwards	(3,043.4)	–	(198.4)	–	(49.8)	–	(19.9)	–
Structured and hybrids	–	(562.7)	–	(223.3)	–	677.0	–	–

Net exposure	(2,514.7)	(2,720.4)	(597.4)	(223.3)	(34.6)	–	(8.8)	–
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NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.1 Foreign currency risk (continued)

38.1.2 Foreign currency risk exposure (continued)

<i>In RM million</i> Contract based currency	USD		EUR		JPY		Others	
Maturity	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Group								
2021								
Financial assets in foreign currencies								
Cash and bank balances	114.0	—	3.6	—	—	—	0.1	—
Trade and other receivables	851.0	—	107.0	—	11.2	—	3.3	—
Amounts due from associates	1.4	—	—	—	—	—	—	—
Derivative assets	922.2	—	1,630.5	—	—	—	—	—
Financial liabilities in foreign currencies								
Trade and other payables	(77.5)	—	(44.9)	—	(0.4)	—	(0.1)	—
Borrowings	(3,604.0)	(187.0)	(222.7)	—	—	(785.3)	—	—
Derivative liabilities	(205.4)	—	(2,038.1)	—	—	—	—	—
Currency derivatives								
Foreign currency forwards	(2,360.0)	—	(135.7)	—	(27.8)	—	(11.7)	—
Structured and hybrids	623.2	(759.4)	(672.2)	—	—	785.3	—	—
Net exposure	(3,735.1)	(946.4)	(1,372.5)	—	(17.0)	—	(8.4)	—

38. FINANCIAL INSTRUMENTS (continued)

38.1 Foreign currency risk (continued)

38.1.2 Foreign currency risk exposure (continued)

<i>In RM million</i> Contract based currency	USD		EUR		Others	
Maturity	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Company						
2022						
Financial assets in foreign currencies						
Cash and bank balances	25.2	—	0.2	—	0.1	—
Amounts due from subsidiaries	1,230.4	1,046.4	—	—	2.2	—
Amount due from an associate	188.2	—	—	—	—	—
Derivative assets	—	—	1,387.1	—	—	—
Financial liabilities in foreign currencies						
Borrowings	(1,067.9)	(836.7)	(92.1)	—	—	—
Amounts due to subsidiaries	(15.4)	(804.9)	—	—	—	—
Derivative liabilities	—	—	(1,733.9)	—	—	—
Currency derivatives						
Structured and hybrids	—	242.2	—	(223.3)	—	—
Net exposure	360.5	(353.0)	(438.7)	(223.3)	2.3	—
2021						
Financial assets in foreign currencies						
Cash and bank balances	73.2	—	0.1	—	0.1	—
Amounts due from subsidiaries	44.5	739.0	—	—	4.6	—
Derivative assets	—	—	1,630.5	—	—	—
Financial liabilities in foreign currencies						
Borrowings	(457.0)	(187.0)	(222.7)	—	—	—
Amounts due to subsidiaries	(14.6)	(759.4)	—	—	—	—
Derivative liabilities	—	—	(2,038.1)	—	—	—
Currency derivatives						
Structured and hybrids	623.2	—	(672.2)	—	—	—
Net exposure	269.3	(207.4)	(1,302.4)	—	4.7	—

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.1 Foreign currency risk (continued)

38.1.2 Foreign currency risk exposure (continued)

- i. The Group is net short in USD by USD1.2 billion (equivalent to RM5.2 billion) (2021 – net short by USD1.1 billion (equivalent to RM4.7 billion)) and net short in EUR by EUR0.2 billion (equivalent to RM0.8 billion) (2021 – net short by EUR0.3 billion (equivalent to RM1.4 billion)), where USD0.6 billion (equivalent to RM2.7 billion) (2021 – USD0.2 billion (equivalent to RM0.9 billion)) and EUR0.1 million (equivalent to RM0.2 million) (2021 – Nil) are due beyond twelve (12) months. These short positions are expected to be met from their future revenue stream mainly denominated in USD and EUR;
- ii. The foreign currency long-short mismatch between forward commodity contracts (as hedge items) and foreign currency forward derivative (as hedging instruments) is attributed to intragroup forward commodity sales and purchases that give rise to net currency exposure at the entity level. Foreign currency long-short position from forward commodity contracts of both related entities are eliminated on consolidation (but not necessarily its fair value gain or loss arising from foreign currency) i.e. leaving behind the currency long-short on foreign currency forward derivative.

The cross currency swap contracts of the Group and of the Company are as follows:

Group

2022

- i. Cross currency swaps contract to swap JPY liability of JPY21.0 billion to USD liability of USD182.7 million. These were entered into as a cash flow hedge for the Group’s principal repayment for the loan obtained. The effective period for these cross currency swaps is from January 2007 to February 2038.
- ii. Cross currency swaps contract to swap USD liability of USD55.0 million to fixed rate EUR liability of EUR48.6 million. These were entered into as a net investments hedge against the Group’s Euro denominated assets. The effective period for these cross currency swaps is from December 2021 to December 2026.

2021

- i. Cross currency swaps contract to swap JPY liability of JPY21.0 billion to USD liability of USD182.7 million. These were entered into as a cash flow hedge for the Group’s principal repayment for the loan obtained. The effective period for these cross currency swaps is from January 2007 to February 2038.
- ii. Cross currency swaps contract to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.9 million. These were entered into as a net investments hedge against the Group’s Euro denominated assets. The effective period for these cross currency swaps is from August 2015 to June 2022.
- iii. Cross currency swaps contract to swap USD liability of USD50.0 million to fixed rate EUR liability of EUR45.0 million. These were entered into as a net investments hedge against the Group’s Euro denominated assets. The effective period for these cross currency swaps is from November 2016 to December 2021.

38. FINANCIAL INSTRUMENTS (continued)

38.1 Foreign currency risk (continued)

38.1.2 Foreign currency risk exposure (continued)

The cross currency swap contracts of the Group and of the Company are as follows: (continued)

Company

2022

- i. Cross currency swaps contract to swap USD liability of USD55.0 million to fixed rate EUR liability of EUR48.6 million. These were entered into as a net investments hedge against the Group’s Euro denominated assets. The effective period for these cross currency swaps is from December 2021 to December 2026.

2021

- i. Cross currency swaps contract to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.9 million. These were entered into as a net investments hedge against the Group’s Euro denominated assets. The effective period for these cross currency swaps is from August 2015 to June 2022.
- ii. Cross currency swaps contract to swap USD liability of USD50.0 million to fixed rate EUR liability of EUR45.0 million. These were entered into as a net investments hedge against the Group’s Euro denominated assets. The effective period for these cross currency swaps is from November 2016 to December 2021.

38.1.3 Sensitivity analysis

The Group’s exposure to foreign currency risk is primarily from foreign currency denominated borrowings, deposits and cash and bank balances. A 1,000 pips increase or decrease in foreign currency rate of foreign currency denominated borrowings, deposits and cash and bank balances would have equally decreased or increased the profit for the Group and the Company by approximately RM85.1 million (2021 – RM87.0 million) and RM44.0 million (2021 – RM18.2 million) respectively.

38.2 Interest rate risk

The Group’s interest rate risk arises from its interest bearing financial instruments that could impact fair value and future cash flows due to fluctuation in market interest rates.

The Group’s objective on interest rate risk management is to achieve a balance in repricing risks and the optimisation of its cost of funds whilst ensuring sufficient liquidity to meet funding needs.

38.2.1 Risk management approach

The Group actively reviews its debt portfolio, taking into account the nature and requirements of its businesses as well as the current business and economic environment. This strategy allows it to achieve an optimum cost of capital whilst locking in long term funding rates for long term investments.

