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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 2020.

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 44 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 taxation	826.7	415.0
Taxation	(225.0)	(5.9)
Profit for the financial year	601.7	409.1
Attributable to:		
Owners of the parent	600.9	409.1
Non-controlling interests	0.8	–
	601.7	409.1

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 2019	
Final single tier dividend of 4.5 sen per ordinary share, paid on 22 November 2019	282.8
In respect of the financial year ended 30 June 2020	
First interim single tier dividend of 4.0 sen per ordinary share, paid on 13 March 2020	251.4
	534.2

On 25 August 2020, the Board of Directors declared a second interim single tier dividend of 4.0 sen per ordinary share, amounting to RM250.7 million in respect of the financial year ended 30 June 2020. The dividend is payable on 18 September 2020 to shareholders whose names appeared in the Record of Depositors and Register of Members of the Company at the close of business on 10 September 2020.

No final dividend has been recommended by the Board of Directors for the financial year ended 30 June 2020.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 395,000 ordinary shares for cash at RM4.42 per ordinary share arising from the exercise of options granted under the Company's Executive Share Option Scheme.

The newly issued ordinary shares rank pari passu in all respects with the existing issued ordinary shares of the Company. There were no other issues of shares during the financial year.

There were no issue of debentures by the Company 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 25 October 2019.

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 18,220,000 of its ordinary shares from the open market. The average price paid for the ordinary shares repurchased was RM3.74 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 is 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 6,266,818,995 ordinary shares.

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

EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme ("ESOS") was established on 28 January 2016 for the benefit of the eligible employees and Executives 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. As at 30 June 2020, the number of outstanding share options was 12,771,000.

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. As at 30 June 2020, the number of outstanding share options was 5,740,000.

Directors' Report

EXECUTIVE SHARE OPTION SCHEME (continued)

The salient features of the ESOS are 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 shares (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)")

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 Main Market 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.

EXECUTIVE SHARE OPTION SCHEME (continued)

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.

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

Option price RM	Date of offer	No. of options over ordinary shares			
		As at 1 July 2019	Exercised	Lapsed *	As at 30 June 2020
4.42	12 October 2016	13,586,000	(395,000)	(420,000)	12,771,000
4.50	6 March 2019	5,920,000	–	(180,000)	5,740,000
		19,506,000	(395,000)	(600,000)	18,511,000

* Due to resignation/retirement of employees during the financial year.

Directors' Report

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

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary 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:

	No. of ordinary shares			
	As at 1 July 2019	Acquired	Disposed	As at 30 June 2020
Direct interests				
The Company				
Dato' Lee Yeow Chor	9,818,800	–	–	9,818,800
Indirect interests				
The Company				
Tan Sri Peter Chin Fah Kui	20,000	–	–	20,000
Dato' Lee Yeow Chor	2,997,595,280	22,554,200	–	3,020,149,480
Lee Yeow Seng	2,997,465,280	22,554,200	–	3,020,019,480
Cheah Tek Kuang	12,000	–	–	12,000

The movements of the options over the unissued ordinary shares in the Company granted under the ESOS to the following Director in office at the end of the financial year are as follows:

	Option price RM	No. of options over ordinary shares			
		As at 1 July 2019	Exercised	Lapsed	As at 30 June 2020
Direct interests					
Dato' Lee Yeow Chor	4.42	1,270,000	–	–	1,270,000
Dato' Lee Yeow Chor	4.50	450,000	–	–	450,000

By virtue of Section 8(4) of the Companies Act 2016 in Malaysia, Dato' Lee Yeow Chor and Lee Yeow Seng are also deemed to be interested in the shares of all the subsidiaries of the Company to the extent that the Company has an interest.

The other Directors holding office at the end of the financial year namely, Tan Sri Dr Rahamat Bivi binti Yusoff and Datuk Karownakaran @ Karunakaran a/l Ramasamy did not have any interest in the ordinary shares and options over ordinary shares of the Company and 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 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, except for the share options granted to the Directors of the Company pursuant to the Company's ESOS.

DIRECTORS' REMUNERATION

The details of Directors' remuneration as required by the Fifth Schedule of the Companies Act 2016 in Malaysia are set out in Note 36.3 to the financial statements.

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 2020 was RM42,000.

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
Chan Fong Ann ^
Datu Sajeli bin Kipli ^
Frank Salazar @ Franco
Goh Pet Choo
Gurdev Singh a/l Darshan Singh ^
Hans Peter Fitch #
Honorsius Borsuin ^
Joseph N Emuang JR
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 Tuan Meng
Lee Yoke Hean
Lim Jit Uei (Lin Riwei)
Low Pei Chen

LIST OF DIRECTORS OF SUBSIDIARIES (continued)

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 (continued):

Monaliza binti Zaidel*
Peter Lauenborg From
Qadaffy MT Aidala
Risman
Sebastian Anak Baya
Subramaniam Arumugam
Sudhakaran a/l Nottath Bhaskaran
Shyam a/l M K Lakshmanan
Tan Kean Hua
Tan Keng Seng
Tan Kim Ha
Tan Sri Dato' Sri Koh Kin Lip
Teah Chin Guan @ Teh Chin Guan

[^] Resigned during the financial year.

^{*} Appointed during the financial year.

[#] Appointed after the financial year.

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

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:

Tan Sri Peter Chin Fah Kui (Chairman)
Datuk Karownakaran @ Karunakaran a/l Ramasamy
Cheah Tek Kuang

Directors' Report

ESOS COMMITTEE

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

Tan Sri Peter Chin Fah Kui (Appointed as Chairman of ESOS Committee on 1 December 2019)

Dato' Lee Yeow Chor

Lee Yeow Seng

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The details of a significant event during the financial year are set out in Note 42 to the financial statements.

AUDITORS

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

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 June 2020 are set out in Note 10 to the financial statements.

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

15 September 2020

Statements of Profit or Loss

For the financial year ended 30 June 2020

In RM million	Note	Group		Company	
		2020	2019	2020	2019
Revenue	5	7,802.2	7,385.6	456.6	588.8
Cost of sales		(6,127.2)	(6,205.4)	(5.9)	(5.8)
Gross profit		1,675.0	1,180.2	450.7	583.0
Other operating income	6	675.4	850.8	110.2	95.2
Marketing and selling expenses		(177.6)	(181.9)	–	–
Administration expenses		(325.4)	(326.7)	(35.0)	(42.8)
Other operating expenses	7	(852.8)	(613.5)	(56.9)	(73.1)
Operating profit		994.6	908.9	469.0	562.3
Share of results of associates		144.5	170.8	–	–
Share of result of a joint venture		(1.2)	(2.9)	–	–
Profit before interest and taxation		1,137.9	1,076.8	469.0	562.3
Interest income	8	68.2	73.4	49.9	60.4
Finance costs	9	(171.5)	(175.5)	(94.8)	(101.8)
Net foreign currency translation loss on foreign currency denominated borrowings		(209.7)	(123.4)	(11.0)	(14.6)
Net foreign currency translation gain on foreign currency denominated deposits		1.8	21.3	1.9	21.2
Profit before taxation	10	826.7	872.6	415.0	527.5
Taxation	11	(225.0)	(255.0)	(5.9)	(0.3)
Profit for the financial year		601.7	617.6	409.1	527.2
Attributable to:					
Owners of the parent		600.9	631.7	409.1	527.2
Non-controlling interests		0.8	(14.1)	–	–
		601.7	617.6	409.1	527.2
Earnings per ordinary share attributable to owners of the parent (sen)	12				
Basic		9.57	10.05		
Diluted		9.57	10.05		
Dividend per ordinary share (sen)	13				
First interim single tier dividend		4.0	3.5	4.0	3.5
Second interim single tier dividend		4.0	–	4.0	–
Final single tier dividend		–	4.5	–	4.5
Total		8.0	8.0	8.0	8.0

The notes on pages 21 to 123 form an integral part of the financial statements.

Statements of Comprehensive Income

For the financial year ended 30 June 2020

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Profit for the financial year	601.7	617.6	409.1	527.2
Other comprehensive loss that will not be reclassified subsequently to profit or loss				
Share of other comprehensive loss of associates	(0.5)	–	–	–
Re-measurements of the defined benefit obligations	(1.7)	(0.8)	–	–
	(2.2)	(0.8)	–	–
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	32.6	55.0	–	–
Share of other comprehensive income/(loss) of associates	1.6	(17.9)	–	–
Hedge of net investments in foreign operations	35.3	10.1	–	–
	69.5	47.2	–	–
Other comprehensive income for the financial year, net of tax	67.3	46.4	–	–
Total comprehensive income for the financial year	669.0	664.0	409.1	527.2
Total comprehensive income/(loss) attributable to:				
Owners of the parent	670.1	681.4	409.1	527.2
Non-controlling interests	(1.1)	(17.4)	–	–
	669.0	664.0	409.1	527.2

The notes on pages 21 to 123 form an integral part of the financial statements.

Statements of Financial Position

As at 30 June 2020

		Group		Company	
<i>In RM million</i>	Note	2020	2019	2020	2019
ASSETS					
Non-current assets					
Property, plant and equipment	14	8,531.8	8,472.9	83.3	84.9
Intangible assets	15	424.2	412.2	–	–
Investments in subsidiaries	16	–	–	7,127.8	6,809.5
Amounts due from subsidiaries	16	–	–	647.9	792.8
Investments in associates	17	2,727.0	2,610.1	791.3	791.3
Derivative assets	18	98.3	154.3	0.6	–
Deferred tax assets	19	14.6	9.5	6.9	6.3
Other non-current assets	20	45.6	46.3	25.0	27.0
		11,841.5	11,705.3	8,682.8	8,511.8
Current assets					
Inventories	21	1,001.4	778.0	–	–
Trade and other receivables	22	815.8	773.5	29.4	21.9
Amounts due from subsidiaries	16	–	–	287.4	419.6
Derivative assets	18	492.3	407.7	377.5	346.4
Other investments	23	78.3	69.2	3.3	4.3
Amounts due from associates	24	111.3	94.4	–	–
Other current assets	25	78.0	73.5	4.0	2.4
Short term funds	26	1,536.7	1,775.7	–	–
Deposits with financial institutions	27	3.3	302.6	–	210.2
Cash and bank balances		773.0	520.3	103.5	16.5
		4,890.1	4,794.9	805.1	1,021.3
TOTAL ASSETS		16,731.6	16,500.2	9,487.9	9,533.1

The notes on pages 21 to 123 form an integral part of the financial statements.

Statements of Financial Position

As at 30 June 2020

		Group		Company	
<i>In RM million</i>	Note	2020	2019	2020	2019
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	28	790.2	788.1	790.2	788.1
Treasury shares	28	(68.1)	–	(68.1)	–
Reserves	29	105.1	34.6	16.5	17.4
Retained earnings		8,469.0	8,476.9	6,049.0	6,173.6
		9,296.2	9,299.6	6,787.6	6,979.1
Non-controlling interests		274.5	211.1	–	–
Total equity		9,570.7	9,510.7	6,787.6	6,979.1
LIABILITIES					
Non-current liabilities					
Borrowings	30	4,009.2	4,451.9	364.1	579.7
Amounts due to subsidiaries	16	–	–	1,618.2	1,397.4
Derivative liabilities	18	6.9	30.3	6.9	30.3
Lease liabilities	31	42.2	38.3	–	–
Deferred tax liabilities	19	1,164.7	1,153.0	–	–
Other non-current liabilities	32	96.6	93.4	–	–
		5,319.6	5,766.9	1,989.2	2,007.4
Current liabilities					
Borrowings	30	917.5	408.7	476.5	124.3
Trade and other payables	33	657.1	600.3	84.7	89.6
Amounts due to subsidiaries	16	–	–	18.8	206.0
Derivative liabilities	18	203.0	149.5	131.1	126.7
Lease liabilities	31	4.6	6.8	–	–
Other current liabilities	34	59.1	57.3	–	–
		1,841.3	1,222.6	711.1	546.6
Total liabilities		7,160.9	6,989.5	2,700.3	2,554.0
TOTAL EQUITY AND LIABILITIES		16,731.6	16,500.2	9,487.9	9,533.1

The notes on pages 21 to 123 form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 30 June 2020

In RM million	Share capital	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 2018	786.7	24.1	(24.0)	(4.2)	(12.8)	8,346.2	9,116.0	259.4	9,375.4
Profit for the financial year	—	—	—	—	—	631.7	631.7	(14.1)	617.6
Re-measurements of the defined benefit obligations	—	—	—	—	—	(0.8)	(0.8)	—	(0.8)
Exchange differences on translation of foreign operations	—	—	58.3	—	—	—	58.3	(3.3)	55.0
Share of other comprehensive loss of associates	—	—	(14.0)	—	(3.9)	—	(17.9)	—	(17.9)
Hedge of net investments in foreign operations	—	—	—	10.1	—	—	10.1	—	10.1
Total comprehensive income/(loss)	—	—	44.3	10.1	(3.9)	630.9	681.4	(17.4)	664.0
Transactions with owners									
Dividends paid in respect of current financial year (Note 13)	—	—	—	—	—	(220.0)	(220.0)	—	(220.0)
Dividends paid in respect of previous financial year (Note 13)	—	—	—	—	—	(282.8)	(282.8)	—	(282.8)
Issue of shares arising from exercise of share options (Note 28.1)	1.4	(0.3)	—	—	—	—	1.1	—	1.1
Recognition of share options expenses (Note 28.1.1)	—	3.9	—	—	—	—	3.9	—	3.9
ESOS lapsed	—	(2.6)	—	—	—	2.6	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(30.9)	(30.9)
As at 30 June 2019	788.1	25.1	20.3	5.9	(16.7)	8,476.9	9,299.6	211.1	9,510.7

The notes on pages 21 to 123 form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 30 June 2020

In RM million	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 2019	788.1	–	25.1	20.3	5.9	(16.7)	8,476.9	9,299.6	211.1	9,510.7
Profit for the financial year	–	–	–	–	–	–	600.9	600.9	0.8	601.7
Re-measurements of the defined benefit obligations	–	–	–	–	–	–	(1.7)	(1.7)	–	(1.7)
Exchange differences on translation of foreign operations	–	–	–	34.5	–	–	–	34.5	(1.9)	32.6
Share of other comprehensive income/(loss) of associates	–	–	–	5.6	–	(4.0)	(0.5)	1.1	–	1.1
Hedge of net investments in foreign operations	–	–	–	–	35.3	–	–	35.3	–	35.3
Total comprehensive income/(loss)	–	–	–	40.1	35.3	(4.0)	598.7	670.1	(1.1)	669.0
Transactions with owners										
Dividends paid in respect of current financial year (Note 13)	–	–	–	–	–	–	(251.4)	(251.4)	–	(251.4)
Dividends paid in respect of previous financial year (Note 13)	–	–	–	–	–	–	(282.8)	(282.8)	–	(282.8)
Issue of shares arising from exercise of share options (Note 28.1)	2.1	–	(0.4)	–	–	–	–	1.7	–	1.7
Repurchase of shares (Note 28.2)	–	(68.1)	–	–	–	–	–	(68.1)	–	(68.1)
Changes in equity interests in subsidiaries (Note 44)	–	–	–	–	–	–	(72.9)	(72.9)	72.7	(0.2)
ESOS lapsed	–	–	(0.5)	–	–	–	0.5	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(8.2)	(8.2)
As at 30 June 2020	790.2	(68.1)	24.2	60.4	41.2	(20.7)	8,469.0	9,296.2	274.5	9,570.7

The notes on pages 21 to 123 form an integral part of the financial statements.