Funds held for liquidity purposes and temporary surpluses are placed in short term interest bearing financial instruments. Changes in market interest rates will be re-priced immediately into these floating interest bearing financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.2 Interest rate risk (continued)

38.2.2 Interest rate risk exposure

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the financial year and the remaining repricing brackets of the Group’s and the Company’s financial instruments that are exposed to interest rate risk:

		Repricing Brackets					Total	
In RM million	Note						Weighted average effective interest rate	
		Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	%
Group								
2022								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	26	1,102.6	–	–	–	–	1,102.6	2.03
Deposits with financial institutions	27	230.9	–	–	–	–	230.9	1.97
Amount due from a joint venture	20.2	–	12.8	–	–	–	12.8	3.50
		1,333.5	12.8	–	–	–	1,346.3	
Floating rate instruments								
Cash and bank balances	35	1,219.4	–	–	–	–	1,219.4	1.47
Amount due from an associate	23	188.2	–	–	–	–	188.2	2.27
		1,407.6	–	–	–	–	1,407.6	
Total assets repricing		2,741.1	12.8	–	–	–	2,753.9	
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	30.1	–	–	–	–	677.0	677.0	4.38
Notes *	30.5	–	–	–	–	1,321.1	1,321.1	3.30
Trade financing	30.7	995.7	–	–	–	–	995.7	1.86
Finance lease obligation	30	0.2	0.2	0.2	0.3	7.5	8.4	2.00
Islamic financing facilities *	30.2	66.1	66.1	66.1	–	–	198.3	2.05
Lease liabilities	31	8.9	24.6	6.7	5.6	20.0	65.8	6.13
		1,070.9	90.9	73.0	5.9	2,025.6	3,266.3	
Floating rate instruments								
Islamic financing facilities	30.2	704.5	–	–	–	–	704.5	1.03
Revolving credits	30.6	623.1	–	–	–	–	623.1	0.68
Islamic revolving credit financing facilities	30.8	470.8	–	–	–	–	470.8	0.53
		1,798.4	–	–	–	–	1,798.4	
Total liabilities repricing		2,869.3	90.9	73.0	5.9	2,025.6	5,064.7	
Net repricing gap		(128.2)	(78.1)	(73.0)	(5.9)	(2,025.6)	(2,310.8)	

* Excluding transaction cost.

38. FINANCIAL INSTRUMENTS (continued)

38.2 Interest rate risk (continued)

38.2.2 Interest rate risk exposure (continued)

		Repricing Brackets					Total	
In RM million	Note						Weighted average effective interest rate	
		Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	%
Group								
2021								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	26	1,391.0	–	–	–	–	1,391.0	2.18
Deposits with financial institutions	27	47.8	–	–	–	–	47.8	1.85
Amount due from a joint venture	20.2	–	12.8	–	–	–	12.8	3.50
		1,438.8	12.8	–	–	–	1,451.6	
Floating rate instruments								
Cash and bank balances	35	586.1	–	–	–	–	586.1	1.32
		586.1	–	–	–	–	586.1	
Total assets repricing		2,024.9	12.8	–	–	–	2,037.7	
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	30.1	–	–	–	–	785.3	785.3	4.38
Notes *	30.4	2,492.9	–	–	–	–	2,492.9	4.49
Trade financing	30.7	520.5	–	–	–	–	520.5	0.80
Finance lease obligation	30	0.2	0.2	0.2	0.2	8.2	9.0	2.00
Islamic financing facilities *	30.2	228.5	62.3	62.3	62.3	–	415.4	2.37
Lease liabilities	31	7.9	7.9	7.6	6.4	36.3	66.1	6.06
		3,250.0	70.4	70.1	68.9	829.8	4,289.2	
Floating rate instruments								
Islamic financing facilities	30.2	228.5	–	–	–	–	228.5	1.24
Revolving credits	30.6	103.9	–	–	–	–	103.9	0.59
Islamic revolving credit financing facilities	30.8	347.4	–	–	–	–	347.4	0.41
		679.8	–	–	–	–	679.8	
Total liabilities repricing		3,929.8	70.4	70.1	68.9	829.8	4,969.0	
Net repricing gap		(1,904.9)	(57.6)	(70.1)	(68.9)	(829.8)	(2,931.3)	

* Excluding transaction cost.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.2 Interest rate risk (continued)

38.2.2 Interest rate risk exposure (continued)

		Repricing Brackets					Total	
<i>In RM million</i>	Note	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	Weighted average effective interest rate %
Company								
2022								
Interest bearing financial assets								
Fixed rate instruments								
Deposit with a financial institution	27	50.1	–	–	–	–	50.1	2.17
Amount due from a joint venture	20.2	–	12.8	–	–	–	12.8	3.50
		50.1	12.8	–	–	–	62.9	
Floating rate instruments								
Cash and bank balances	35	77.3	–	–	–	–	77.3	0.41
Amount due from an associate	23	188.2	–	–	–	–	188.2	2.27
Amounts due from subsidiaries	16.2	2,779.2	–	–	–	–	2,779.2	2.42
		3,044.7	–	–	–	–	3,044.7	
Total assets repricing		3,094.8	12.8	–	–	–	3,107.6	
Interest bearing financial liabilities								
Fixed rate instruments								
Amounts due to subsidiaries	16.2	530.0	180.0	60.0	–	804.9	1,574.9	4.72
Islamic financing facilities *	30.2	66.1	66.1	66.1	–	–	198.3	2.05
		596.1	246.1	126.1	–	804.9	1,773.2	
Floating rate instruments								
Islamic financing facilities	30.2	704.5	–	–	–	–	704.5	1.03
Revolving credits	30.6	623.1	–	–	–	–	623.1	0.68
Islamic revolving credit financing facilities	30.8	470.8	–	–	–	–	470.8	0.53
Amount due to a subsidiary	16.2	18.5	–	–	–	–	18.5	3.43
		1,816.9	–	–	–	–	1,816.9	
Total liabilities repricing		2,413.0	246.1	126.1	–	804.9	3,590.1	
Net repricing gap		681.8	(233.3)	(126.1)	–	(804.9)	(482.5)	

* Excluding transaction cost.

38. FINANCIAL INSTRUMENTS (continued)

38.2 Interest rate risk (continued)

38.2.2 Interest rate risk exposure (continued)

		Repricing Brackets					Total	
<i>In RM million</i>	Note	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	Weighted average effective interest rate %
Company								
2021								
Interest bearing financial assets								
Fixed rate instruments								
Amounts due from subsidiaries	16.2	653.6	–	–	–	–	653.6	2.72
Amount due from a joint venture	20.2	–	12.8	–	–	–	12.8	3.50
		653.6	12.8	–	–	–	666.4	
Floating rate instruments								
Cash and bank balances	35	84.9	–	–	–	–	84.9	0.42
Amounts due from subsidiaries	16.2	768.8	–	–	–	–	768.8	3.02
		853.7	–	–	–	–	853.7	
Total assets repricing		1,507.3	12.8	–	–	–	1,520.1	
Interest bearing financial liabilities								
Fixed rate instruments								
Amounts due to subsidiaries	16.2	30.0	530.0	180.0	60.0	759.4	1,559.4	4.63
Islamic financing facilities *	30.2	228.5	62.3	62.3	62.3	–	415.4	2.37
		258.5	592.3	242.3	122.3	759.4	1,974.8	
Floating rate instruments								
Revolving credits	30.6	103.9	–	–	–	–	103.9	0.59
Islamic revolving credit financing facilities	30.8	347.4	–	–	–	–	347.4	0.41
		451.3	–	–	–	–	451.3	
Total liabilities repricing		709.8	592.3	242.3	122.3	759.4	2,426.1	
Net repricing gap		797.5	(579.5)	(242.3)	(122.3)	(759.4)	(906.0)	

* Excluding transaction cost.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.2 Interest rate risk (continued)

38.2.2 Interest rate risk exposure (continued)

- i. The interest rate swap contracts of the Group and of the Company are as follows:

Group

2022

Interest rate swap contract to swap notional principal amount of USD25.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for this interest rate swap is from December 2021 to December 2026.

2021

Interest rate swap contract to swap notional principal amount of USD55.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for this interest rate swap is from April 2017 to May 2022.

Company

2022

Interest rate swap contract to swap notional principal amount of USD25.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for this interest rate swap is from December 2021 to December 2026.

2021

Interest rate swap contract to swap notional principal amount of USD55.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for this interest rate swap is from April 2017 to May 2022.

- ii. The Treasury lock contract of the Group is as follows:

Group

2022

Treasury lock contract used to hedge the fluctuation in benchmark U.S. Treasury Bill yield for the issuance of USD300 million 3.375% Guaranteed Notes due 2031 under a Euro Medium Term Note Programme as disclosed in Note 30.5 to the financial statements.

38.2.3 Sensitivity analysis

Sensitivity analysis on interest rate is applied on floating rate financial instruments (after taking into consideration of interest rate swap) only, as the carrying amount of fixed rate financial instruments are not affected by changes in interest rates.

A 50 basis points increase or decrease in interest rates would have equally decreased or increased the profit for the Group by approximately RM0.3 million (2021 – RM0.5 million) and equally increased or decreased the profit for the Company by approximately RM7.8 million (2021 – RM2.0 million) respectively.

38. FINANCIAL INSTRUMENTS (continued)

38.3 Price fluctuation risk

The Group’s plantation and resource-based manufacturing segments are inversely exposed to price fluctuation risk on sales and purchases of vegetable oil commodities. These two (2) operating segments enter into commodity future contracts with the objective of managing and hedging their respective exposures to price volatility in the commodity markets.

The Group’s objective on price risk management is to limit the Group’s exposure to fluctuations in market prices and to achieve expected margins on revenue.

38.3.1 Risk management approach

The Group manages its price fluctuation risk by having strict policies and procedures governing forward and futures positions with dynamic limits on volume and tenure, mark-to-market losses, and on approvals. The Group’s marketing and trading operations are centralised, and the long-short and mark-to-market positions are monitored daily and reported to Senior Management weekly.

The Group’s commodity price risk management activities are integrated with its commodity sales and marketing activities, which is centralised at the corporate level. The operation is governed by formalised policies and procedures of which an outline is extracted below:

- i. Forward sales commitment is generally not exceeding period of six (6) months, depending on product type;
- ii. Volume that can be committed to forward sales is limited to a certain percentage of forecast production (generally not exceeding 70% of monthly production, depending on product type);
- iii. Forward contracts can only be incepted with pre-approved counterparties. (Limits on volume and forward period are further established for each counterparty);
- iv. Commodity futures can only be traded by authorised officers with established volume limits; and
- v. Each portfolio (by product category and legal entity) is subject to further limits on net volume exposure, payment exposure and net mark-to-market fair value (“MTM FV”) loss limit (that serves as trigger for intervention).

Trade positions are compiled daily, and mark-to-market fair value is reviewed weekly. An exposure report on the Group’s total long-short position (of all physical contracts, futures contracts and uncommitted inventory) with mark-to-market fair value is produced monthly for executive oversight.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.3 Price fluctuation risk (continued)

38.3.2 Price risk exposure

Detailed in the table below is a summary of the Group’s and the Company’s financial instruments subject to price risk along with their contract values and mark-to-market fair value on closing, plus fair value recognised over the financial year.

	Contract and Notional amount			Fair value attributed to price changes at period closing		
In RM million	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Group						
2022						
Commodity based						
Forward sales contracts	(3,048.9)	–	(3,048.9)	298.1	–	298.1
Forward purchase contracts	1,614.7	–	1,614.7	(95.7)	–	(95.7)
Commodity derivatives	422.5	–	422.5	(87.0)	–	(87.0)
Equity based						
Other investments	66.0	70.2	136.2	61.0	82.9	143.9
				176.4	82.9	259.3
2021						
Commodity based						
Forward sales contracts	(1,878.5)	–	(1,878.5)	56.0	–	56.0
Forward purchase contracts	1,043.8	–	1,043.8	(13.9)	–	(13.9)
Commodity derivatives	306.5	–	306.5	(7.1)	–	(7.1)
Equity based						
Other investments	102.5	12.3	114.8	106.9	12.8	119.7
				141.9	12.8	154.7
Company						
2022						
Equity based						
Other investments	2.4	–	2.4	1.9	–	1.9
				1.9	–	1.9
2021						
Equity based						
Other investments	3.7	–	3.7	3.7	–	3.7
				3.7	–	3.7

38.3.3 Sensitivity analysis

The Group’s exposure to price volatility was derived from palm products and other investments. If the price changes by 7.5%, profit or loss for the Group and the Company would have equally increased or decreased by approximately RM65.1 million (2021 – RM30.6 million) and RM0.1 million (2021 – RM0.3 million) respectively.

38. FINANCIAL INSTRUMENTS (continued)

38.4 Credit risk

The Group’s credit risk exposure is mainly related to external counterparty credit risk on monetary financial assets and trade credits. Credit risk is managed at the business unit level, but macro Group-wide policies on the granting of credit and credit control are issued and monitored centrally, such as those relating to credit risk concentration, adequacy of formal credit rating and evaluation of counterparties, credit impairment and unit level credit control performance.

Credit risk from monetary financial assets is generally low as the counterparties involved are strongly rated financial institutions or authorised exchanges. The Group does not extend any loans or financial guarantees to third parties except for its own subsidiaries and joint venture.

The Group’s objective on credit risk management is to avoid significant exposure to any individual customer or counterparty and to minimise concentration of credit risk.

38.4.1 Risk management approach

Credit risk or financial loss from the failure of customers or counterparties to discharge their financial and contractual obligations from trade credits is managed through the application of credit approvals, credit limits, insurance programmes and monitoring procedures on an ongoing basis. If necessary, the Group may obtain collateral from counterparties as a means of mitigating losses in the event of default.

The Group’s credit risk varies with the different classes of counterparties as outlined below:

i. Plantation and resource-based manufacturing

Most of the upstream sales are intragroup to downstream “resource-based manufacturing”. Upstream sales to external parties are mainly payment on delivery and/or secured with trade-financing documentation. Resource-based manufacturing sales are mostly to external parties with credit terms ranging from 2 to 120 days and across global markets of varying sovereign risk. The Group also engages in forward sales (and forward procurement of feedstock). Such forward contracts may have positive fair valuation giving rise to counterparty default risk.

Policies and procedures

- a) Customers are assessed for credit and sovereign nation risks (where applicable) on both quantitative and qualitative elements prior to the approval of credit exposure and limits. In this regard, external credit rating services such as Standard & Poor’s or Dun & Bradstreet are used. Where customers are approved for forward physical contracts, limits on contractual forward periods and value are established. Regular reviews are made;
- b) Credit risk authority is decentralised to the respective entities’ credit committee – but supervised centrally at the corporate level; and
- c) Credit exposure is monitored on limits and ageing, managed and reviewed periodically. Customers with emerging credit problems are identified early and remedial actions are taken promptly to minimise further exposure and to restore past due status.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.4 Credit risk (continued)

38.4.1 Risk management approach (continued)

i. Plantation and resource-based manufacturing (continued)

Collateral and credit enhancement

In general, a combination of:

- a) Corporate guarantee may be required for globe-wide credit facilities for multinational corporations;
- b) Cash deposits/advances may be required for certain customers or orders;
- c) Transactional documentation (i.e. Letter of Credit or Cash against Document) for export sales; and
- d) Credit insurance coverage (up to certain established limits) for downstream Oleochemical and Specialty Fats' credit sales - leaving some credit exposure on declined coverage and those beyond approved limits.

ii. Financial institutions and Exchanges

The Group places its working capital and surplus funds in current account, money market, and time deposits with banks; and investment trusts managed by licensed institutions. The Group also enters into financial derivative contracts with licensed financial institutions and into commodity futures contracts with licensed Exchanges for hedging purposes. Beyond the minimal deposit guarantee offered by certain sovereign nation's deposit insurance schemes, the Group is exposed to a degree of counterparties' credit risk in times of severe economic or financial crisis.

Policies and procedures

- a) Funds are placed only with licensed financial institutions with credit rating of "A- and above". Similar requirement is enforced on counterparties for financial derivatives in addition to the mandatory International Swaps and Derivatives Association master agreements;
- b) Funds placements are centrally monitored, and where applicable are spread out based on location needs; and
- c) Commodity futures are incepted only with main licensed Exchanges.

Collateral and credit enhancement

In general, a combination of:

- a) National deposit insurance; and
- b) Fidelity guarantee.

In general, all business units in the Group have a comprehensive policy that governs the need for formal credit rating system and evaluation on counterparties prior to any contractual arrangement that would result in credit risk exposure. Besides exposure amount, credit risk is also measured and monitored by way of credit quality segregation, ageing analysis, and limits breach alerts. Reviews on credit impairment needs are made quarterly based on objective evidence of loss events.

38. FINANCIAL INSTRUMENTS (continued)

38.4 Credit risk (continued)

38.4.2 Credit risk exposures and concentration

The Group's credit risks are mainly on financial assets relating to trade receivables, cash deposits, and securities placements, investments and amounts due from subsidiaries as summarised in the table below for both the Group and the Company level.