<i>In RM million</i>	Share capital	Non-distributable	Distributable	Total equity
		Capital reserves	Retained earnings	
Company				
As at 1 July 2018	786.7	16.4	6,146.6	6,949.7
Profit for the financial year	–	–	527.2	527.2
Total comprehensive income	–	–	527.2	527.2
Transactions with owners				
Dividends paid in respect of current financial year (Note 13)	–	–	(220.0)	(220.0)
Dividends paid in respect of previous financial year (Note 13)	–	–	(282.8)	(282.8)
Issue of shares arising from exercise of share options (Note 28.1)	1.4	(0.3)	–	1.1
Recognition of share options expenses (Note 28.1.1)	–	3.9	–	3.9
ESOS lapsed	–	(2.6)	2.6	–
As at 30 June 2019	788.1	17.4	6,173.6	6,979.1

<i>In RM million</i>	Share capital	Treasury shares	Non-distributable	Distributable	Total equity
			Capital reserves	Retained earnings	
Company					
As at 1 July 2019	788.1	–	17.4	6,173.6	6,979.1
Profit for the financial year	–	–	–	409.1	409.1
Total comprehensive income	–	–	–	409.1	409.1
Transactions with owners					
Dividends paid in respect of current financial year (Note 13)	–	–	–	(251.4)	(251.4)
Dividends paid in respect of previous financial year (Note 13)	–	–	–	(282.8)	(282.8)
Repurchase of shares (Note 28.2)	–	(68.1)	–	–	(68.1)
Issue of shares arising from exercise of share options (Note 28.1)	2.1	–	(0.4)	–	1.7
ESOS lapsed	–	–	(0.5)	0.5	–
As at 30 June 2020	790.2	(68.1)	16.5	6,049.0	6,787.6

The notes on pages 21 to 123 form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 30 June 2020

		Group		Company	
<i>In RM million</i>	Note	2020	2019	2020	2019
Cash Flows From Operating Activities					
Profit before taxation		826.7	872.6	415.0	527.5
Adjustments for:					
Depreciation of property, plant and equipment	14	359.5	369.3	1.4	1.6
Amortisation of intangible assets	15.2	6.4	5.7	–	–
Net fair value gain on derivative financial instruments		(4.0)	(28.9)	–	–
Net fair value (gain)/loss on other investments		(0.6)	16.6	1.0	0.1
Net fair value gain on put and call options		(33.6)	(43.7)	(33.6)	(43.7)
Net (gain)/loss arising from changes in fair value of biological assets	25.1	(13.2)	5.6	0.1	(0.1)
Impairment loss on property, plant and equipment	14	3.4	–	–	–
Impairment losses on receivables	22	1.4	5.8	–	–
Reversal of impairment losses on receivables	22	–	(1.7)	–	–
Impairment losses on advances to associates	24	0.4	–	–	–
Reversal of impairment losses on advances to associates	24	–	(0.6)	–	–
Reversal of impairment loss on advances to a joint venture	20.2	–	(0.5)	–	(0.5)
Impairment losses on advances to subsidiaries	16.2.1	–	–	19.4	11.2
Reversal of impairment losses on advances to subsidiaries	16.2.1	–	–	(19.8)	(0.2)
Impairment losses on investments in subsidiaries	16.1	–	–	–	28.3
Impairment loss on investment in a joint venture	20.2	–	–	1.2	2.9
Fair value changes on financial guarantee contracts	33.3	–	–	(2.2)	(2.2)
Net inventories (written back)/written down to net realisable values		(16.3)	5.8	–	–
Gain on disposal of a subsidiary	44	(10.5)	–	–	–
Gain on disposal of 70% equity interest in Loders arising from adjustments on disposal consideration		–	(9.4)	–	(9.4)
Net gain on disposal of property, plant and equipment		(3.7)	(4.7)	(0.6)	(0.2)
Gain arising from change in interest in an associate		(1.3)	(0.9)	–	–
Gain on reassessments and modifications of leases		(0.3)	–	–	–
Amortisation of deferred income	32.2	(2.5)	(2.5)	–	–
Waiver of debt		(8.7)	–	–	–
Dividend income from associate		–	–	(34.6)	–
Dividend income from subsidiaries		–	–	(384.3)	(550.5)
Dividend income from other investments		(2.5)	(2.8)	(0.1)	(0.2)
Retirement benefits expenses	32.1	4.1	5.0	–	–
Property, plant and equipment written off		6.4	7.8	–	–
Share option expenses	28.1.1	–	3.9	–	0.6
Net cash generated from/(used in) operating activities carried forward		1,111.1	1,202.4	(37.1)	(34.8)

The notes on pages 21 to 123 form an integral part of the financial statements.

		Group		Company	
<i>In RM million</i>	Note	2020	2019	2020	2019
Cash Flows From Operating Activities (continued)					
Net cash generated from/(used in) operating activities					
brought forward		1,111.1	1,202.4	(37.1)	(34.8)
Share of results of associates		(144.5)	(170.8)	–	–
Share of result of a joint venture		1.2	2.9	–	–
Interest income		(68.2)	(73.4)	(49.9)	(60.4)
Finance costs		171.5	175.5	94.8	101.8
Net unrealised foreign currency translation loss		2.8	4.7	6.8	0.4
Net foreign currency translation loss on foreign currency denominated borrowings		209.7	123.4	11.0	14.6
Net unrealised foreign currency translation loss/(gain) on foreign currency denominated deposits		1.8	(6.0)	1.8	(6.0)
Operating profit before working capital changes		1,285.4	1,258.7	27.4	15.6
(Increase)/Decrease in inventories		(207.1)	165.3	–	–
(Increase)/Decrease in trade receivables		(63.7)	36.3	–	–
Decrease/(Increase) in other receivables, deposits and prepayments		4.6	32.0	(9.0)	4.7
Increase in trade payables		23.5	19.1	–	–
Increase/(Decrease) in other payables and accruals		23.7	(55.0)	(3.7)	(75.5)
Cash generated from/(used in) operations		1,066.4	1,456.4	14.7	(55.2)
Retirement benefits paid	32.1	(1.9)	(2.0)	–	–
Tax refunded		18.5	28.4	–	3.7
Tax paid		(210.7)	(270.1)	(8.2)	(6.3)
Net cash from/(used in) operating activities		872.3	1,212.7	6.5	(57.8)

The notes on pages 21 to 123 form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 30 June 2020

		Group		Company	
<i>In RM million</i>	Note	2020	2019	2020	2019
Cash Flows From Investing Activities					
Dividends received from associates		79.1	74.1	34.6	–
Dividends received from subsidiaries		–	–	384.3	550.5
Dividends received from other investments		2.5	2.8	0.1	0.2
Interest received		70.4	72.4	4.9	17.5
Proceeds from disposal of property, plant and equipment		4.9	6.3	0.8	0.2
Acquisitions of additional interests in subsidiaries		(0.2)	–	(0.2)	–
Additional investment in an associate		–	(3.0)	–	(3.0)
Additions to property, plant and equipment	14	(392.4)	(395.7)	–	–
Additions to other investments		(8.5)	–	–	–
Additions to intangible assets	15.2	(18.1)	(22.7)	–	–
Proceeds from disposal of 70% equity interest in Lodars arising from finalisation of the intermediate disposal consideration		–	54.8	–	54.8
Repayments (to)/from associates		(16.3)	4.7	–	4.6
Payments to subsidiaries		–	–	(40.8)	(469.7)
Redemption of preference shares		–	–	–	0.3
Net cash (used in)/from investing activities		(278.6)	(206.3)	383.7	155.4
Cash Flows From Financing Activities					
Proceeds from issuance of shares arising from exercise of share options		1.7	1.1	1.7	1.1
Repurchase of shares		(68.1)	–	(68.1)	–
Dividends paid	13	(534.2)	(502.8)	(534.2)	(502.8)
Dividends paid to non-controlling interests		(8.2)	(30.9)	–	–
Drawdown of Islamic financing facilities		–	125.9	–	125.9
Repayments of Islamic financing facilities		(46.1)	(84.4)	–	–
Net (repayments)/drawdowns of short term borrowings		(46.9)	(501.0)	108.5	(534.3)
Payments of lease liabilities	31.2	(7.5)	(7.0)	–	–
Payments of lease interest	31.2	(2.7)	(2.8)	–	–
Finance costs paid		(166.1)	(176.4)	(19.5)	(26.2)
Net cash used in financing activities		(878.1)	(1,178.3)	(511.6)	(936.3)
Net decrease in cash and cash equivalents		(284.4)	(171.9)	(121.4)	(838.7)
Cash and cash equivalents at beginning of financial year		2,598.6	2,764.6	226.7	1,059.4
Effects of exchange rate changes		(1.2)	5.9	(1.8)	6.0
Cash and cash equivalents at end of financial year	35	2,313.0	2,598.6	103.5	226.7

The notes on pages 21 to 123 form an integral part of the financial statements.

Notes to the Financial Statements

1. 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 44 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.

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

Title

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*

Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*

Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*

Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*

Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform* *

Amendment to MFRS 16 *Covid-19-Related Rent Concessions* *

* Early adopted by the Group and the Company.

There is no material impact upon adoption of the above IC Interpretations and Amendments to MFRSs during the financial year.

Notes to the Financial Statements

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

3.1 New MFRSs adopted during the current financial year (continued)

Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*

These amendments provide relief in applying the requirements of MFRS 9 to certain hedges, including allowing the Group to assume that interest rate benchmarks on which hedged cash flows are based would not be altered as a result of interest rate benchmark reform.

These amendments are effective for annual period beginning on or after 1 January 2020 but early application is permitted. The Group and the Company have early adopted these Amendments with effect from 1 July 2019.

Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform remains in place and no additional ineffective portion of the hedge would be recognised.

Amendment to MFRS 16 *Covid-19-Related Rent Concessions*

MFRS 16 has been amended to:

- a) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and
- b) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- i. Changes in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- ii. Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- iii. There is no substantive change to other terms and conditions of the lease.

The Group has early adopted Amendment to MFRS 16 during the current financial year and elected to apply the practical expedient to all rent concession relating to leases with similar characteristics and in similar circumstances. Consequently, the Group does not recognise changes in these lease payments as lease modifications and instead, recognise these as variable lease payments in profit or loss. The effects of early adoption of the Amendment to MFRS 16 during the current financial year are not disclosed as the amounts are negligible.

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

3.2 New MFRSs that have been issued, but not yet effective and not yet adopted

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Annual Improvements to MFRS Standards 2018 – 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 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 and rubber 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.

Notes to the Financial Statements

4. SEGMENTAL INFORMATION (continued)

<i>In RM million</i>	Plantation	Resource-based manufacturing	Other operations	Elimination	Total
Group					
2020					
Revenue					
External sales	214.3	7,571.0	16.9	–	7,802.2
Inter-segment sales	1,682.1	–	–	(1,682.1)	–
Total revenue	1,896.4	7,571.0	16.9	(1,682.1)	7,802.2
Result					
Operating profit	605.4	320.7	19.0	–	945.1
Share of results of associates	82.7	61.8	–	–	144.5
Share of result of a joint venture	–	(1.2)	–	–	(1.2)
Segment results before fair value adjustments	688.1	381.3	19.0	–	1,088.4
Net fair value gain on:					
Biological assets	13.2	–	–	–	13.2
Derivative financial instruments	0.2	3.8	–	–	4.0
Segment results	701.5	385.1	19.0	–	1,105.6
Assets					
Operating assets	8,080.3	3,493.7	192.6	–	11,766.6
Interests in associates	1,012.5	1,714.5	–	–	2,727.0
Interest in a joint venture	–	25.0	–	–	25.0
Segment assets	9,092.8	5,233.2	192.6	–	14,518.6
Liabilities					
Segment liabilities	318.7	549.7	23.5	–	891.9
Other Information					
Capital expenditure	296.0	98.5	18.5	–	413.0
Depreciation and amortisation	258.4	100.3	7.2	–	365.9
Impairment loss on property, plant and equipment	3.4	–	–	–	3.4
Non-cash items other than depreciation and amortisation	8.4	102.2	2.0	–	112.6

4. SEGMENTAL INFORMATION (continued)

<i>In RM million</i>	Plantation	Resource-based manufacturing	Other operations	Elimination	Total
Group					
2019					
Revenue					
External sales	185.6	7,184.3	15.7	–	7,385.6
Inter-segment sales	1,586.5	–	–	(1,586.5)	–
Total revenue	1,772.1	7,184.3	15.7	(1,586.5)	7,385.6
Result					
Operating profit	400.9	445.2	2.9	–	849.0
Share of results of associates	88.6	82.2	–	–	170.8
Share of result of a joint venture	–	(2.9)	–	–	(2.9)
Segment results before fair value adjustments	489.5	524.5	2.9	–	1,016.9
Net fair value (loss)/gain on:					
Biological assets	(5.6)	–	–	–	(5.6)
Derivative financial instruments	–	28.9	–	–	28.9
Segment results	483.9	553.4	2.9	–	1,040.2
Assets					
Operating assets	7,959.7	3,320.8	168.9	–	11,449.4
Interests in associates	922.0	1,688.1	–	–	2,610.1
Interest in a joint venture	–	27.0	–	–	27.0
Segment assets	8,881.7	5,035.9	168.9	–	14,086.5
Liabilities					
Segment liabilities	350.8	422.1	23.4	–	796.3
Other Information					
Capital expenditure	279.1	121.7	23.9	–	424.7
Depreciation and amortisation	273.7	97.4	3.9	–	375.0
Non-cash items other than depreciation and amortisation	12.0	53.8	1.2	–	67.0

Included in the resource-based manufacturing segment is an amount of revenue from a major customer during the financial year amounting to RM1,444.7 million (2019 – RM1,494.2 million).