<i>In RM million</i>	Note	Maximum exposure	Collateral and credit enhancement obtained	Net exposure to credit risk	Collateral and credit enhancement obtained
Group					
Financial assets					
2022					
Cash and bank balances	35	1,219.4	—	1,219.4	
Deposits with financial institutions	27	230.9	—	230.9	
Trade and other receivables, excluded deposits and prepayments		1,426.5	40.9	1,385.6	Letter of credit and credit insurance
Other investments		143.9	—	143.9	
Short term funds	26	1,102.6	—	1,102.6	
Amounts due from associates	23	226.9	—	226.9	
Amount due from a joint venture	20.2	12.9	—	12.9	
Derivative assets	18	653.3	—	653.3	
		5,016.4	40.9	4,975.5	
2021					
Cash and bank balances	35	586.1	—	586.1	
Deposits with financial institutions	27	47.8	—	47.8	
Trade and other receivables, excluded deposits and prepayments		1,305.8	101.0	1,204.8	Letter of credit and credit insurance
Other investments		119.7	—	119.7	
Short term funds	26	1,391.0	—	1,391.0	
Amounts due from associates	23	16.1	—	16.1	
Amount due from a joint venture	20.2	12.8	—	12.8	
Derivative assets	18	459.7	—	459.7	
		3,939.0	101.0	3,838.0	

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.4 Credit risk (continued)

38.4.2 Credit risk exposures and concentration (continued)

<i>In RM million</i>	Note	Maximum exposure	Collateral and credit enhancement obtained	Net exposure to credit risk	Collateral and credit enhancement obtained
Company					
Financial assets					
2022					
Cash and bank balances	35	77.3	–	77.3	
Deposit with a financial institution	27	50.1	–	50.1	
Other investments	24	1.9	–	1.9	
Amounts due from subsidiaries		2,812.6	–	2,812.6	
Amount due from an associate	23	188.2	–	188.2	
Amount due from a joint venture	20.2	12.9	–	12.9	
Derivative assets	18	152.2	–	152.2	
		3,295.2	–	3,295.2	
2021					
Cash and bank balances	35	84.9	–	84.9	
Other investments	24	3.7	–	3.7	
Amounts due from subsidiaries		1,453.5	–	1,453.5	
Amount due from a joint venture	20.2	12.8	–	12.8	
Derivative assets	18	245.6	–	245.6	
		1,800.5	–	1,800.5	

38. FINANCIAL INSTRUMENTS (continued)

38.4 Credit risk (continued)

38.4.2 Credit risk exposures and concentration (continued)

The table below outlines the credit quality analysis of the Group’s and the Company’s financial assets together with the impairment charged/(reversed) for the year.

						Impairment charged/ (reversed) in reporting period	Impairment losses at end of reporting period
<i>In RM million</i>	Not Past due			Past due	Total		
Group							
2022							
Cash and bank balances	1,219.4	–	–	–	1,219.4	–	–
Deposits with financial institutions	230.9	–	–	–	230.9	–	–
Trade and other receivables, excluded deposits and prepayments	1,188.1	186.9	–	51.5	1,426.5	1.9	9.8
Other investments	143.9	–	–	–	143.9	–	–
Short term funds	1,102.6	–	–	–	1,102.6	–	–
Amounts due from associates	224.6	1.0	–	1.3	226.9	1.7	1.8
Amount due from a joint venture	–	–	12.9	–	12.9	4.2	6.1
Derivative assets	653.3	–	–	–	653.3	–	–
	4,762.8	187.9	12.9	52.8	5,016.4	7.8	17.7
2021							
Cash and bank balances	586.1	–	–	–	586.1	–	–
Deposits with financial institutions	47.8	–	–	–	47.8	–	–
Trade and other receivables, excluded deposits and prepayments	1,128.5	118.2	–	59.1	1,305.8	2.9	12.9
Other investments	119.7	–	–	–	119.7	–	–
Short term funds	1,391.0	–	–	–	1,391.0	–	–
Amounts due from associates	13.6	0.2	–	2.3	16.1	(0.8)	0.1
Amount due from a joint venture	–	–	12.8	–	12.8	–	1.9
Derivative assets	459.7	–	–	–	459.7	–	–
	3,746.4	118.4	12.8	61.4	3,939.0	2.1	14.9

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.4 Credit risk (continued)

38.4.2 Credit risk exposures and concentration (continued)

						Impairment charged in reporting period	Impairment losses at end of reporting period
	Not Past due			Past due	Total		
<i>In RM million</i>	Strong	Medium	Weak				
Company							
2022							
Cash and bank balances	77.3	–	–	–	77.3	–	–
Deposit with a financial institution	50.1	–	–	–	50.1	–	–
Other investments	1.9	–	–	–	1.9	–	–
Amounts due from subsidiaries	2,812.6	–	–	–	2,812.6	6.6	57.1
Amount due from an associate	188.2	–	–	–	188.2	1.5	1.5
Amount due from a joint venture	–	–	12.9	–	12.9	4.2	6.1
Derivative assets	152.2	–	–	–	152.2	–	–
	3,282.3	–	12.9	–	3,295.2	12.3	64.7
2021							
Cash and bank balances	84.9	–	–	–	84.9	–	–
Other investments	3.7	–	–	–	3.7	–	–
Amounts due from subsidiaries	1,453.5	–	–	–	1,453.5	0.8	50.5
Amount due from a joint venture	–	–	12.8	–	12.8	–	1.9
Derivative assets	245.6	–	–	–	245.6	–	–
	1,787.7	–	12.8	–	1,800.5	0.8	52.4

Credit quality is analysed into the categories of Strong, Medium and Weak, whereby:

Strong = Strong financial standing, low probability of default
Medium = Low to moderate risk of default
Weak = Weak financial standing, history of past due

38. FINANCIAL INSTRUMENTS (continued)

38.4 Credit risk (continued)

38.4.2 Credit risk exposures and concentration (continued)

Receivables class using simplified approach

Ageing analysis of the receivables class using simplified approach is as follows:

									Estimated fair values of collateral and credit enhancement obtained
<i>In RM million</i>	Current	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	>120 days	Credit impaired	Total	
Group									
2022									
Trade receivables									
Gross receivables	1,036.1	136.9	3.2	–	–	–	0.1	1,176.3	40.9
Impairment losses	(7.8)	(1.9)	– *	–	–	–	(0.1)	(9.8)	–
	1,028.3	135.0	3.2	–	–	–	–	1,166.5	40.9
Amounts due from associates (Trade)									
Gross receivables	36.3	1.5	0.9	–	–	–	–	38.7	–
Impairment losses	(0.3)	– *	– *	–	–	–	–	(0.3)	–
	36.0	1.5	0.9	–	–	–	–	38.4	–
2021									
Trade receivables									
Gross receivables	946.2	136.2	2.1	2.2	–	6.6	0.1	1,093.4	101.0
Impairment losses	(6.1)	(1.4)	– *	– *	–	(5.3)	(0.1)	(12.9)	–
	940.1	134.8	2.1	2.2	–	1.3	–	1,080.5	101.0
Amounts due from associates (Trade)									
Gross receivables	13.1	3.0	–	–	–	–	–	16.1	–
Impairment losses	(0.1)	– *	–	–	–	–	–	(0.1)	–
	13.0	3.0	–	–	–	–	–	16.0	–

* The expected credit loss is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.4 Credit risk (continued)

38.4.2 Credit risk exposures and concentration (continued)

Credit risk concentration by geographic location and business segment

The credit risk concentration of the Group is mainly in the “receivables” class, except for deposits and prepayments, and this is further analysed below to reveal the credit risk concentration by geographic location and business segment.

	Plantation		Resource-based manufacturing		Others		Total	
<i>In RM million</i>	Amount	%	Amount	%	Amount	%	Amount	%
Group								
2022								
Malaysia	18.1	9	184.5	15	38.7	16	241.3	14
Europe	–	–	314.1	26	188.2	79	502.3	30
Asia (excluding Malaysia)	188.3	91	625.7	51	11.5	5	825.5	50
North America	–	–	15.1	1	–	–	15.1	1
Others	–	–	82.1	7	–	–	82.1	5
	206.4	100	1,221.5	100	238.4	100	1,666.3	100
2021								
Malaysia	16.9	10	139.7	12	23.9	67	180.5	14
Europe	–	–	235.4	21	–	–	235.4	18
Asia (excluding Malaysia)	147.8	90	695.9	61	11.8	33	855.5	64
North America	–	–	17.5	2	–	–	17.5	1
Others	–	–	45.8	4	–	–	45.8	3
	164.7	100	1,134.3	100	35.7	100	1,334.7	100

	Company			
	2022		2021	
<i>In RM million</i>	Amount	%	Amount	%
Malaysia	1,904.2	63	682.3	47
Asia (excluding Malaysia)	921.3	31	784.0	53
Europe	188.2	6	–	–
	3,013.7	100	1,466.3	100

38. FINANCIAL INSTRUMENTS (continued)

38.5 Liquidity and cash flow risk

Liquidity or cash flow risk arises when financial resources are insufficient to meet financial obligations as and when they fall due, or have to be met at excessive cost. The Group’s liquidity risk includes non-financial instruments and forward contract obligations.

The Group’s liquidity risk management objective is to ensure that all foreseeable funding commitments can be met as and when due and in a cost-effective manner.