Notes to the Financial Statements

4. SEGMENTAL INFORMATION (continued)

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

<i>In RM million</i>	Group	
	2020	2019
Profit or loss		
Segment results	1,105.6	1,040.2
Unallocated corporate net income	32.3	36.6
Profit before interest and taxation	1,137.9	1,076.8
Finance costs	(171.5)	(175.5)
Interest income	68.2	73.4
Net foreign currency translation loss on foreign currency denominated borrowings	(209.7)	(123.4)
Net foreign currency translation gain on foreign currency denominated deposits	1.8	21.3
Profit before taxation	826.7	872.6
Taxation	(225.0)	(255.0)
Profit for the financial year	601.7	617.6
Assets		
Segment assets	14,518.6	14,086.5
Unallocated corporate assets	2,213.0	2,413.7
Total assets	16,731.6	16,500.2
Liabilities		
Segment liabilities	891.9	796.3
Unallocated corporate liabilities	6,269.0	6,193.2
Total liabilities	7,160.9	6,989.5

Geographical Segments

<i>In RM million</i>	Malaysia	Europe	North America	Asia	Others	Consolidated
Group						
2020						
Revenue from external customers						
by location of customers	1,392.6	2,172.3	204.9	3,757.0	275.4	7,802.2
Segment assets by location of assets	10,908.6	1,937.0	20.1	1,652.9	–	14,518.6
Capital expenditure by location of assets	332.9	13.6	–	66.5	–	413.0
2019						
Revenue from external customers						
by location of customers	1,473.2	1,899.6	221.1	3,460.2	331.5	7,385.6
Segment assets by location of assets	10,723.7	1,905.4	19.6	1,437.8	–	14,086.5
Capital expenditure by location of assets	328.1	18.7	–	77.9	–	424.7

5. REVENUE

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Revenue from contracts with customers				
Commodities, other products and services:				
– Sales of plantation produce and related products	214.3	185.6	8.5	8.2
– Resource-based manufacturing	7,571.0	7,184.3	–	–
Management fees and advisory fees	0.3	0.3	29.1	29.9
Others	5.2	3.9	–	–
	7,790.8	7,374.1	37.6	38.1
Other revenue				
Dividend income	2.5	2.8	419.0	550.7
Others	8.9	8.7	–	–
	11.4	11.5	419.0	550.7
Total Revenue	7,802.2	7,385.6	456.6	588.8

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.

Notes to the Financial Statements

6. OTHER OPERATING INCOME

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Amortisation of deferred income	2.5	2.5	–	–
Fair value gain on derivative financial instruments	75.2	47.0	–	–
Fair value gain on other investments	3.9	0.3	–	–
Fair value gain on put and call options	33.6	43.7	33.6	43.7
Fair value gain on short term funds	5.2	13.2	–	–
Fair value changes on financial guarantee contracts	–	–	2.2	2.2
Foreign currency translation gain				
– Realised	28.8	11.4	16.1	0.8
– Unrealised	5.8	1.6	19.9	17.7
Gain on disposal of property, plant and equipment	3.7	4.9	0.6	0.2
Gain on disposal of 70% equity interest in Lodars arising from adjustments on disposal consideration	–	9.4	–	9.4
Gain on disposal of a subsidiary	10.5	–	–	–
Gain on reassessments and modifications of leases	0.3	–	–	–
Gain arising from change in interest in an associate	1.3	0.9	–	–
Net gain arising from changes in fair value of biological assets	13.2	–	–	0.1
Realised fair value gain on derivative financial instruments	410.1	668.6	–	–
Reversal of impairment losses on advances to associates	–	0.6	–	–
Reversal of impairment loss on advances to a joint venture	–	0.5	–	0.5
Reversal of impairment losses on advances to subsidiaries	–	–	19.8	0.2
Reversal of impairment losses on receivables	–	1.7	–	–
Reversal of inventories written down to net realisable values *	19.0	1.5	–	–
Waiver of debt	8.7	–	–	–
Others	53.6	43.0	18.0	20.4
	675.4	850.8	110.2	95.2

Note:

* The reversal is due to the increase in selling prices of commodities and products.

7. OTHER OPERATING EXPENSES

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Depreciation of property, plant and equipment	176.8	165.9	0.3	0.5
Fair value loss on derivative financial instruments	71.2	18.1	–	–
Fair value loss on other investments	3.3	16.9	1.0	0.1
Fair value loss on short term funds	1.2	0.5	–	–
Foreign currency translation loss				
– Realised	43.4	28.8	–	–
– Unrealised	8.6	6.3	26.7	18.1
Impairment loss on property, plant and equipment	3.4	–	–	–
Impairment losses on investments in subsidiaries	–	–	–	28.3
Impairment losses on advances to associates	0.4	–	–	–
Impairment losses on advances to subsidiaries	–	–	19.4	11.2
Impairment loss on investment in a joint venture	–	–	1.2	2.9
Impairment losses on receivables	1.4	5.8	–	–
Loss on disposal of property, plant and equipment	–	0.2	–	–
Net loss arising from changes in fair value of biological assets	–	5.6	0.1	–
Property, plant and equipment written off	6.4	7.8	–	–
Realised fair value loss on derivative financial instruments	489.8	314.6	–	–
Rental expenses	7.8	10.6	–	–
Research and development expenses	9.8	9.7	–	–
Others	29.3	22.7	8.2	12.0
	852.8	613.5	56.9	73.1

Notes to the Financial Statements

8. INTEREST INCOME

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Short term funds	53.3	40.1	–	–
Short term deposits	13.8	32.1	2.2	17.9
Subsidiaries	–	–	47.2	41.6
Others	1.1	1.2	0.5	0.9
	68.2	73.4	49.9	60.4

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

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Interest expenses				
Term loans	38.0	36.8	–	–
Notes	104.7	101.7	–	–
Short term loans	4.6	7.3	–	–
Lease liabilities	2.8	3.0	–	–
Subsidiaries	–	–	75.0	75.1
Associates	0.8	1.7	–	–
Others	0.3	0.3	0.3	0.3
	151.2	150.8	75.3	75.4
Profit payment on Islamic financing	22.8	31.0	19.5	26.4
Total finance costs	174.0	181.8	94.8	101.8
Less: Interest capitalised (Note 14)	(2.5)	(6.3)	–	–
Net finance costs	171.5	175.5	94.8	101.8

10. PROFIT BEFORE TAXATION

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
a) Other than those disclosed in Notes 6 and 7 to the financial statements, profit before taxation has been arrived at after charging:				
Depreciation of property, plant and equipment	359.5	369.3	1.4	1.6
Amortisation of intangible assets	6.4	5.7	–	–
Auditors' remuneration				
BDO PLT and affiliates				
Statutory audit	1.2	1.0	0.3	0.1
Non-statutory audit				
– tax compliance and advisory services	0.3	0.3	–	–
– others	–	0.2	–	0.2
Member firms of BDO International				
Statutory audit	0.2	0.2	–	–
Non-statutory audit				
– tax compliance and advisory services	–	0.6	–	–
Other auditors				
Statutory audit	0.7	0.7	–	–
Inventories written down to net realisable values	2.7	7.3	–	–
Net foreign currency translation loss on foreign currency denominated borrowings	209.7	123.4	11.0	14.6
and crediting:				
Dividends received from:				
– other quoted investments in Malaysia	1.3	1.6	0.1	0.2
– other unquoted investments in Malaysia	1.2	1.2	–	–
– unquoted subsidiaries	–	–	384.3	550.5
Net foreign currency translation gain on foreign currency denominated deposits	1.8	21.3	1.9	21.2
Rental income from:				
– investment properties	0.5	0.5	–	–
– others	3.6	1.5	–	–

Cost of inventories of the Group recognised as an expense during the financial year amounted to RM4,980.4 million (2019 – RM4,959.8 million).

Notes to the Financial Statements

10. PROFIT BEFORE TAXATION (continued)

b) Employee information

The employee benefits costs are as follows:

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Wages, salaries and others	845.4	818.5	27.3	33.8
Post-employment benefits	30.7	29.4	1.4	1.6
Share option expenses (Note 28.1.1)	–	3.9	–	0.6
Retirement benefits expenses (Note 32.1)	4.1	5.0	–	–
	880.2	856.8	28.7	36.0

11. TAXATION

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Current year				
Malaysian income taxation	207.0	208.3	4.1	6.5
Foreign taxation	13.5	12.4	–	–
Deferred taxation	5.0	48.6	(0.6)	–
	225.5	269.3	3.5	6.5
Prior years				
Malaysian income taxation	(3.0)	(9.8)	2.4	(5.1)
Foreign taxation	–	2.6	–	–
Deferred taxation	2.5	(7.1)	–	(1.1)
	(0.5)	(14.3)	2.4	(6.2)
	225.0	255.0	5.9	0.3

11. TAXATION (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	
	2020	2019	2020	2019
Applicable tax rate	24.00	24.00	24.00	24.00
Tax effects in respect of:				
Non-allowable expenses	14.31	11.24	7.91	8.02
Non-taxable income	(3.14)	(2.44)	(5.44)	(5.30)
Tax exempt income	(2.73)	(3.63)	(26.62)	(26.91)
Tax incentives and allowances	(0.35)	(1.72)	—	—
Utilisation of previously unrecognised tax losses and capital allowances	—	(0.02)	—	—
Deferred tax assets not recognised	0.29	0.09	—	0.06
Different tax rates in foreign jurisdiction	0.39	0.30	—	—
Share of post-tax results of associates	(4.19)	(4.70)	—	—
Share of post-tax result of a joint venture	0.03	0.08	—	—
Effect of changes in tax rates on deferred tax	—	7.24	—	0.59
Other items	(1.33)	0.42	0.99	0.77
	27.28	30.86	0.84	1.23
(Over)/Under provision in prior years	(0.06)	(1.64)	0.58	(1.18)
	27.22	29.22	1.42	0.05

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% (2019 – 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 taxation 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 RM115.9 million (2019 – RM105.9 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 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. For the Malaysian entities, the unutilised tax losses up to the year of assessment 2019 shall be deductible until year of assessment 2026 and the unutilised tax losses for the year of assessment 2020 onwards will expire in seven (7) years as disclosed in Note 19 to the financial statements.

Notes to the Financial Statements

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	
	2020	2019
<i>In RM million</i>		
Profit for the financial year attributable to owners of the parent	600.9	631.7
<i>In million</i>		
Weighted average number of ordinary shares in issue	6,279.9	6,284.5
<i>In sen</i>		
Basic earnings per ordinary share	9.57	10.05

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	
	2020	2019
<i>In RM million</i>		
Profit for the financial year attributable to owners of the parent	600.9	631.7
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	6,279.9	6,284.5
Adjustments for share option granted to Eligible Persons of the Group	– *	0.1
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share	6,279.9	6,284.6
<i>In sen</i>		
Diluted earnings per ordinary share	9.57	10.05

Note:

* Nil due to anti-dilutive effect.

13. DIVIDENDS

<i>In RM million</i>	Group and Company	
	2020	2019
First interim single tier dividend in respect of financial year ended 30 June 2020 declared and paid of 4.0 sen per ordinary share	251.4	—
Final single tier dividend in respect of financial year ended 30 June 2019 declared and paid of 4.5 sen per ordinary share	282.8	—
First interim single tier dividend in respect of financial year ended 30 June 2019 declared and paid of 3.5 sen per ordinary share	—	220.0
Second interim single tier dividend in respect of financial year ended 30 June 2018 declared and paid of 4.5 sen per ordinary share	—	282.8
	534.2	502.8

On 25 August 2020, the Board of Directors declared a second interim single tier dividend of 4.0 sen per ordinary share, amounting to RM250.7 million in respect of the financial year ended 30 June 2020. The dividend is payable on 18 September 2020 to shareholders whose names appeared in the Record of Depositors and Register of Members of the Company at the close of business on 10 September 2020.

No final dividend has been recommended by the Board of Directors for the financial year ended 30 June 2020.

Notes to the Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT

Group

2020

<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	Transfer from prepayment for land use rights (Note 20.3)	At end of financial year
At cost									
Freehold land	1,851.8	–	–	(2.6)	–	–	–	–	1,849.2
Leasehold land	3,831.2	28.6	(0.6)	0.1	–	–	0.7	–	3,860.0
Land use rights	–	–	–	–	–	–	–	9.0	9.0
Bearer plants	2,809.9	176.5	–	8.7	(165.8)	–	–	–	2,829.3
Buildings and improvements	1,070.1	24.3	–	2.2	(2.1)	9.4	–	–	1,103.9
Plant and machinery	2,440.1	59.2	(1.6)	10.3	(17.8)	78.4	–	–	2,568.6
Construction in progress	108.4	81.5	–	(2.0)	–	(92.0)	–	–	95.9
Other property, plant and equipment	500.1	33.3	(2.5)	0.7	(3.6)	4.2	–	–	532.2
	12,611.6	403.4	(4.7)	17.4	(189.3)	–	0.7	9.0	12,848.1

<i>In RM million</i>	At beginning of financial year	Current year depreciation charge	Disposals	Foreign currency translation differences	Write-offs	At end of financial year
Accumulated depreciation						
Leasehold land	291.0	54.0	–	–	–	345.0
Land use rights	–	0.1	–	–	–	0.1
Bearer plants	1,348.7	113.8	–	0.7	(160.2)	1,303.0
Buildings and improvements	536.0	45.0	–	(2.5)	(1.8)	576.7
Plant and machinery	1,684.0	110.4	(1.4)	2.6	(17.4)	1,778.2
Other property, plant and equipment	263.2	36.2	(2.1)	0.3	(3.5)	294.1
	4,122.9	359.5	(3.5)	1.1	(182.9)	4,297.1

<i>In RM million</i>	At beginning of financial year	Current year impairment losses	At end of financial year
Accumulated impairment			
Bearer plants	12.8	3.4	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
	15.8	3.4	19.2

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

2019

<i>In RM million</i>	At beginning of financial year	Additions	Disposals	Foreign currency translation differences	Write-offs	Reclassifications	At end of financial year
At cost							
Freehold land	1,852.8	–	(1.1)	0.1	–	–	1,851.8
Leasehold land	3,830.0	–	–	0.1	–	1.1 ^	3,831.2
Bearer plants	2,761.5	143.4	(0.2)	12.0	(106.8)	–	2,809.9
Buildings and improvements	1,029.0	28.6	–	2.8	(3.0)	12.7	1,070.1
Plant and machinery	2,316.1	101.2	(6.4)	3.5	(16.2)	41.9	2,440.1
Construction in progress	78.5	85.5	–	0.7	–	(56.3)	108.4
Other property, plant and equipment	462.1	43.3	(2.2)	0.9	(5.7)	1.7	500.1
	12,330.0	402.0	(9.9)	20.1	(131.7)	1.1	12,611.6

Note:

^ Leasehold land with carrying amount of RM1.1 million has been reclassified from prepaid lease payments.

<i>In RM million</i>	At beginning of financial year	Current year depreciation charge	Disposals	Foreign currency translation differences	Write-offs	At end of financial year
Accumulated depreciation						
Leasehold land	237.9	53.1	–	–	–	291.0
Bearer plants	1,311.5	137.5	–	0.9	(101.2)	1,348.7
Buildings and improvements	494.3	43.6	–	0.5	(2.4)	536.0
Plant and machinery	1,602.8	101.0	(6.1)	1.1	(14.8)	1,684.0
Other property, plant and equipment	236.6	34.1	(2.2)	0.2	(5.5)	263.2
	3,883.1	369.3	(8.3)	2.7	(123.9)	4,122.9

<i>In RM million</i>	At beginning of financial year	Current year impairment losses	At end of financial year
Accumulated impairment			
Bearer plants	12.8	–	12.8
Buildings and improvements	2.0	–	2.0
Plant and machinery	0.1	–	0.1
Other property, plant and equipment	0.9	–	0.9
	15.8	–	15.8

Notes to the Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

2020

<i>In RM million</i>	At beginning of financial year	Disposals	At end of financial year
At cost			
Freehold land	71.9	–	71.9
Bearer plants	20.9	–	20.9
Other property, plant and equipment	2.6	(1.3)	1.3
	95.4	(1.3)	94.1

<i>In RM million</i>	At beginning of financial year	Current year depreciation charge	Disposals	At end of financial year
Accumulated depreciation				
Bearer plants	8.4	1.1	–	9.5
Other property, plant and equipment	2.1	0.3	(1.1)	1.3
	10.5	1.4	(1.1)	10.8

2019

<i>In RM million</i>	At beginning of financial year	Disposals	Write-offs	At end of financial year
At cost				
Freehold land	71.9	–	–	71.9
Bearer plants	20.9	–	–	20.9
Other property, plant and equipment	4.3	(0.7)	(1.0)	2.6
	97.1	(0.7)	(1.0)	95.4

<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	7.3	1.1	–	–	8.4
Other property, plant and equipment	3.3	0.5	(0.7)	(1.0)	2.1
	10.6	1.6	(0.7)	(1.0)	10.5

14. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Carrying amount				
Freehold land	1,849.2	1,851.8	71.9	71.9
Leasehold land	3,515.0	3,540.2	–	–
Land use rights	8.9	–	–	–
Bearer plants	1,510.1	1,448.4	11.4	12.5
Buildings and improvements	525.2	532.1	–	–
Plant and machinery	790.3	756.0	–	–
Construction in progress	95.9	108.4	–	–
Other property, plant and equipment	237.2	236.0	–	0.5
	8,531.8	8,472.9	83.3	84.9

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					
2020					
At cost					
At beginning of financial year	3,831.2	–	15.0	1.7	3,847.9
Additions	28.6	–	1.7	4.5	34.8
Reassessments and modifications of leases	0.7	–	–	–	0.7
Disposal	(0.6)	–	–	–	(0.6)
Transfer from prepayment for land use rights	–	9.0	–	–	9.0
Foreign currency translation differences	0.1	–	0.1	0.1	0.3
At end of financial year	3,860.0	9.0	16.8	6.3	3,892.1
Accumulated depreciation					
At beginning of financial year	(291.0)	–	(5.1)	(0.9)	(297.0)
Current year depreciation charge	(54.0)	(0.1)	(5.1)	(1.2)	(60.4)
Foreign currency translation differences	–	–	(0.1)	–	(0.1)
At end of financial year	(345.0)	(0.1)	(10.3)	(2.1)	(357.5)
Carrying amount					
At end of financial year	3,515.0	8.9	6.5	4.2	3,534.6

Notes to the Financial Statements

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	Buildings and improvements	Plant and machinery	Total
Group				
2019				
At cost				
At beginning of financial year	3,830.0	14.8	1.7	3,846.5
Reclassifications from prepaid lease payments	1.1	–	–	1.1
Foreign currency translation differences	0.1	0.2	–	0.3
At end of financial year	3,831.2	15.0	1.7	3,847.9
Accumulated depreciation				
At beginning of financial year	(237.9)	–	–	(237.9)
Current year depreciation charge	(53.1)	(5.1)	(0.9)	(59.1)
At end of financial year	(291.0)	(5.1)	(0.9)	(297.0)
Carrying amount				
At end of financial year	3,540.2	9.9	0.8	3,550.9

Leasehold land for which the Group has land titles during the financial year amounted to RM3,509.6 million (2019 – RM3,536.8 million).

An impairment loss on property, plant and equipment amounting to RM3.4 million had been recognised during the financial year due to the recoverable amount of the property, plant and equipment in the Cash-generating Unit, which is determined based on estimation of value-in-use, is lower than its carrying amount. The value-in-use is determined using a pre-tax discount rate of 7.15% per annum.

Included in the Group's bearer plants is an amount of interest expense capitalised during the financial year amounting to RM2.5 million (2019 – RM6.3 million).

Interest is capitalised at 4.57% (2019 – 5.32%) per annum.

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

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Additions to property, plant and equipment	403.4	402.0	–	–
Interest capitalised (Note 9)	(2.5)	(6.3)	–	–
Additions via lease liabilities (Note 31.2)	(8.5)	–	–	–
Cash payments on purchase of property, plant and equipment	392.4	395.7	–	–

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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 periods and 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

Notes to the Financial Statements

15. INTANGIBLE ASSETS

<i>In RM million</i>	Group	
	2020	2019
Goodwill (Note 15.1)	336.6	336.3
Other intangible assets (Note 15.2)	87.6	75.9
	424.2	412.2

15.1 Goodwill

<i>In RM million</i>	Group	
	2020	2019
At cost		
At beginning of financial year	338.3	337.9
Foreign currency translation differences	0.3	0.4
	338.6	338.3
Less: Impairment losses	(2.0)	(2.0)
	336.6	336.3

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:

<i>In RM million</i>	Group	
	2020	2019
Plantation	126.5	126.5
Resource-based manufacturing	210.1	209.8
	336.6	336.3

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:

- 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.
- 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 including the effects of COVID-19 pandemic. The average discount rate applied for cash flow projections is 7.15% (2019 – 6.70%).
- Growth rate for the plantation segment are determined based on the management's estimate of commodity prices, palm 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.
- 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.

15. INTANGIBLE ASSETS (continued)

15.2 Other intangible assets

<i>In RM million</i>	Brand names	Computer software	Total
Group			
2020			
At cost			
At beginning of financial year	66.8	22.7	89.5
Additions (Installation-in-progress)	–	18.1	18.1
At end of financial year	66.8	40.8	107.6
Accumulated amortisation			
At beginning of financial year	(13.6)	–	(13.6)
Current year amortisation charge	(3.1)	(3.3)	(6.4)
At end of financial year	(16.7)	(3.3)	(20.0)
Carrying amount			
At end of financial year	50.1	37.5	87.6
2019			
At cost			
At beginning of financial year	66.8	–	66.8
Additions (Installation-in-progress)	–	22.7	22.7
At end of financial year	66.8	22.7	89.5
Accumulated amortisation			
At beginning of financial year	(7.8)	–	(7.8)
Current year amortisation charge	(5.7)	–	(5.7)
Foreign currency translation differences	(0.1)	–	(0.1)
At end of financial year	(13.6)	–	(13.6)
Carrying amount			
At end of financial year	53.2	22.7	75.9

Other intangible assets of the Group comprise brand names and computer software. 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.

Notes to the Financial Statements

15. INTANGIBLE ASSETS (continued)

15.2 Other intangible assets (continued)

Computer software

Computer software that does not form an integral part of the related hardware is treated as intangible asset with finite life and is amortised on a straight-line basis over the estimated useful life ranging from three (3) to fifteen (15) years.

Computer software is not amortised until such time when the asset is available for use.

16. SUBSIDIARIES

16.1 Investments in subsidiaries

<i>In RM million</i>	Company	
	2020	2019
At cost		
Unquoted shares in Malaysia	6,615.2	6,615.0
Unquoted shares outside Malaysia	540.9	222.8
	7,156.1	6,837.8
Less: Impairment losses	(28.3)	(28.3)
	7,127.8	6,809.5

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 44 to the financial statements.

2020

During the financial year, the Company:

- subscribed for an additional 225,000 ordinary shares in IOI Plantation Services Sdn Bhd with cash payments of RM225,000.
- subscribed for an additional 103,837,000 redeemable preference shares of SGD1.00 each (equivalent to RM318.1 million) in Oleander Capital Resources Pte Ltd. The consideration for the subscription was settled by offsetting the amount due from Oleander Capital Resources Pte Ltd to the Company.

2019

In the previous financial year, the Company:

- subscribed for an additional 24,998 ordinary shares in IOI Plantation Services Sdn Bhd with cash payments of RM24,998.
- redeemed 320,000 redeemable preference shares in Morisem Consolidated Sdn Bhd with total redemption amount of RM320,000.

Impairment losses on costs of investments in subsidiaries amounting to RM28.3 million have been recognised in the previous financial year due to the recoverable amounts, which are determined based on cash flow projections, are lower than their carrying amounts. The disclosures of the key assumptions are similar to the impairment assessment on the goodwill, which have been set out in Note 15.1 to the financial statements.

16. SUBSIDIARIES (continued)

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 RM951.4 million (2019 – RM1,223.1 million), which bear interests at rates ranging from 0.70% to 5.13% (2019 – 1.00% to 5.39%) per annum and amounts due to subsidiaries amounting to RM1,634.2 million (2019 – RM1,602.7 million), which bear interest at rates ranging from 1.80% to 5.00% (2019 – 2.90% 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.

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			
2020			
At beginning of financial year	44.6	5.5	50.1
Charge for the financial year	19.2	0.2	19.4
Reversal during the financial year	(19.8)	–	(19.8)
At end of financial year	44.0	5.7	49.7
2019			
At beginning of financial year	33.4	5.7	39.1
Charge for the financial year	11.2	–	11.2
Reversal during the financial year	–	(0.2)	(0.2)
At end of financial year	44.6	5.5	50.1

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

16.3 Material non-controlling interests

The Group does not have any subsidiary that has non-controlling interests, which is individually material to the Group as at 30 June 2020.

Notes to the Financial Statements

17. ASSOCIATES

17.1 Investments in associates

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
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
Share of post-acquisition results and reserves	818.3	701.4	–	–
	2,727.0	2,610.1	791.3	791.3
At Market Value				
Shares quoted outside Malaysia	753.2	1,074.0	–	–

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 44 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. ("Bunge Loders") as material associates.

Bumitama

The summary of unaudited financial information of Bumitama for the period ended 30 June 2020 and 31 March 2019 are summarised as follows:

<i>In RM million</i>	Bumitama	
	2020 *	2019
Assets and liabilities		
Current assets	749.2	646.7
Non-current assets	4,654.7	4,271.9
Total assets	5,403.9	4,918.6
Current liabilities	(634.8)	(1,370.3)
Non-current liabilities	(1,830.9)	(944.0)
Total liabilities	(2,465.7)	(2,314.3)
Net assets	2,938.2	2,604.3
Non-controlling interests	(426.5)	(367.4)
Net assets attributable to shareholders of Bumitama	2,511.7	2,236.9
Results		
Revenue	2,973.4	2,342.4
Profit for the financial period	262.8	281.2
Other comprehensive income/(loss)	1.3	(62.3)
Total comprehensive income	264.1	218.9

Note:

* The reporting period in respect of the share of results of Bumitama has been changed to 30 June to conform to the reporting period of the Group. The results for the period ended 30 June 2020 represented fifteen (15) months' results of Bumitama.