38.5.1 Risk management approach

The Group leverages on IOI Corporation Berhad as the public listed parent company whereby treasury related activities are centralised and where the optimal weighted-average-costs-of funds is managed. The parent company plays a central liquidity management role where the Group’s longer term funding requirements are managed based on business and liquidity needs, whilst the day-to-day operational liquidity needs are decentralised at the business unit level. The Group practises an arm’s-length market based policy with regard to funding costs and encourages its business units to seek localised trade financing facilities where appropriate.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure all operating, investing and financing needs are met. To mitigate liquidity risk, management measures and forecasts its cash commitments, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group’s operations and investment activities. In addition, the Group strives to maintain available banking facilities at a reasonable level against its overall debt position.

The Group manages its liquidity risk with a combination of the following methods:

- i. Maintain a balanced contractual maturity profile of financial assets to meet financial liabilities (particularly on near and immediate term maturity);
- ii. Maintain a diversified range of funding sources with adequate back-up facilities;
- iii. Maintain debt financing and servicing plan; and
- iv. Maintain medium to long term cash flow planning incorporating funding positions and requirements of all its subsidiaries.

As the Group’s policy, all business units conform to the following processes in ensuring its liquidity profiles are balanced and that all its obligations can be met when due:

- i. Perform annual cash flow budgeting and medium term cash flow planning, in which the timing of operational cash flows and its resulting surplus or deficit is reasonably determined. (Such aggregation allows for an overview of the Group’s forecasted cash flow and liquidity position, which in turn facilitates further consolidated cash flow planning);
- ii. Manage contingent liquidity commitments and exposures;
- iii. Monitor liquidity ratios against internal thresholds;
- iv. Manage working capital for efficient use of tied-in funds and optimise cash conversion cycle; and
- v. Manage concentration and maturity profile of both financial and non-financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.5 Liquidity and cash flow risk (continued)

38.5.2 Liquidity risk exposure

The following table details the maturity profile of the Group’s and the Company’s financial liabilities at the end of the financial year based on contractual undiscounted repayment obligations.

<i>In RM million</i>	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Total
Group						
Financial liabilities						
2022						
Trade and other payables	859.0	–	–	–	–	859.0
Borrowings	2,257.1	159.7	157.8	464.6	3,138.6	6,177.8
Lease liabilities	11.8	15.6	13.6	11.6	94.4	147.0
Amounts due to associates	6.0	–	–	–	–	6.0
Derivative liabilities – net settlement	458.7	–	–	–	–	458.7
	3,592.6	175.3	171.4	476.2	3,233.0	7,648.5
2021						
Trade and other payables	703.8	–	–	–	–	703.8
Borrowings	4,078.5	102.8	101.7	100.0	1,215.0	5,598.0
Lease liabilities	12.3	11.9	10.6	9.2	103.8	147.8
Amounts due to associates	4.5	–	–	–	–	4.5
Derivative liabilities – net settlement	270.0	–	–	–	–	270.0
	5,069.1	114.7	112.3	109.2	1,318.8	6,724.1

38. FINANCIAL INSTRUMENTS (continued)

38.5 Liquidity and cash flow risk (continued)

38.5.2 Liquidity risk exposure (continued)

<i>In RM million</i>	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Total
Company						
Financial liabilities						
2022						
Other payables	103.3	–	–	–	–	103.3
Borrowings	1,177.0	75.2	73.4	380.2	332.3	2,038.1
Amounts due to subsidiaries	619.1	231.8	104.9	35.2	1,188.7	2,179.7
Derivative liabilities – net settlement	82.6	–	–	–	–	82.6
	1,982.0	307.0	178.3	415.4	1,521.0	4,403.7
2021						
Other payables	99.0	–	–	–	–	99.0
Borrowings	689.9	65.2	64.1	62.4	–	881.6
Amounts due to subsidiaries	113.2	595.4	219.1	94.2	1,154.9	2,176.8
Derivative liabilities – net settlement	160.6	–	–	–	–	160.6
	1,062.7	660.6	283.2	156.6	1,154.9	3,318.0

- i. The Group and the Company maintain a level of cash and cash equivalents and banking facilities to meet their financial liabilities and obligations maturing in the next twelve (12) months;
- ii. The Group also strives to maintain a balance between long term and short term borrowings to ensure continuity of funding at a cost efficient manner to meet its financial obligations on a timely basis. In this regard, the Group had repurchased and redeemed its Guaranteed Notes due 2022 as disclosed in Note 30.4 to the financial statements and had issued new Guaranteed Notes due 2031 as disclosed in Note 30.5 to the financial statements, to provide an adequate liquidity buffer; and
- iii. Financial liabilities contractual maturity periods exceeding twelve (12) months are within comfortable levels, and should be well covered by its annual free cash flows to be generated from its operations.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.6 Fair values

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value of financial instruments carried at fair value			
In RM million	Hierarchy of the underlying variable input used in measuring fair valuation			Total
	Level 1	Level 2	Level 3	
Group				
2022				
Derivatives				
Forward foreign exchange contracts	–	(68.8)	–	(68.8)
Commodity forward contracts	–	202.4	–	202.4
Commodity futures	(87.0)	–	–	(87.0)
Cross currency swap contracts	–	111.7	–	111.7
Interest rate swap contracts	–	7.1	–	7.1
Put option	–	–	111.8	111.8
Call option	–	–	(82.6)	(82.6)
Equity based				
Other investments	53.1	–	90.8	143.9
Short term funds	1,102.6	–	–	1,102.6
	1,068.7	252.4	120.0	1,441.1

38. FINANCIAL INSTRUMENTS (continued)

38.6 Fair values (continued)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value			
In RM million	Hierarchy of the underlying variable input used in measuring fair valuation			Total
	Level 1	Level 2	Level 3	
Group				
2021				
Derivatives				
Forward foreign exchange contracts	–	(17.7)	–	(17.7)
Commodity forward contracts	–	42.1	–	42.1
Commodity futures	(7.1)	–	–	(7.1)
Cross currency swap contracts	–	42.9	–	42.9
Interest rate swap contracts	–	(3.5)	–	(3.5)
Put option	–	–	245.6	245.6
Call option	–	–	(112.6)	(112.6)
Equity based				
Other investments	99.3	–	20.4	119.7
Short term funds	1,391.0	–	–	1,391.0
	1,483.2	63.8	153.4	1,700.4

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

	Fair value of financial instruments carried at fair value			
In RM million	Hierarchy of the underlying variable input used in measuring fair valuation			Total
	Level 1	Level 2	Level 3	
Company				
2022				
Derivatives				
Cross currency swap contracts	–	33.3	–	33.3
Interest rate swap contracts	–	7.1	–	7.1
Put option	–	–	111.8	111.8
Call option	–	–	(82.6)	(82.6)
Equity based				
Other investments	1.9	–	–	1.9
	1.9	40.4	29.2	71.5

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.6 Fair values (continued)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value			
<i>In RM million</i>	Hierarchy of the underlying variable input used in measuring fair valuation Level 1	Level 2	Level 3	Total
Company				
2021				
Derivatives				
Cross currency swap contracts	–	(44.5)	–	(44.5)
Interest rate swap contracts	–	(3.5)	–	(3.5)
Put option	–	–	245.6	245.6
Call option	–	–	(112.6)	(112.6)
Equity based				
Other investments	3.7	–	–	3.7
	3.7	(48.0)	133.0	88.7

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

Reconciliation of fair value measurements of Level 3 financial instruments

	Group		Company	
<i>In RM million</i>	2022	2021	2022	2021
Financial assets/liabilities designated at fair value through profit or loss				
At beginning of financial year	153.4	261.8	133.0	253.3
Additions	54.5	12.3	–	–
Net fair value loss recognised in profit or loss	(91.5)	(120.7)	(103.8)	(120.3)
Foreign currency translation differences	3.6	–	–	–
At end of financial year	120.0	153.4	29.2	133.0

38. FINANCIAL INSTRUMENTS (continued)

38.6 Fair values (continued)

The carrying amounts of financial assets and financial liabilities, which are not carried at fair values, would approximate their fair values as at the end of the financial year. This is due to the relatively short term nature of the financial instruments or there is no significant difference between the historical interest rate at the point when liabilities were undertaken and the current prevailing market interest rate.