Notes to the Financial Statements

17. ASSOCIATES (continued)

17.2 Material associates and summary of financial information (continued)

Bunge Loders

The summary of unaudited financial information of Bunge Loders for the period ended 30 June 2020 and 30 June 2019 are summarised as follows:

<i>In RM million</i>	Bunge Loders	
	2020	2019
Assets and liabilities		
Current assets	2,246.7	2,111.5
Non-current assets	2,061.1	1,856.3
Total assets	4,307.8	3,967.8
Current liabilities	(299.9)	(139.6)
Non-current liabilities	(225.1)	(145.2)
Total liabilities	(525.0)	(284.8)
Net assets attributable to shareholders of Bunge Loders	3,782.8	3,683.0
Results		
Revenue	6,404.9	6,276.8
Profit for the financial period	119.0	150.2
Other comprehensive income	15.6	17.1
Total comprehensive income	134.6	167.3

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

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	Bunge Loders
2020		
Net assets attributable to shareholders of associates	2,511.7	3,782.8
Proportion of ownership interest held by the Group	32.10%	30.00%
Group's share of net assets	806.2	1,134.8
Goodwill	168.7	–
Gain on re-measurement of remaining 30% equity interest	–	342.1
Carrying amount of Group's interests in associates	974.9*	1,476.9
Dividend received during the financial year	15.0	34.6

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 2020. 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)

17.2 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 (continued):

<i>In RM million</i>	Bumitama	Bunge Loders
2019		
Net assets attributable to shareholders of associates	2,236.9	3,683.0
Proportion of ownership interest held by the Group	32.04%	30.00%
Group's share of net assets	716.7	1,104.9
Goodwill	168.7	–
Gain on re-measurement of remaining 30% equity interest	–	342.1
Carrying amount of Group's interests in associates	885.4	1,447.0
Dividend received during the financial year	46.1	–

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	
	2020	2019
Profit for the financial year	27.8	37.2
Other comprehensive loss	(0.9)	–
Total comprehensive income	26.9	37.2
Carrying amount	275.2	277.7

Dividends received from immaterial associates during the financial year amounted to RM29.5 million (2019 – RM28.0 million).

Notes to the Financial Statements

18. DERIVATIVE FINANCIAL INSTRUMENTS

		Fair value	
<i>In RM million</i>	Contract/ Notional amount Net (short)/long	Financial Assets	Financial Liabilities
Group			
2020			
Forward foreign exchange contracts	(1,671.9)	12.8	11.6
Commodity forward contracts	(672.6)	92.8	57.9
Commodity futures	101.4	9.2	2.4
Cross currency swap contracts	1,692.4	98.3	3.4
Interest rate swap contracts	471.4	–	10.4
Put option	1,701.2	377.5	–
Call option	(2,126.5)	–	124.2
Total derivative financial instruments		590.6	209.9
Less: Current portion		(492.3)	(203.0)
Non-current portion		98.3	6.9
2019			
Forward foreign exchange contracts	(1,465.0)	6.3	4.0
Commodity forward contracts	(373.4)	55.0	16.8
Commodity futures	109.8	–	2.0
Cross currency swap contracts	1,640.6	154.3	29.1
Interest rate swap contracts	455.8	–	1.2
Put option	1,687.1	346.4	–
Call option	(2,109.1)	–	126.7
Total derivative financial instruments		562.0	179.8
Less: Current portion		(407.7)	(149.5)
Non-current portion		154.3	30.3
		Fair value	
<i>In RM million</i>	Contract/ Notional amount Net long/(short)	Financial Assets	Financial Liabilities
Company			
2020			
Cross currency swap contracts	857.0	0.6	3.4
Interest rate swap contracts	471.4	–	10.4
Put option	1,701.2	377.5	–
Call option	(2,126.5)	–	124.2
Total derivative financial instruments		378.1	138.0
Less: Current portion		(377.5)	(131.1)
Non-current portion		0.6	6.9

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

		Fair value	
<i>In RM million</i>	Contract/ Notional amount Net long/(short)	Financial Assets	Financial Liabilities
Company			
2019			
Cross currency swap contracts	828.7	–	29.1
Interest rate swap contracts	455.8	–	1.2
Put option	1,687.1	346.4	–
Call option	(2,109.1)	–	126.7
Total derivative financial instruments		346.4	157.0
Less: Current portion		(346.4)	(126.7)
Non-current portion		–	30.3

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.

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:

- 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") 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 as at end of the financial year is RM0.6 million (2019 – derivative liability of RM21.0 million); and
- Cross currency swap contract, which swapped a floating rate of USD100.0 million liability to a fixed rate of EUR90.1 million liability ("USDEUR CCS") to serve as a net investment hedge against the Group's Euro denominated assets. The carrying amount of derivative liability in respect of the USDEUR CCS as at end of the financial year is RM3.4 million (2019 – RM8.1 million).

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.) ("Loders") to Koninklijke Bunge B.V. ("Bunge") in the previous financial years, the Company and Bunge entered into a Shareholders' Agreement ("SHA") to regulate the business of Loders as well as the rights and obligation of the shareholders of Loders.

Notes to the Financial Statements

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

v. Put and call options (continued)

In accordance with the SHA, the Company and Bunge 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 Bunge to purchase all, but not less than all, of the Company's shares in Loders ("Put option") for a purchase price calculated in accordance with the terms and conditions of the SHA ("Put Price").
- b) During the Option Period, Bunge shall have the right to require the Company to sell to Bunge all, but not less than all, of the Company's shares in Loders ("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.

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; and
 - b) Cross currency swap contract, which swapped a floating rate USD100.0 million liability to a fixed rate EUR90.1 million liability.
- 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 RM30.1 million (2019 – gain of RM87.1 million) and fair value gain of RM19.0 million (2019 – RM71.0 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 TAXATION

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
At beginning of financial year	1,143.5	1,102.2	(6.3)	(5.2)
Recognised in profit or loss				
– Current year	5.0	48.6	(0.6)	–
– Prior years	2.5	(7.1)	–	(1.1)
	7.5	41.5	(0.6)	(1.1)
Recognised in other comprehensive income	(0.9)	(0.2)	–	–
At end of financial year	1,150.1	1,143.5	(6.9)	(6.3)

Presented after appropriate offsetting as follows:

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Deferred tax liabilities, net *	1,164.7	1,153.0	–	–
Deferred tax assets, net *	(14.6)	(9.5)	(6.9)	(6.3)
	1,150.1	1,143.5	(6.9)	(6.3)

Note:

* The amounts of set-off between deferred tax liabilities and deferred tax assets were RM23.6 million (2019 – RM30.2 million) and RM5.9 million (2019 – RM6.2 million) for the Group and the Company respectively.

Notes to the Financial Statements

19. DEFERRED TAXATION (continued)

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

Deferred tax liabilities

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
At beginning of financial year	1,183.2	1,120.9	6.2	3.4
Recognised in profit or loss				
Temporary differences on property, plant and equipment	0.2	63.0	(0.3)	2.8
Other temporary differences	4.8	(0.7)	–	–
	5.0	62.3	(0.3)	2.8
Foreign currency translation differences	0.1	–	–	–
At end of financial year	1,188.3	1,183.2	5.9	6.2

Deferred tax assets

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
At beginning of financial year	39.7	18.7	12.5	8.6
Recognised in profit or loss				
Temporary differences on unutilised tax losses	0.9	(0.2)	0.4	–
Other deductible temporary differences	(3.4)	21.0	(0.1)	3.9
	(2.5)	20.8	0.3	3.9
Recognised in other comprehensive income	0.9	0.2	–	–
Foreign currency translation differences	0.1	–	–	–
At end of financial year	38.2	39.7	12.8	12.5

19. DEFERRED TAXATION (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

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Temporary differences on property, plant and equipment	1,173.0	1,172.8	5.8	6.1
Other temporary differences	15.3	10.4	0.1	0.1
	1,188.3	1,183.2	5.9	6.2

Deferred tax assets

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Unutilised tax losses	4.6	3.7	0.4	–
Other deductible temporary differences	33.6	36.0	12.4	12.5
	38.2	39.7	12.8	12.5

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

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Unutilised tax losses				
Expired by 30 June 2026	63.2	63.2	–	–
Expired by 30 June 2027	5.5	–	–	–
Unabsorbed capital allowances	47.2	42.7	–	–
	115.9	105.9	–	–

The Group and the Company have 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 pandemic. Deferred tax assets of certain subsidiaries of the Group and of the Company have not been recognised in respect of these items as it is not probable that taxable income of the subsidiaries and the Company will be available against which the deductible temporary differences can be utilised.

Notes to the Financial Statements

20. OTHER NON-CURRENT ASSETS

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Investment properties (Note 20.1)	6.8	6.8	–	–
Interest in a joint venture (Note 20.2)	25.0	27.0	25.0	27.0
Prepayment for land use rights (Note 20.3)	13.8	12.5	–	–
	45.6	46.3	25.0	27.0

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 period for the buildings component of the investment properties is fifty (50) years.

20.2 Interest in a joint venture

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Unquoted shares, at cost	36.0	36.0	36.0	36.0
Less: Impairment loss	–	–	(22.1)	(20.9)
	36.0	36.0	13.9	15.1
Share of post-acquisition results and reserves	(22.1)	(20.9)	–	–
	13.9	15.1	13.9	15.1
Amount due from a joint venture	13.0	13.8	13.0	13.8
Less: Impairment loss	(1.9)	(1.9)	(1.9)	(1.9)
	25.0	27.0	25.0	27.0

Details of the joint venture are set out in Note 44 to the financial statements.

20. OTHER NON-CURRENT ASSETS (continued)

20.2 Interest in a joint venture (continued)

An impairment loss on cost of investment in a joint venture of the Company amounting to RM1.2 million (2019 – RM2.9 million) has been recognised during the financial year due to the recoverable amount, which is determined based on estimation of value-in-use, is lower than its carrying amount.

Amount due from a joint venture represents outstanding amounts arising from advances and payments made on behalf of a joint venture, which are unsecured, bear interest at 3.50% (2019 – 3.50%) per annum and are not repayable within the next twelve (12) months.

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 accounts for amount due from a joint venture is as follows:

<i>In RM million</i>	Lifetime ECL – not credit impaired	
	2020	2019
Group and Company		
At beginning of financial year	1.9	2.4
Reversal of impairment loss	–	(0.5)
At end of financial year	1.9	1.9

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

<i>In RM million</i>	Group	
	2020	2019
Loss for the financial year	(1.2)	(2.9)
Total comprehensive loss	(1.2)	(2.9)
Carrying amount	25.0	27.0

20.3 Prepayment for land use rights

The balance represents prepayments for acquisition of rights to use parcels of land located in Indonesia. The net carrying amount of the Group's prepayments for purchase of land use rights as of 30 June 2020 amounted to RM13.8 million (2019 – RM12.5 million). An amount of RM9.0 million of prepayment for land use rights had been transferred to property, plant and equipment as right-of-use-assets during the financial year.

Notes to the Financial Statements

21. INVENTORIES

<i>In RM million</i>	Group	
	2020	2019
At cost		
Plantation produce	66.7	59.6
Raw materials and consumables	240.8	89.5
Nursery inventories	30.9	39.4
Finished goods	378.4	308.5
Semi-finished goods	37.2	11.0
Others	1.8	1.8
	755.8	509.8
At net realisable value		
Raw materials and consumables	25.1	132.3
Finished goods	179.8	81.5
Semi-finished goods	40.7	54.4
	245.6	268.2
	1,001.4	778.0

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 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.

22. TRADE AND OTHER RECEIVABLES

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Trade receivables (Note 22.1)	593.5	544.8	–	–
Other receivables, deposits and prepayments (Note 22.2)	222.3	228.7	29.4	21.9
	815.8	773.5	29.4	21.9

22. TRADE AND OTHER RECEIVABLES (continued)

22.1 Trade receivables

<i>In RM million</i>	Group	
	2020	2019
Trade receivables	603.5	553.4
Less: Impairment losses	(10.0)	(8.6)
	593.5	544.8

- i. The normal trade credit terms granted by the Group range from 5 to 90 days (2019 – 7 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.

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.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and trade amounts due from associates and appropriate forward looking information, including the effects of COVID-19 pandemic.

- 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			
2020			
At beginning of financial year	8.5	0.1	8.6
Charge for the financial year	1.4	–	1.4
At end of financial year	9.9	0.1	10.0
2019			
At beginning of financial year	2.7	9.1	11.8
Charge for the financial year	5.8	–	5.8
Written off	–	(9.0)	(9.0)
At end of financial year	8.5	0.1	8.6

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

Notes to the Financial Statements

22. TRADE AND OTHER RECEIVABLES (continued)

22.2 Other receivables, deposits and prepayments

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Other receivables	168.5	188.8	0.5	1.5
Deposits	30.7	23.6	27.2	20.3
Prepayments	23.1	16.3	1.7	0.1
	222.3	228.7	29.4	21.9

- i. Impairment for other receivables, financial guarantee contracts and amounts due from subsidiaries 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.

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 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 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 and joint venture, appropriate forward looking information and significant increase in credit risk, including the effects of COVID-19 pandemic.