The following methods and assumptions were used to estimate the fair values of financial instruments:

- i. The carrying amounts of financial assets and financial liabilities maturing within twelve (12) months approximate fair values due to the relatively short term maturity of these financial instruments.
- ii. The fair values of quoted investments are their quoted market prices at the end of the financial year. The fair values of current unquoted investments are estimated based on a valuation approach by reference to discounted price to book ratio for comparable public companies of similar industry and size.
- iii. The fair values of non-current unquoted equity investments are determined by reference to their last transaction prices at initial recognition. The non-current unquoted equity investments are then subsequently measured at fair value using the net asset value approach.
- iv. The fair values of the Group’s borrowings are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements and of the same remaining maturities.
- v. The fair values of derivative financial instruments other than put and call options are the estimated amounts that the Group would expect to pay or receive on the termination of the outstanding positions as at the end of the financial year arising from such contracts. They are determined by reference to the difference between the contracted rate and the forward rate as at the end of the financial year applied to a contract of similar amount and maturity profile, after taking into consideration the effects of COVID-19 and Russia-Ukraine war, where applicable.
- vi. The fair values of put and call options are the differences between the strike prices and the underlying prices. The Group has adopted the Binomial option pricing model in deriving the fair values of the put and call options, after taking into consideration the effects of COVID-19 and Russia-Ukraine war, where applicable. The key assumptions in estimating the fair values include expected underlying share price of BLC, expected exercise put and call prices, risk-free interest rate, expected dividend yield and expected volatility.

If the risk-free interest rate increase or decrease by 50 basis points, profit or loss of the Group and of the Company would have decreased by approximately RM4.1 million (2021 – RM10.6 million) or increased by approximately RM4.1 million (2021 – RM10.9 million) respectively. If the expected volatility increase or decrease by 100 basis points, profit or loss of the Group and of the Company would have increased by approximately RM0.1 million (2021 – RM0.3 million) and decreased by approximately RM0.1 million (2021 – RM0.7 million) respectively.
- vii. The fair values of short term funds are determined by reference to the quoted prices at the close of the business at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.7 Classification of financial instruments

The financial assets and financial liabilities are classified into the following categories after initial recognition for the purpose of subsequent measurement:

<i>In RM million</i>	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Group				
Financial assets				
2022				
Trade and other receivables, excluded deposits and prepayments	1,416.7	–	–	1,416.7
Amounts due from associates	225.1	–	–	225.1
Amount due from a joint venture	6.8	–	–	6.8
Derivative assets	–	620.0	33.3	653.3
Other investments	–	143.9	–	143.9
Short term funds	–	1,102.6	–	1,102.6
Deposits with financial institutions	230.9	–	–	230.9
Cash and bank balances	1,219.4	–	–	1,219.4
	3,098.9	1,866.5	33.3	4,998.7
2021				
Trade and other receivables, excluded deposits and prepayments	1,292.9	–	–	1,292.9
Amounts due from associates	16.0	–	–	16.0
Amount due from a joint venture	10.9	–	–	10.9
Derivative assets	–	459.7	–	459.7
Other investments	–	119.7	–	119.7
Short term funds	–	1,391.0	–	1,391.0
Deposits with financial institutions	47.8	–	–	47.8
Cash and bank balances	586.1	–	–	586.1
	1,953.7	1,970.4	–	3,924.1

38. FINANCIAL INSTRUMENTS (continued)

38.7 Classification of financial instruments (continued)

<i>In RM million</i>	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Group				
Financial liabilities				
2022				
Borrowings	4,982.0	–	–	4,982.0
Lease liabilities	65.8	–	–	65.8
Trade and other payables	859.0	–	–	859.0
Amounts due to associates	6.0	–	–	6.0
Derivative liabilities	–	458.7	–	458.7
	5,912.8	458.7	–	6,371.5
2021				
Borrowings	4,897.6	–	–	4,897.6
Lease liabilities	66.1	–	–	66.1
Trade and other payables	703.8	–	–	703.8
Amounts due to associates	4.5	–	–	4.5
Derivative liabilities	–	225.5	44.5	270.0
	5,672.0	225.5	44.5	5,942.0

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (continued)

38.7 Classification of financial instruments (continued)

<i>In RM million</i>	Amortised cost	Fair value through profit or loss	Total
Company			
Financial assets			
2022			
Amounts due from subsidiaries	2,755.5	–	2,755.5
Amount due from an associate	186.7	–	186.7
Amount due from a joint venture	6.8	–	6.8
Derivative assets	–	152.2	152.2
Other investments	–	1.9	1.9
Deposit with a financial institution	50.1	–	50.1
Cash and bank balances	77.3	–	77.3
	3,076.4	154.1	3,230.5
2021			
Amounts due from subsidiaries	1,403.0	–	1,403.0
Amount due from a joint venture	10.9	–	10.9
Derivative assets	–	245.6	245.6
Other investments	–	3.7	3.7
Cash and bank balances	84.9	–	84.9
	1,498.8	249.3	1,748.1
Financial liabilities			
2022			
Borrowings	1,995.0	–	1,995.0
Other payables	103.3	–	103.3
Amounts due to subsidiaries	1,614.4	–	1,614.4
Derivative liabilities	–	82.6	82.6
	3,712.7	82.6	3,795.3
2021			
Borrowings	864.2	–	864.2
Other payables	99.0	–	99.0
Amounts due to subsidiaries	1,574.4	–	1,574.4
Derivative liabilities	–	160.6	160.6
	2,537.6	160.6	2,698.2

39. COMMITMENTS

39.1 Capital commitments

<i>In RM million</i>	Group		Company	
	2022	2021	2022	2021
Authorised capital expenditure not provided for in the financial statements				
Additions of property, plant and equipment				
– Contracted	275.5	193.7	–	–
– Not contracted	633.0	791.6	–	–
Additions of intangible assets				
– Contracted	1.0	1.7	–	0.7
– Not contracted	8.0	–	–	–

39.2 Lease commitments

39.2.1 The Group as lessor

The minimum lease payments receivable under non-cancellable operating leases contracted for as at end of the financial year but not recognised as receivables are not material to the Group.

40. SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

Russia-Ukraine war

On 24 February 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 economies.

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 financial statements of the Group for the financial year ending 30 June 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 30 June 2023 to remain healthy.

NOTES TO THE FINANCIAL STATEMENTS

41. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The subsidiaries, associates and joint venture, incorporated and principally based in Malaysia except as otherwise stated, are as follows:

	Effective Group Interest		Principal Activities
Name of Company	2022	2021	
Direct Subsidiaries			
Plantation			
B. A. Plantations Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and investment holding
IOI Plantation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and investment holding
Pine Capital Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and investment holding
Mayvin Incorporated Sdn Bhd	100.0%	100.0%	Processing of palm oil and investment holding
Dynamic Plantations Berhad	100.0%	100.0%	Cultivation of oil palm and processing of palm oil
Halusah Ladang Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and processing of palm oil
Ladang Sabah Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and processing of palm oil
Morisem Palm Oil Mill Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and processing of palm oil
Morisem Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and processing of palm oil
Perusahaan Mekassar (M) Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and processing of palm oil
Syarikat Pukin Ladang Kelapa Sawit Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and processing of palm oil
Pamol Plantations Sdn Bhd	100.0%	100.0%	Cultivation of oil palm, processing of palm oil and investment holding
Syarimo Sdn Bhd	100.0%	100.0%	Cultivation of oil palm, processing of palm oil and investment holding
Right Purpose Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and softwood timber
Ladang Asas Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Ladang Cantawan (Sabah) Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Laksana Kemas Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Meriteam Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Morisem Plantation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Morisem (Sabah) Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Palmco Plantations (Sabah) Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Palmco Properties Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Permodalan Plantations Sdn Bhd	70.0%	70.0%	Cultivation of oil palm
PR Enterprise Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Priceland Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Safima Plantations Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Sakilan Desa Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Terusan Baru Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
IOI Commodity Trading Sdn Bhd	100.0%	100.0%	Trading of palm oil commodities

41. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

	Effective Group Interest		
Name of Company	2022	2021	Principal Activities
Direct Subsidiaries (continued)			
Plantation (continued)			
IOI Palm Biotech Sdn Bhd	100.0%	100.0%	Commercialisation of high quality clonal ramets through tissue culturing process and its biotechnology related research and development activities
IOI Plantation Services Sdn Bhd	100.0%	100.0%	Provision of management services
Zonec Plus Sdn Bhd	100.0%	100.0%	Provision of management services
Mayvin (Sabah) Sdn Bhd	100.0%	100.0%	Investment holding
Lynwood Capital Resources Pte Ltd * (Incorporated and principally based in Singapore)	100.0%	100.0%	Investment holding
Oakridge Investments Pte Ltd * (Incorporated and principally based in Singapore)	100.0%	100.0%	Investment holding
Oleander Capital Resources Pte Ltd * (Incorporated and principally based in Singapore)	100.0%	100.0%	Investment holding
Cantawan Oil Palms Sdn Bhd	100.0%	100.0%	Investment holding ^
Fruitful Plantations Sdn Bhd	100.0%	100.0%	Investment holding ^
Future Growth Sdn Bhd	100.0%	100.0%	Investment holding ^
Hill Land Sdn Bhd	100.0%	100.0%	Investment holding ^
Sri Cantawan Sdn Bhd	100.0%	100.0%	Investment holding ^
Unipamol Malaysia Sdn Bhd	100.0%	100.0%	Investment holding ^
Resource-based Manufacturing			
IOI Bio-Energy Sdn Bhd	100.0%	100.0%	Producing and supplying palm-based renewable energy
IOI Edible Oils Sdn Bhd	100.0%	100.0%	Investment holding and palm oil trading and refinery
IOI Global Services Sdn Bhd	100.0%	100.0%	Commodities trading, international procurement of palm oil related products, provision of marketing and management services
IOI Oleochemical Industries Berhad *	100.0%	100.0%	Investment holding and provision of management services
IOI Loders Croklaan Procurement Company Sdn Bhd	100.0%	100.0%	Investment holding ^
IOI Speciality Fats Sdn Bhd	100.0%	100.0%	Investment holding ^
Non-Segment			
IOI Management Sdn Bhd	100.0%	100.0%	Provision of treasury management services to its related companies
Kayangan Heights Sdn Bhd	60.0%	60.0%	Property development