- ii. No ECL is recognised arising from other receivables as the amount is negligible. The reconciliation of movements in the impairment losses accounts for other receivables is as follows:

<i>In RM million</i>	Lifetime ECL – credit impaired	
	2020	2019
Group		
At beginning of financial year	–	1.7
Reversal of impairment losses	–	(1.7)
At end of financial year	–	–

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

23. OTHER INVESTMENTS

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
At fair value through profit or loss				
In Malaysia				
– Quoted shares	68.5	57.9	3.3	4.3
– Quoted warrants	0.2	0.3	–	–
– Unquoted shares	8.5	8.6	–	–
Outside Malaysia				
– Quoted shares	1.1	2.4	–	–
	78.3	69.2	3.3	4.3

24. AMOUNTS DUE FROM ASSOCIATES

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Amounts due from associates	112.2	94.9	–	–
Less: Accumulated impairment losses	(0.9)	(0.5)	–	–
	111.3	94.4	–	–

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.

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.

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

<i>In RM million</i>	Lifetime ECL – not credit impaired	
	2020	2019
Group		
At beginning of financial year	0.5	1.1
Charges for the financial year	0.4	–
Reversal of impairment losses	–	(0.6)
At end of financial year	0.9	0.5

Notes to the Financial Statements

25. OTHER CURRENT ASSETS

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Biological assets (Note 25.1)	36.1	22.9	0.1	0.2
Current tax assets	41.9	50.6	3.9	2.2
	78.0	73.5	4.0	2.4

25.1 Biological assets

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
At fair value				
Fresh fruit bunches				
At beginning of financial year	22.9	28.4	0.2	0.1
Changes in fair value less costs to sell	13.2	(5.6)	(0.1)	0.1
Foreign currency translation differences	–	0.1	–	–
At end of financial year	36.1	22.9	0.1	0.2

The biological assets of the Group comprise 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 3,097,262 tonnes (2019 – 3,398,847 tonnes) and 14,597 tonnes (2019 – 16,319 tonnes) of FFB respectively.

As at 30 June 2020, none of the biological assets are pledged as securities for liabilities.

The fair value measurement of the Group’s biological assets are 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 RM4.5 million (2019 – RM3.2 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.

26. SHORT TERM FUNDS

<i>In RM million</i>	Group	
	2020	2019
At fair value through profit or loss		
Investments in fixed income trust funds in Malaysia	1,536.7	1,775.7

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	
	2020	2019	2020	2019
Deposits with licensed banks	3.3	302.6	–	210.2

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

	2020		2019	
	No. of shares	Amount <i>RM million</i>	No. of shares	Amount <i>RM million</i>
Group and Company				
Issued and fully paid-up				
Ordinary shares				
At beginning of financial year	6,284,643,995	788.1	6,284,398,995	786.7
Issue of shares arising from the exercise of ESOS at RM4.42 per ordinary share	395,000	2.1	245,000	1.4
At end of financial year	6,285,038,995	790.2	6,284,643,995	788.1

- 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.
- Of the total 6,285,038,995 (2019 – 6,284,643,995) issued and fully paid-up ordinary shares, 18,220,000 shares (2019 – Nil) 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 6,266,818,995 (2019 – 6,284,643,995).

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”)

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. As at 30 June 2020, the number of outstanding share options was 12,771,000 (2019 – 13,586,000).

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. As at 30 June 2020, the number of outstanding share options was 5,740,000 (2019 – 5,920,000).

The salient features of the ESOS are 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)”)

28. SHARE CAPITAL AND TREASURY SHARES (continued)

28.1 Share Capital (continued)

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

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

		No. of options over ordinary shares					
Option price <i>RM</i>	Date of offer	Outstanding as at beginning of the financial year	Granted and accepted	Exercised	Lapsed *	Outstanding as at end of the financial year	Exercisable as at end of the financial year
2020							
4.42	12 October 2016	13,586,000	–	(395,000)	(420,000)	12,771,000	12,771,000
4.50	6 March 2019	5,920,000	–	–	(180,000)	5,740,000	5,740,000
		19,506,000	–	(395,000)	(600,000)	18,511,000	18,511,000
Weighted average exercise price (<i>RM</i>)							
		4.44	–	4.42	4.44	4.44	4.44
2019							
4.42	12 October 2016	16,073,500	–	(245,000)	(2,242,500)	13,586,000	13,586,000
4.50	6 March 2019	–	6,470,000	–	(550,000)	5,920,000	5,920,000
		16,073,500	6,470,000	(245,000)	(2,792,500)	19,506,000	19,506,000
Weighted average exercise price (<i>RM</i>)							
		4.42	4.50	4.42	4.44	4.44	4.44

* Due to resignation/retirement/death of employees.

28. SHARE CAPITAL AND TREASURY SHARES (continued)

28.1 Share Capital (continued)

28.1.1 Executive Share Option Scheme ("ESOS") (continued)

Share options outstanding as at end of the financial year

Option price RM	No. of share options	Weighted average exercise price RM	Exercisable period
2020			
4.42	12,771,000	4.42	12 October 2016 – 28 January 2021
4.50	5,740,000	4.50	6 March 2019 – 28 January 2021
	18,511,000	4.44	
2019			
4.42	13,586,000	4.42	12 October 2016 – 28 January 2021
4.50	5,920,000	4.50	6 March 2019 – 28 January 2021
	19,506,000	4.44	

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 (RM)	4.52	4.48
Exercise price (RM)	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 (RM)	0.61	1.015

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

Expenses arising from the share options granted

In RM million	Group	Company
2019		
Recognition of share option expenses	3.9	3.9
Less: Charge to subsidiaries	–	(3.3)
Share option expenses	3.9	0.6

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 25 October 2019.

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 is 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
2020					
At beginning of financial year	—	—	—	—	—
Purchased during the financial year					
March 2020	16,266,000	60.6	3.90	3.65	3.72
April 2020	1,700,000	6.4	3.78	3.78	3.78
June 2020	254,000	1.1	4.48	4.48	4.48
	18,220,000	68.1	4.48	3.65	3.74
At end of financial year	18,220,000	68.1	4.48	3.65	3.74

* 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

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Capital reserves (Note 29.1)	24.2	25.1	16.5	17.4
Foreign currency translation reserve (Note 29.2)	60.4	20.3	–	–
Hedging reserve (Note 29.3)	41.2	5.9	–	–
Other reserves (Note 29.4)	(20.7)	(16.7)	–	–
	105.1	34.6	16.5	17.4

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

29.1 Capital reserves

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Net accretion in Group's share of net assets arising from shares issued by certain subsidiaries to non-controlling shareholders	7.7	7.7	–	–
Share option reserves	16.5	17.4	16.5	17.4
	24.2	25.1	16.5	17.4

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 reserve

The hedging reserve arising from changes in the fair value relating to the effective portion on the hedge of net investments in foreign operations.

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

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Non-current liabilities				
Unsecured				
Term loans (Note 30.1)	835.3	812.0	–	–
Islamic financing facilities (Note 30.2)	1,143.4	1,153.3	599.7	579.7
Less: Portion due within 12 months included under short term borrowings	(543.6)	–	(235.6)	–
	599.8	1,153.3	364.1	579.7
Notes (Note 30.4)	2,565.5	2,478.2	–	–
Finance lease obligation	8.8	8.6	–	–
Less: Portion due within 12 months included under short term borrowings	(0.2)	(0.2)	–	–
	8.6	8.4	–	–
	4,009.2	4,451.9	364.1	579.7
Current liabilities				
Unsecured				
Islamic financing facilities – portion due within 12 months (Note 30.2)	543.6	–	235.6	–
Trade financing (Note 30.5)	132.8	284.2	–	–
Islamic revolving credit financing facilities (Note 30.6)	240.9	124.3	240.9	124.3
Finance lease obligation – portion due within 12 months	0.2	0.2	–	–
	917.5	408.7	476.5	124.3
Total borrowings	4,926.7	4,860.6	840.6	704.0

30. BORROWINGS (continued)

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. The outstanding amount as at the end of the financial year is JPY15.0 billion (2019 – JPY15.0 billion). This fixed-rate loan bears interest at 4.325% per annum 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. The outstanding amount as at end of the financial year is JPY6.0 billion (2019 – JPY6.0 billion). This fixed-rate loan bears interest at 4.50% per annum and is repayable in full on 5 February 2038.

30.2 Islamic financing facilities

The Islamic financing facilities of the Group include:

Unsecured

- i. Commodity Murabahah Financing Facility of EUR70.0 million that was drawn down on 21 January 2016 by an indirect wholly-owned subsidiary. Part of the Commodity Murabahah Financing Facility of EUR10.0 million was repaid during the financial year and of EUR45.0 million was repaid in the previous financial year. The outstanding amount as at end of the financial year is EUR15.0 million (2019 – EUR25.0 million). The profit rate of this Islamic financing facility is 1.20% plus Euro Interbank Offered Rate and the remaining amount is repayable in full on 20 January 2021.
- ii. Commodity Murabahah Financing Facility of USD110.0 million that was drawn down on 13 December 2016 by a wholly-owned subsidiary. The outstanding amount as at end of the financial year is USD110.0 million (2019 – USD110.0 million). The profit rate of this Islamic financing facility is 1.05% plus LIBOR and is repayable in two (2) annual instalment of USD55.0 million each commencing 48 months from the first drawn date.
- iii. Commodity Murabahah Financing Facility of USD110.0 million that was drawn down on 4 May 2017 by the Company. The outstanding amount as at end of the financial year is USD110.0 million (2019 – USD110.0 million). The profit rate of this Islamic financing facility is 0.92% plus LIBOR and is repayable in two (2) annual instalment of USD55.0 million each commencing 48 months from the first drawn date.
- iv. Commodity Murabahah Financing Facility of USD30.0 million that was drawn down on 31 May 2019 by the Company. The outstanding amount as at end of the financial year is USD30.0 million (2019 – USD30.0 million). The profit rate of this fixed-rate Islamic financing facility is 2.965% per annum and is repayable in two (2) annual instalment of USD15.0 million each commencing 48 months from the first drawn date.

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:

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Less than 1 year	543.6	–	235.6	–
1 – 2 years	471.2	573.4	235.5	227.7
2 – 3 years	64.3	455.6	64.3	227.7
3 – 4 years	64.3	62.2	64.3	62.2
4 – 5 years	–	62.1	–	62.1
More than 5 years	835.3	812.0	–	–
	1,978.7	1,965.3	599.7	579.7

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

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% (“Notes”) under the EMTN Programme. The Notes are listed on the Singapore Exchange Securities Trading Limited. The Notes carry an interest rate of 4.375% per annum payable semi-annually in arrears on 27 June and 27 December commencing 27 December 2012 and will mature on 27 June 2022. The Notes are unconditionally and irrevocably guaranteed by the Company.

At initial recognition, the Notes 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

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

<i>In RM million</i>	Group	
	2020	2019
At beginning of financial year	2,478.2	2,416.7
Foreign currency translation differences	84.7	59.1
Interest expense	2.6	2.4
At end of financial year	2,565.5	2,478.2

30. BORROWINGS (continued)

30.5 Trade financing

Unsecured

Trade financing utilised during the financial year is subject to interest rates ranging from 0.69% to 3.41% (2019 – 0.85% to 4.20%) per annum.

30.6 Islamic revolving credit financing facilities

Unsecured

The Islamic revolving credit financing facilities (Commodity Murabahah Revolving Credit) is subject to profit rate ranging from 0.55% to 2.94% (2019 – 2.45 % to 3.06%) per annum.

30.7 Reconciliation of liabilities from financing activities

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

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
At beginning of financial year	4,860.6	5,179.3	704.0	1,087.4
Cash flows	(93.0)	(459.5)	108.5	(408.4)
Non-cash flows				
– Interest expenses	2.7	2.5	–	–
– Foreign currency translation differences	156.4	138.3	28.1	25.0
At end of financial year	4,926.7	4,860.6	840.6	704.0

Notes to the Financial Statements

31. LEASE LIABILITIES

31.1 The Group as lessee

<i>In RM million</i>	Group	
	2020	2019
Non-current liabilities	42.2	38.3
Current liabilities	4.6	6.8
Total lease liabilities	46.8	45.1

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 5.19% to 7.09% (2019 – 6.00% 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 and low value assets on a straight-line basis over the lease terms and recognised as rental expenses as follows:

<i>In RM million</i>	Group	
	2020	2019
Short term leases	5.9	6.5
Low value assets	0.2	0.1

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 are as follows:

<i>In RM million</i>	Group	
	2020	2019
At beginning of financial year	45.1	51.8
Cash flows		
– Payments of lease liabilities	(7.5)	(7.0)
– Payments of lease interest	(2.7)	(2.8)
Non-cash flows		
– Additions	8.5	–
– Interest expenses	2.8	3.0
– Reassessments and modifications of leases	0.4	–
– Foreign currency translation differences	0.2	0.1
At end of financial year	46.8	45.1

32. OTHER NON-CURRENT LIABILITIES

<i>In RM million</i>	Group	
	2020	2019
Retirement benefits (Note 32.1)	65.6	59.9
Deferred income (Note 32.2)	31.0	33.5
	96.6	93.4

32.1 Retirement benefits

<i>In RM million</i>	Group	
	2020	2019
Present value of unfunded obligations	65.6	59.9
Recognised liability for defined benefit obligations	65.6	59.9

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 2018 and 30 June 2020.

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

Present value of unfunded obligations

<i>In RM million</i>	Group	
	2020	2019
At beginning of financial year	59.9	55.7
Benefits paid	(1.9)	(2.0)
Expense recognised in profit or loss (Note 10(b))	4.1	5.0
Re-measurements		
– Actuarial loss recognised in other comprehensive income	2.6	1.0
Foreign currency translation differences	0.9	0.2
At end of financial year	65.6	59.9

Expense recognised in profit or loss:

<i>In RM million</i>	Group	
	2020	2019
Current service cost	2.4	3.2
Interest cost	1.7	1.8
	4.1	5.0

Notes to the Financial Statements

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	
	2020	2019
Discount rate	2.6	2.8

Sensitivity analysis

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

In RM million	Group	
	2020	2019
Discount rate increase by 0.1%	(0.9)	(0.9)
Discount rate decrease by 0.1%	1.2	1.1

32.2 Deferred income

Government grant

In RM million	Group	
	2020	2019
At beginning of financial year	33.5	36.0
Current year amortisation charge	(2.5)	(2.5)
At end of financial year	31.0	33.5

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 twelve (12) years of the plant.

33. TRADE AND OTHER PAYABLES

In RM million	Group		Company	
	2020	2019	2020	2019
Trade payables (Note 33.1)	277.5	247.2	–	–
Other payables and accruals (Note 33.2)	379.6	353.1	79.3	82.0
Financial guarantee contracts (Note 33.3)	–	–	5.4	7.6
	657.1	600.3	84.7	89.6

33. TRADE AND OTHER PAYABLES (continued)

33.1 Trade payables

Credit terms of trade payables vary from 3 to 60 days (2019 – 2 to 60 days) from date of invoices.

33.2 Other payables and accruals

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Other payables	148.7	158.1	35.5	35.4
Customer deposits and other deposits	1.5	1.4	–	–
Accruals	229.4	193.6	43.8	46.6
	379.6	353.1	79.3	82.0

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	
	2020	2019
Banking facilities granted to subsidiaries	3,897.8	3,899.4

The movement of the financial guarantee contracts during the financial year is as follows:

<i>In RM million</i>	Company	
	2020	2019
At beginning of financial year	7.6	9.8
Fair value changes on financial guarantee contracts	(2.2)	(2.2)
At end of financial year	5.4	7.6

Notes to the Financial Statements

34. OTHER CURRENT LIABILITIES

<i>In RM million</i>	Group	
	2020	2019
Amounts due to associates (Note 34.1)	19.5	34.6
Current tax liabilities	39.6	22.7
	59.1	57.3

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 except for an amount of RM25.7 million in the previous financial year, which bore interest rates at 5% plus LIBOR per annum.

35. CASH AND CASH EQUIVALENTS

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

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Short term funds (Note 26)	1,536.7	1,775.7	–	–
Deposits with financial institutions (Note 27)	3.3	302.6	–	210.2
Cash and bank balances	773.0	520.3	103.5	16.5
	2,313.0	2,598.6	103.5	226.7

The Group has undrawn borrowing facilities of RM5,547.3 million (2019 – RM5,467.9 million) at the end of the financial year.

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.

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. Direct and indirect subsidiaries as disclosed in Note 44 to the financial statements;
- ii. Progressive Holdings Sdn Bhd, the major corporate shareholder of the Company;
- iii. Associates and joint venture as disclosed in Note 44 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>	2020	2019
Group		
Associates		
Sales of oleochemical products and palm products	1,189.9	1,396.3
Purchases of oleochemical products and palm products	134.0	141.4
Rental income on storage tank	9.7	7.9
Interest expense	0.8	1.7
Affiliates		
Management fees income	8.6	7.8
Agency fees income	2.2	2.2
Purchases of palm products	43.2	40.6
Rental paid	5.2	5.2
Company		
Subsidiaries		
Sales of palm products	8.5	8.2
Advisory fees income	29.1	29.9
Management fees expenses	7.6	10.8
Interest income	47.2	41.6
Interest expense	75.0	75.1

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 2020 is disclosed in Note 16.2, Note 20.2, Note 24 and Note 34.1 to the financial statements.

Notes 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:

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Directors				
Fees	1.1	1.3	1.1	1.3
Remuneration	11.9	32.7	11.9	32.4
Estimated monetary value of benefits-in-kind	–	0.1	–	0.1
Total short term employee benefits	13.0	34.1	13.0	33.8
Post-employment benefits	1.4	1.7	1.4	1.6
Share-based payments	–	0.6	–	0.6
	14.4	36.4	14.4	36.0
Other key management personnel				
Short term employee benefits	3.2	3.0	–	–
Post-employment benefits	0.4	0.4	–	–
Share-based payments	–	0.4	–	–
	3.6	3.8	–	–

During the financial year, a gratuity of RM27.4 million for the former Executive Chairman was approved by the shareholders of the Company at the last Annual General Meeting. The estate of the late 'Tan Sri Dato' Lee Shin Cheng has also voluntarily waived the bonus entitlement for the former Executive Chairman which was accrued in the previous financial year.

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that 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 2019.

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 2020 and 30 June 2019.

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.

37. CAPITAL MANAGEMENT (continued)

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Borrowings (Note 30)	4,926.7	4,860.6	840.6	704.0
Lease liabilities (Note 31.1)	46.8	45.1	–	–
	4,973.5	4,905.7	840.6	704.0
Less: Cash and cash equivalents (Note 35)	(2,313.0)	(2,598.6)	(103.5)	(226.7)
Net debt	2,660.5	2,307.1	737.1	477.3
Equity	9,296.2	9,299.6	6,787.6	6,979.1
Gearing ratio (%)	28.62	24.81	10.86	6.84

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 equal to or not less 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 2020.

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, 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.

Notes to the Financial Statements

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.

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 oversight 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.

Notes to the Financial Statements

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								
2020								
Financial assets in foreign currencies								
Cash and bank balances	248.0	–	2.8	–	–	–	0.1	–
Trade and other receivables	418.6	–	18.8	–	11.1	–	2.2	–
Amounts due from associates	84.3	–	–	–	–	–	2.0	–
Derivative assets	656.9	–	1,701.2	–	–	–	–	–
Financial liabilities in foreign currencies								
Trade and other payables	(44.1)	–	(0.5)	–	(0.4)	–	(0.6)	–
Amounts due to associates	–	–	–	–	–	–	(1.7)	–
Borrowings	(796.9)	(3,170.9)	(120.5)	–	–	(835.4)	–	–
Derivative liabilities	(150.2)	–	(2,126.5)	–	–	–	–	–
Currency derivatives								
Foreign currency forwards	(1,608.8)	–	(36.3)	–	(22.4)	–	(4.4)	–
Structured and hybrids	214.2	(140.5)	(217.0)	(654.9)	–	835.4	–	–
Net exposure	(978.0)	(3,311.4)	(778.0)	(654.9)	(11.7)	–	(2.4)	–

38. FINANCIAL INSTRUMENTS (continued)

38.1 Foreign currency risk (continued)

38.1.2 Foreign currency risk exposure (continued)

<i>In RM million</i>	USD		EUR		JPY		Others	
Contract based currency								
Maturity	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Group								
2019								
Financial assets in foreign currencies								
Cash and bank balances	209.2	—	13.8	—	—	—	0.1	—
Deposits with financial institutions	216.1	—	—	—	—	—	—	—
Trade and other receivables	396.0	—	72.0	—	12.4	—	1.9	—
Amounts due from associates	68.9	—	—	—	—	—	1.0	—
Derivative assets	587.1	—	1,687.1	—	—	—	—	—
Financial liabilities in foreign currencies								
Trade and other payables	(43.6)	—	(8.1)	—	—	—	(0.9)	—
Amounts due to associates	(24.0)	—	—	—	—	—	(1.7)	—
Borrowings	(306.7)	(3,522.0)	(82.4)	(126.4)	—	(811.9)	—	—
Derivative liabilities	(122.2)	—	(2,109.1)	—	—	—	—	—
Currency derivatives								
Foreign currency forwards	(1,361.1)	—	(78.2)	—	(22.4)	—	(3.3)	—
Structured and hybrids	—	71.3	—	(852.5)	—	811.9	—	—
Net exposure	(380.3)	(3,450.7)	(504.9)	(978.9)	(10.0)	—	(2.9)	—

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>	USD		EUR		Others	
Contract based currency	< 1 year	> 1 year	< 1 year	> 1 year	< 1 year	> 1 year
Maturity						
Company						
2020						
Financial assets in foreign currencies						
Cash and bank balances	101.4	—	0.7	—	0.1	—
Amounts due from subsidiaries	52.1	689.6	48.3	—	6.1	—
Derivative assets	—	—	1,701.2	—	—	—
Financial liabilities in foreign currencies						
Borrowings	(428.5)	(364.2)	(48.2)	—	—	—
Amounts due to subsidiaries	(15.2)	(783.2)	—	—	—	—
Derivative liabilities	—	—	(2,126.5)	—	—	—
Currency derivatives						
Structured and hybrids	214.2	642.8	(217.0)	(654.9)	—	—
Net exposure	(76.0)	185.0	(641.5)	(654.9)	6.2	—
2019						
Financial assets in foreign currencies						
Cash and bank balances	15.0	—	0.7	—	0.1	—
Deposits with financial institutions	210.2	—	—	—	—	—
Amounts due from subsidiaries	15.9	837.3	1.1	—	6.6	—
Derivative assets	—	—	1,687.1	—	—	—
Financial liabilities in foreign currencies						
Borrowings	(124.3)	(580.1)	—	—	—	—
Amounts due to subsidiaries	(14.6)	(757.4)	—	—	—	—
Derivative liabilities	—	—	(2,109.1)	—	—	—
Currency derivatives						
Structured and hybrids	—	828.7	—	(852.5)	—	—
Net exposure	102.2	328.5	(420.2)	(852.5)	6.7	—

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 USD1.0 billion (equivalent to RM4.3 billion) (2019 – net short by USD0.9 billion (equivalent to RM3.8 billion)) and net short in EUR by EUR0.3 billion (equivalent to RM1.4 billion) (2019 – net short by EUR0.3 billion (equivalent to RM1.5 billion)), where USD0.7 billion (equivalent to RM3.3 billion) (2019 – USD0.8 billion (equivalent to RM3.5 billion)) and EUR0.1 billion (equivalent to RM0.7 billion) (2019 – EUR0.2 billion (equivalent to RM1.0 billion)) 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 currency swap contracts of the Group and of the Company are as follows:

Group

2020

- i. Cross currency swaps 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 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 to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.1 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.

2019

- i. Cross currency swaps 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 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 to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.1 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.

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS (continued)

38.1 Foreign currency risk (continued)

38.1.2 Foreign currency risk exposure (continued)

Company

2020

- i. Cross currency swaps 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 to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.1 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.

2019

- i. Cross currency swaps 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 to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.1 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 RM87.7 million (2019 – RM83.1 million) and RM17.1 million (2019 – RM11.6 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.

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	
<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 %
Group								
2020								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	26	1,536.7	–	–	–	–	1,536.7	3.26
Deposits with financial institutions	27	3.3	–	–	–	–	3.3	2.25
Amount due from a joint venture	20.2	–	13.0	–	–	–	13.0	3.50
		1,540.0	13.0	–	–	–	1,553.0	
Floating rate instruments								
Cash and bank balances	35	773.0	–	–	–	–	773.0	1.48
		773.0	–	–	–	–	773.0	
Total assets repricing		2,313.0	13.0	–	–	–	2,326.0	
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	30.1	–	–	–	–	835.3	835.3	4.38
Notes	30.4	–	2,565.5	–	–	–	2,565.5	4.49
Trade financing	30.5	132.8	–	–	–	–	132.8	1.03
Finance lease obligation	30	0.2	0.2	0.2	0.2	8.0	8.8	2.00
Islamic financing facilities	30.2	–	–	64.3	64.3	–	128.6	2.97
Lease liabilities	31	4.6	4.7	3.2	1.6	32.7	46.8	6.55
		137.6	2,570.4	67.7	66.1	876.0	3,717.8	
Floating rate instruments								
Islamic financing facilities *	30.2	1,015.0	–	–	–	–	1,015.0	2.51
Islamic revolving credit financing facilities	30.6	240.9	–	–	–	–	240.9	1.75
		1,255.9	–	–	–	–	1,255.9	
Total liabilities repricing		1,393.5	2,570.4	67.7	66.1	876.0	4,973.7	
Net repricing gap		919.5	(2,557.4)	(67.7)	(66.1)	(876.0)	(2,647.7)	

* 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	Weighted average effective interest rate Amount %	
Group								
2019								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	26	1,775.7	–	–	–	–	1,775.7	3.08
Deposits with financial institutions	27	302.6	–	–	–	–	302.6	2.55
Amount due from a joint venture	20.2	–	13.8	–	–	–	13.8	3.50
		2,078.3	13.8	–	–	–	2,092.1	
Floating rate instruments								
Cash and bank balances	35	520.3	–	–	–	–	520.3	1.73
		520.3	–	–	–	–	520.3	
Total assets repricing		2,598.6	13.8	–	–	–	2,612.4	
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	30.1	–	–	–	–	812.0	812.0	4.38
Notes	30.4	–	–	2,478.2	–	–	2,478.2	4.49
Trade financing	30.5	284.2	–	–	–	–	284.2	2.27
Finance lease obligation	30	0.2	0.2	0.2	0.2	7.8	8.6	2.00
Islamic financing facilities	30.2	–	–	–	62.2	62.1	124.3	2.97
Lease liabilities	31	6.8	2.9	1.6	1.5	32.3	45.1	6.79
		291.2	3.1	2,480.0	63.9	914.2	3,752.4	
Floating rate instruments								
Amounts due to associates	34	25.7	–	–	–	–	25.7	7.50
Islamic financing facilities*	30.2	1,029.4	–	–	–	–	1,029.4	2.83
Islamic revolving credit financing facilities	30.6	124.3	–	–	–	–	124.3	3.04
		1,179.4	–	–	–	–	1,179.4	
Total liabilities repricing		1,470.6	3.1	2,480.0	63.9	914.2	4,931.8	
Net repricing gap		1,128.0	10.7	(2,480.0)	(63.9)	(914.2)	(2,319.4)	