NOTES TO THE FINANCIAL STATEMENTS

41. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

	Effective Group Interest		
Name of Company	2022	2021	Principal Activities
Direct Subsidiaries (continued)			
Non-Segment (continued)			
Rapat Jaya Sendirian Berhad	100.0%	100.0%	Property development, property investment and cultivation of plantation produce
Morisem Consolidated Sdn Bhd	100.0%	100.0%	Investment holding
IOI Investment (L) Berhad <i>(Incorporated and principally based in the Federal Territory of Labuan)</i>	100.0%	100.0%	Issuance of Exchangeable Bonds
IOI Ventures (L) Berhad <i>(Incorporated and principally based in the Federal Territory of Labuan)</i>	100.0%	100.0%	Issuance of Guaranteed Notes
IOI Biofuel Sdn Bhd	100.0%	100.0%	Investment holding ^
IOI Palm Products Sdn Bhd	100.0%	100.0%	Manufacturing and trading of oil palm related by-products ^
IOI Pulp & Paper Sdn Bhd	100.0%	100.0%	To carry on the business of manufacturers of and dealers in paper of all kinds ^
IOI Palm Wood Sdn Bhd ^^	80.0%	80.0%	Processing of oil palm trunks and other bio-matter derived from plantations to produce materials used in furniture, construction and building industries ^
Eglinton Investments Pte Ltd # <i>(Incorporated and principally based in Singapore)</i>	100.0%	100.0%	Investment holding
Indirect Subsidiaries			
Plantation			
Subsidiary of Mayvin (Sabah) Sdn Bhd			
Sri Mayvin Plantation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Subsidiaries of Pine Capital Sdn Bhd			
Sri Vagas Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Ladang Tebu Batu Putih Sdn Bhd	100.0%	100.0%	Investment holding ^
Luminous Aspect Sdn Bhd	100.0%	100.0%	Investment holding ^
Sayang Segama Sdn Bhd	100.0%	100.0%	Investment holding ^
Sri Yongdankong Sdn Bhd	100.0%	100.0%	Investment holding ^
Subsidiary of Mayvin Incorporated Sdn Bhd			
Gamore Corporation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm

41. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

	Effective Group Interest		
Name of Company	2022	2021	Principal Activities
Indirect Subsidiaries (continued)			
Plantation (continued)			
Subsidiaries of Syarimo Sdn Bhd			
Agroplex (Sabah) Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Maxgrand Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Mewahandal Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Syarikat Best Cocoa Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Very Good Estate Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Fastscope Development Sdn Bhd	100.0%	100.0%	Cultivation of softwood timber
Subsidiary of Pamol Plantations Sdn Bhd			
Pamol Estates (Sabah) Sdn Bhd	70.0%	70.0%	Cultivation of oil palm, processing of palm oil and investment holding
Subsidiary of Pamol Estates (Sabah) Sdn Bhd			
Milik Berganda Sdn Bhd	70.0%	70.0%	Cultivation of oil palm
Subsidiaries of Oleander Capital Resources Pte Ltd			
PT Berkat Agro Sawitindo ^{#/@} <i>(Incorporated and principally based in the Republic of Indonesia)</i>	100.0%	100.0%	Management consulting services and investment holding
PT Sawit Nabati Agro ^{#/@} <i>(Incorporated and principally based in the Republic of Indonesia)</i>	100.0%	100.0%	Management consulting services and investment holding
Subsidiaries of PT Sawit Nabati Agro			
PT Bumi Sawit Sejahtera ^{#/@} <i>(Incorporated and principally based in the Republic of Indonesia)</i>	95.0%	95.0%	Cultivation of oil palm
PT Berkat Nabati Sejahtera ^{#/@} <i>(Incorporated and principally based in the Republic of Indonesia)</i>	95.0%	95.0%	Cultivation of oil palm
PT Kalimantan Prima Agro Mandiri ^{#/@} <i>(Incorporated and principally based in the Republic of Indonesia)</i>	95.0%	95.0%	Cultivation of oil palm
PT Sukses Karya Sawit ^{#/@} <i>(Incorporated and principally based in the Republic of Indonesia)</i>	95.0%	95.0%	Cultivation of oil palm
PT Ketapang Sawit Lestari ^{#/@} <i>(Incorporated and principally based in the Republic of Indonesia)</i>	100.0%	100.0%	Cultivation of oil palm [^]

NOTES TO THE FINANCIAL STATEMENTS

41. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

	Effective Group Interest		
Name of Company	2022	2021	Principal Activities
Indirect Subsidiaries (continued)			
Plantation (continued)			
Subsidiaries of IOI Plantation Sdn Bhd			
Unico-Desa Plantations Berhad	100.0%	100.0%	Cultivation of oil palm, palm oil milling, sales of crude palm oil and palm kernel and investment holding
IOI Pelita Plantation Sdn Bhd	70.0%	70.0%	Cultivation of oil palm
Subsidiaries of Unico-Desa Plantations Berhad			
Unico Plantations Sdn Bhd	100.0%	100.0%	Cultivation of oil palm and investment holding
Basic Plantation (S) Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Builtec Agricultural & Development Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Gelodar Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Golden Focus Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Korop Holdings Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Zutaland Development Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Subsidiaries of Unico Plantations Sdn Bhd			
Fasgro Plantation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Segaco Plantation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Supercrop Plantation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Syarikat Zuba Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Topcrop Plantation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Tutico Plantation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Unico Oil Mill Sdn Bhd	100.0%	100.0%	Processing of palm oil

41. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

	Effective Group Interest		
Name of Company	2022	2021	Principal Activities
Indirect Subsidiaries (continued)			
Resource-based Manufacturing			
Subsidiaries of IOI Oleochemical Industries Berhad			
IOI Acidchem Sdn Bhd *	100.0%	100.0%	Manufacture and sale of fatty acids, soap noodles, glycerine and other related products
IOI Derichem Sdn Bhd *	100.0%	100.0%	Investment holding ^
IOI Esterchem (M) Sdn Bhd *	100.0%	100.0%	Manufacturing and trading of fatty ester
IOI Pan-Century Edible Oils Sdn Bhd *	100.0%	100.0%	Refining and processing of crude palm oil
IOI Pan-Century Oleochemicals Sdn Bhd *	100.0%	100.0%	Manufacturing of oleochemical products and soap noodle
Palmco Oil Mill Sendirian Berhad *	100.0%	100.0%	Trading in commodities and renting of storage tanks
Stabilchem (M) Sdn Bhd *	100.0%	100.0%	Investment holding ^
Subsidiaries of IOI Acidchem Sdn Bhd			
IOI Oleo GmbH * <i>(Incorporated and principally based in Germany)</i>	100.0%	100.0%	Manufacture and sale of oleochemical specialty products
Acidchem (USA) Inc * <i>(Incorporated and principally based in United States of America)</i>	100.0%	100.0%	Trading in fatty acids and glycerine
Non-Segment			
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmco Jaya Sendirian Berhad *	100.0%	100.0%	Provision of bulk cargo warehousing facilities
Palmco International (HK) Limited * <i>(Incorporated and principally based in Hong Kong)</i>	100.0%	100.0%	Investment holding
Quantum Green Sdn Bhd *	100.0%	100.0%	Provision of management services
Palmco Management Services Sdn Bhd *	100.0%	100.0%	Investment holding ^
Palmina Sendirian Berhad *	100.0%	100.0%	Investment holding ^
Pamol Bintang Sdn Bhd *	100.0%	100.0%	Investment holding ^
Performance Chemicals (M) Sdn Bhd *	100.0%	100.0%	Investment holding ^

NOTES TO THE FINANCIAL STATEMENTS

41. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

	Effective Group Interest		
Name of Company	2022	2021	Principal Activities
Indirect Subsidiaries (continued)			
Non-Segment (continued)			
Subsidiaries of Palmco International (HK) Limited			
Palmco Engineering Limited * <i>(Incorporated and principally based in Hong Kong)</i>	100.0%	100.0%	Investment holding
Acidchem (Singapore) Pte Ltd * <i>(Incorporated and principally based in Singapore)</i>	100.0%	100.0%	Investment holding ^
Subsidiary of Kayangan Heights Sdn Bhd			
Common Portfolio Sdn Bhd	60.0%	60.0%	Property maintenance services ^

Notes:

* Not audited by BDO PLT and member firms of BDO International.

Audited by member firms of BDO International.

^ The companies remained dormant during the financial year.

^^ During the financial year, IOI Palm Wood Sdn Bhd increased its number of issued and fully paid-up ordinary shares from 2,500,000 to 21,500,000 (2021 – 5 to 2,500,000) by way of issuance of 19,000,000 (2021 – 2,499,995) ordinary shares to the Company and to an individual respectively in the proportion of 80:20 at an issue price of RM1.00 each for cash. Accordingly, the individual has acquired 3,800,000 (2021 – 500,000) ordinary shares in IOI Palm Wood Sdn Bhd, at a purchase consideration of RM3.8 million (2021 – RM0.5 million).

@ In the previous financial year, Lynwood Capital Resources Pte Ltd, a wholly-owned subsidiary of the Company, acquired 125 ordinary shares in both PT Sawit Nabati Agro (“PTSNA”) and PT Berkas Agro Sawitindo (“PTBAS”) respectively from PT Karya Manunggal Sawitindo, for a total purchase consideration of USD8,620 and USD70 respectively (equivalent to approximately RM36,000 and RM290 respectively).

Subsequently, the subsidiaries of PTSNA, namely PT Bumi Sawit Sejahtera, PT Berkas Nabati Sejahtera, PT Kalimantan Prima Agro Mandiri and PT Sukses Karya Sawit, allotted a total of 1,246,150 Type A redeemable preference shares to PTSNA and a total of 65,850 Type B redeemable preference shares to PT Kalimantan Jati Sejahtera (“PTKJS”), a non-controlling interest of these subsidiaries, at a total issue price of IDR1,246.2 billion (equivalent to approximately RM357.7 million) and IDR65.9 billion (equivalent to approximately RM18.9 million) respectively by way of capitalisation of amounts due to PTSNA and PTKJS.

41. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

	Effective Group Interest		
Name of Company	2022	2021	Principal Activities
Associates			
Plantation			
Reka Halus Sdn Bhd	30.0%	30.0%	Cultivation of oil palm and processing of palm oil
Associate of Lynwood Capital Resources Pte Ltd and Oakridge Investments Pte Ltd			
Bumitama Agri Ltd <i>(Incorporated and principally based in Singapore)</i>	32.1%	32.1%	Investment holding
Resource-based Manufacturing			
Bunge Loders Croklaan Group B.V. <i>(Incorporated and principally based in The Netherlands)</i>	30.0%	30.0%	Investment holding
Associates of IOI Oleochemical Industries Berhad			
Fatty Chemical (Malaysia) Sdn Bhd	30.0%	30.0%	Manufacturing and sale of fatty alcohols, refined glycerine and olefin
Kao Plasticizer (Malaysia) Sdn Bhd	30.0%	30.0%	Manufacturing and sale of plasticizer products
Peter Greven Asia Sdn Bhd	40.0%	40.0%	Production, marketing and distribution of metallic stearates
Malaysia Pakistan Venture Sdn Bhd	25.0%	25.0%	Investment holding
Joint Venture			
Resource-based Manufacturing			
Adeka Foods (Asia) Sdn Bhd	40.0%	40.0%	Manufacturing of margarine, shortening and fat spreads

42. AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2022 were authorised for issue by the Board of Directors on 13 September 2022.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 8 to 119 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors:

Tan Sri Peter Chin Fah Kui
Independent Non-Executive Chairman

Dato’ Lee Yeow Chor
Group Managing Director and Chief Executive

Putrajaya
13 September 2022

STATUTORY DECLARATION

I, Kong Kian Beng (CA 19179) being the officer primarily responsible for the financial management of IOI Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 8 to 119 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed)
at Puchong, Selangor Darul Ehsan)
this 13 September 2022)

Kong Kian Beng

Before me

Ng Say Jin
Commissioner for Oaths
No. B195

INDEPENDENT AUDITORS’ REPORT

To the members of IOI Corporation Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of IOI Corporation Berhad, which comprise the statements of financial position as at 30 June 2022 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 119.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ *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.

Key Audit Matters

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

(a) Impairment assessment of the carrying amounts of goodwill

Goodwill of the Group is allocated to two (2) Cash-generating Units (“CGUs”) identified according to the operating segments. Management has considered that plantation and resource-based manufacturing as the operating segments of the Group, with carrying amounts of goodwill of RM126.5 million and RM208.6 million respectively as disclosed in Note 15.1 to the financial statements. There was no impairment loss on goodwill in the current financial year.

We determined this to be a key audit matter because it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the CGUs in determining the recoverable amounts. These key assumptions include projected growth in future revenue and profit margins, as well as determining an appropriate pre-tax discount rate and growth rates, taking into consideration the impact of COVID-19 and Russia-Ukraine war, where applicable.

Our audit procedures included the following:

- (i) compared short-term cash flow projections against recent performance, and assessed and compared the key assumptions in projections to available external industry sources of data, where applicable;
- (ii) compared prior period projections to actual outcomes to assess reliability of management forecasting process;
- (iii) verified projected profit margins and growth rates to support the key assumptions in projections;
- (iv) verified pre-tax discount rate used by management for each CGU to the weighted average cost of capital of the Group and its relevant risk factors; and
- (v) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

INDEPENDENT AUDITORS’ REPORT

To the members of IOI Corporation Berhad (Incorporated in Malaysia)

Key Audit Matters (continued)

(b) Accounting for derivative financial instruments

The Group and the Company use derivative financial instruments such as forward foreign exchange contracts, commodity forward and futures contracts, cross currency swap contracts and interest rate swap contracts to hedge their risks associated with foreign currency, commodity price fluctuations and interest rates, as set out in Note 18 to the financial statements. In addition, the Group and the Company have put and call options attached to the divestment of Loders Croklaan Group B.V. (“BLC”) in the previous financial years as further disclosed in Note 18(v) to the financial statements.

As at 30 June 2022, the total derivative financial instruments of the Group and of the Company that were carried at fair value comprised financial assets of RM653.3 million and RM152.2 million and financial liabilities of RM458.7 million and RM82.6 million respectively.

The determination of the fair values of the derivative financial instruments is a key audit matter because it involves significant judgements and is subject to estimation uncertainty as subjective variables need to be used in order to derive the fair values, taking into consideration the impact of COVID-19 and Russia-Ukraine war, where applicable. The Group has also adopted the Binomial option pricing model in deriving the fair values of the put and call options and the key assumptions in estimating the fair values include expected underlying share price of BLC, expected exercise put and call prices, expected dividend yield and expected volatility, as well as determining an appropriate risk-free interest rate.

Our audit procedures included the following:

Valuation of derivative financial instruments other than put and call options

- (i) obtained an understanding on the overall commodity trading process and treasury function of derivative financial instruments;
- (ii) read and discussed with management on the analysis of the contractual terms and evaluated the accounting treatments adopted by management, including the reasons for entering into derivative financial instruments;
- (iii) assessed and compared the key inputs used to determine the fair value against observable market data, where applicable; and
- (iv) vouched to statements and/or confirmations from banks and other financial institutions to compare the fair values of the derivative financial instruments recorded in the accounting system, where applicable.

Valuation of put and call options

- (i) evaluated the appropriateness of the Binomial option pricing model adopted by the Group in deriving the fair values of put and call options;
- (ii) obtained computations of management in deriving fair values of put and call options and assessed and compared the key inputs used in the Binomial option pricing model against observable market data including latest available market data up to the date of authorisation of the financial statements for issue, where applicable, and
- (iii) re-computed the fair values of the put and call options based on the above inputs as at the end of the reporting period.

Information Other than the Financial Statements and Auditors’ Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors’ report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company 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 the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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.
- (b) 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 internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (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 ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS’ REPORT

To the members of IOI Corporation Berhad (Incorporated in Malaysia)

Auditors’ Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 41 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Kuala Lumpur
13 September 2022

Tang Seng Choon
02011/12/2023 J
Chartered Accountant