* 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	Weighted average effective interest rate Amount	%
Company								
2020								
Interest bearing financial assets								
Fixed rate instruments								
Amounts due from subsidiaries	16.2	176.6	–	–	–	–	176.6	2.72
Amount due from a joint venture	20.2	–	13.0	–	–	–	13.0	3.50
		176.6	13.0	–	–	–	189.6	
Floating rate instruments								
Cash and bank balances	35	103.5	–	–	–	–	103.5	1.24
Amounts due from subsidiaries	16.2	774.8	–	–	–	–	774.8	4.44
		878.3	–	–	–	–	878.3	
Total assets repricing		1,054.9	13.0	–	–	–	1,067.9	
Interest bearing financial liabilities								
Fixed rate instruments								
Amounts due to subsidiaries	16.2	15.5	195.0	500.0	140.0	783.2	1,633.7	4.87
Islamic financing facilities	30.2	–	–	64.3	64.3	–	128.6	2.97
		15.5	195.0	564.3	204.3	783.2	1,762.3	
Floating rate instruments								
Amounts due to subsidiaries	16.2	0.5	–	–	–	–	0.5	2.66
Islamic financing facilities *	30.2	471.4	–	–	–	–	471.4	2.70
Islamic revolving credit financing facilities	30.6	240.9	–	–	–	–	240.9	1.75
		712.8	–	–	–	–	712.8	
Total liabilities repricing		728.3	195.0	564.3	204.3	783.2	2,475.1	
Net repricing gap		326.6	(182.0)	(564.3)	(204.3)	(783.2)	(1,407.2)	

* 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	Weighted average effective interest rate	%
Company								
2019								
Interest bearing financial assets								
Fixed rate instruments								
Deposits with financial institutions	27	210.2	–	–	–	–	210.2	2.87
Amounts due from subsidiaries	16.2	385.8	–	–	–	–	385.8	1.72
Amount due from a joint venture	20.2	–	13.8	–	–	–	13.8	3.50
		596.0	13.8	–	–	–	609.8	
Floating rate instruments								
Cash and bank balances	35	16.5	–	–	–	–	16.5	2.24
Amounts due from subsidiaries	16.2	837.3	–	–	–	–	837.3	5.32
		853.8	–	–	–	–	853.8	
Total assets repricing		1,449.8	13.8	–	–	–	1,463.6	
Interest bearing financial liabilities								
Fixed rate instruments								
Amounts due to subsidiaries	16.2	14.6	–	–	500.0	897.4	1,412.0	4.85
Islamic financing facilities	30.2	–	–	–	62.2	62.1	124.3	2.97
		14.6	–	–	562.2	959.5	1,536.3	
Floating rate instruments								
Amounts due to subsidiaries	16.2	190.7	–	–	–	–	190.7	3.02
Islamic financing facilities*	30.2	455.8	–	–	–	–	455.8	2.74
Islamic revolving credit financing facilities	30.6	124.3	–	–	–	–	124.3	3.04
		770.8	–	–	–	–	770.8	
Total liabilities repricing		785.4	–	–	562.2	959.5	2,307.1	
Net repricing gap		664.4	13.8	–	(562.2)	(959.5)	(843.5)	

* Excluding transaction cost.

38. FINANCIAL INSTRUMENTS (continued)

38.2 Interest rate risk (continued)

38.2.2 Interest rate risk exposure (continued)

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

Group

2020

Interest rate swap to swap notional principal amount of USD110.0 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.

2019

Interest rate swap to swap notional principal amount of USD110.0 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

2020

Interest rate swap to swap notional principal amount of USD110.0 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.

2019

Interest rate swap to swap notional principal amount of USD110.0 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.

38.2.3 Sensitivity analysis

Sensitivity analysis on interest rate is applied on floating rate financial instruments 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 profits for the Group by approximately RM0.1 million (2019 – RM1.0 million) and equally increased or decreased the profits for the Company by approximately RM3.2 million (2019 – RM2.7 million) respectively.

Notes to the Financial Statements

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 counter-parties. (Limits on volume and forward period are further established for each counter-party);
- 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.

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.

<i>In RM million</i>	Contract and Notional value			Fair value attributed to price changes at period closing		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Group						
2020						
Commodity based						
Forward sales contracts	(1,471.6)	–	(1,471.6)	88.6	–	88.6
Forward purchase contracts	799.0	–	799.0	(53.7)	–	(53.7)
Commodity derivatives	101.4	–	101.4	6.8	–	6.8
Equity based						
Other investments	91.8	–	91.8	78.3	–	78.3
				120.0	–	120.0
2019						
Commodity based						
Forward sales contracts	(720.4)	–	(720.4)	54.7	–	54.7
Forward purchase contracts	347.0	–	347.0	(16.5)	–	(16.5)
Commodity derivatives	109.8	–	109.8	(2.0)	–	(2.0)
Equity based						
Other investments	83.4	–	83.4	69.2	–	69.2
				105.4	–	105.4
Company						
2020						
Equity based						
Other investments	4.0	–	4.0	3.3	–	3.3
				3.3	–	3.3
2019						
Equity based						
Other investments	4.0	–	4.0	4.3	–	4.3
				4.3	–	4.3

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS (continued)

38.3 Price fluctuation risk (continued)

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 RM37.0 million (2019 – RM14.6 million) and RM0.2 million (2019 – RM0.3 million) respectively.

38.4 Credit risk

The Group's credit risk exposure is mainly related to external counter-party 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 counter parties, credit impairment and unit level credit control performance.

Credit risk from monetary financial assets is generally low as the counter-parties 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 counter party and to minimise concentration of credit risk.

38.4.1 Risk management approach

Credit risk or financial loss from the failure of customers or counter parties 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 counter parties as a means of mitigating losses in the event of default.

The Group's credit risk varies with the different classes of counter-parties 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 5 to 90 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 counter-party 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.

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 in security papers and investment trusts managed by licensed institutions. The Group also enters into financial derivative contracts with licensed financial institutions, and in 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 counter-parties' 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 counter-parties 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 counter parties 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.

Notes to the Financial Statements

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 enhancement obtained	Net exposure to credit risk	Collateral or credit enhancement obtained
Group					
2020					
Financial assets					
Cash and bank balances		773.0	–	773.0	
Deposits with financial institutions	27	3.3	–	3.3	
Trade and other receivables, excluded deposits and prepayments		768.2	106.9	661.3	Letter of credit and credit insurance
Other investments	23	78.3	–	78.3	
Short term funds	26	1,536.7	–	1,536.7	
Amounts due from associates	24	112.2	–	112.2	
Amount due from a joint venture	20.2	13.0	–	13.0	
Derivative assets	18	590.6	–	590.6	
		3,875.3	106.9	3,768.4	
2019					
Financial assets					
Cash and bank balances		520.3	–	520.3	
Deposits with financial institutions	27	302.6	–	302.6	
Trade and other receivables, excluded deposits and prepayments		708.3	91.1	617.2	Letter of credit and credit insurance
Other investments	23	69.2	–	69.2	
Short term funds	26	1,775.7	–	1,775.7	
Amounts due from associates	24	94.9	–	94.9	
Amount due from a joint venture	20.2	13.8	–	13.8	
Derivative assets	18	562.0	–	562.0	
		4,046.8	91.1	3,955.7	

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 enhancement obtained	Net exposure to credit risk	Collateral or credit enhancement obtained
Company					
2020					
Financial assets					
Cash and bank balances		103.5	—	103.5	
Other investments	23	3.3	—	3.3	
Amounts due from subsidiaries		985.0	—	985.0	
Amount due from a joint venture	20.2	13.0	—	13.0	
Derivative assets	18	378.1	—	378.1	
		1,482.9	—	1,482.9	
2019					
Financial assets					
Cash and bank balances		16.5	—	16.5	
Deposits with financial institutions	27	210.2	—	210.2	
Other investments	23	4.3	—	4.3	
Amounts due from subsidiaries		1,262.5	—	1,262.5	
Amount due from a joint venture	20.2	13.8	—	13.8	
Derivative assets	18	346.4	—	346.4	
		1,853.7	—	1,853.7	

Notes to the Financial Statements

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.

		Not Past due					Impairment charged/ (reversed) in reporting period	Impairment losses at end of reporting period
<i>In RM million</i>	Strong	Medium	Weak	Past due	Total			
Group								
2020								
Cash and bank balances	773.0	–	–	–	773.0	–	–	
Deposits with financial institutions	3.3	–	–	–	3.3	–	–	
Trade and other receivables, excluded deposits and prepayments	648.2	80.6	–	39.4	768.2	1.4	10.0	
Other investments	78.3	–	–	–	78.3	–	–	
Short term funds	1,536.7	–	–	–	1,536.7	–	–	
Amounts due from associates	110.8	–	–	1.4	112.2	0.4	0.9	
Amount due from a joint venture	–	–	13.0	–	13.0	–	1.9	
Derivative assets	590.6	–	–	–	590.6	–	–	
	3,740.9	80.6	13.0	40.8	3,875.3	1.8	12.8	
2019								
Cash and bank balances	520.3	–	–	–	520.3	–	–	
Deposits with financial institutions	302.6	–	–	–	302.6	–	–	
Trade and other receivables, excluded deposits and prepayments	573.0	70.8	–	64.5	708.3	4.1	8.6	
Other investments	69.2	–	–	–	69.2	–	–	
Short term funds	1,775.7	–	–	–	1,775.7	–	–	
Amounts due from associates	93.6	0.1	–	1.2	94.9	(0.6)	0.5	
Amount due from a joint venture	–	–	13.8	–	13.8	(0.5)	1.9	
Derivative assets	562.0	–	–	–	562.0	–	–	
	3,896.4	70.9	13.8	65.7	4,046.8	3.0	11.0	

38. FINANCIAL INSTRUMENTS (continued)

38.4 Credit risk (continued)

38.4.2 Credit risk exposures and concentration (continued)

	Not Past due			Past due	Total	Impairment charged/ (reversed) in reporting period	Impairment losses at end of reporting period				
<i>In RM million</i>	Strong	Medium	Weak								
Company											
2020											
Cash and bank balances	103.5	–	–	–	103.5	–	–				
Other investments	3.3	–	–	–	3.3	–	–				
Amounts due from subsidiaries	985.0	–	–	–	985.0	(0.4)	49.7				
Amount due from a joint venture	–	–	13.0	–	13.0	–	1.9				
Derivative assets	378.1	–	–	–	378.1	–	–				
	1,469.9	–	13.0	–	1,482.9	(0.4)	51.6				
2019											
Cash and bank balances	16.5	–	–	–	16.5	–	–				
Deposits with financial institutions	210.2	–	–	–	210.2	–	–				
Other investments	4.3	–	–	–	4.3	–	–				
Amounts due from subsidiaries	1,262.5	–	–	–	1,262.5	11.0	50.1				
Amount due from a joint venture	–	–	13.8	–	13.8	(0.5)	1.9				
Derivative assets	346.4	–	–	–	346.4	–	–				
	1,839.9	–	13.8	–	1,853.7	10.5	52.0				

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

Strong = Strong financial standing, low probability of default

Medium = Low to moderate risk default

Weak = Weak financial standing, history of past due

Notes to the Financial Statements

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:

<i>In RM million</i>	Current	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	>120 days	Credit impaired	Total	Estimated fair values of collateral and credit enhancement held
Group									
2020									
Trade receivables									
Gross receivables	323.0	269.8	3.9	0.1	0.4	6.2	0.1	603.5	106.9
Impairment losses	(2.7)	(2.1)	(0.1)	–	–	(5.0)	(0.1)	(10.0)	–
	320.3	267.7	3.8	0.1	0.4	1.2	–	593.5	106.9
Amount due from associates (Trade)									
Gross receivables	24.0	88.2	–	–	–	–	–	112.2	–
Impairment losses	(0.2)	(0.7)	–	–	–	–	–	(0.9)	–
	23.8	87.5	–	–	–	–	–	111.3	–
2019									
Trade receivables									
Gross receivables	499.3	38.7	7.9	0.6	0.2	6.6	0.1	553.4	91.1
Impairment losses	(2.6)	(0.2)	(0.5)	(0.2)	–	(5.0)	(0.1)	(8.6)	–
	496.7	38.5	7.4	0.4	0.2	1.6	–	544.8	91.1
Amount due from associates (Trade)									
Gross receivables	93.6	1.3	–	–	–	–	–	94.9	–
Impairment losses	(0.5)	–	–	–	–	–	–	(0.5)	–
	93.1	1.3	–	–	–	–	–	94.4	–

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								
2020								
Malaysia	11.6	10	125.6	17	17.6	59	154.8	17
Europe	–	–	223.0	30	–	–	223.0	25
Asia (excluding Malaysia)	104.5	90	274.1	37	12.3	41	390.9	44
Middle East & North Africa	–	–	78.4	10	–	–	78.4	9
Others	–	–	46.3	6	–	–	46.3	5
	116.1	100	747.4	100	29.9	100	893.4	100
2019								
Malaysia	7.1	9	154.9	22	17.5	98	179.5	22
Europe	–	–	187.0	26	–	–	187.0	23
Asia (excluding Malaysia)	72.1	91	296.9	41	0.3	2	369.3	45
Middle East & North Africa	–	–	47.0	6	–	–	47.0	6
Others	–	–	34.2	5	–	–	34.2	4
	79.2	100	720.0	100	17.8	100	817.0	100
					Company			
					2020		2019	
<i>In RM million</i>					Amount	%	Amount	%
Malaysia			206.1		20		419.5	33
Asia (excluding Malaysia)			743.6		75		855.7	67
Central and Eastern Europe			48.3		5		1.1	–
			998.0		100		1,276.3	100

Notes to the Financial Statements

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.

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						
2020						
Financial liabilities						
Trade and other payables	601.3	–	–	–	–	601.3
Borrowings	1,098.5	3,205.2	104.7	103.0	1,317.5	5,828.9
Lease liabilities	7.4	6.8	5.3	4.5	97.5	121.5
Amounts due to associates	19.5	–	–	–	–	19.5
Derivative liabilities – net settlement	203.0	6.9	–	–	–	209.9
	1,929.7	3,218.9	110.0	107.5	1,415.0	6,781.1
2019						
Financial liabilities						
Trade and other payables	543.6	–	–	–	–	543.6
Borrowings	593.1	748.0	3,100.8	101.4	1,380.1	5,923.4
Lease liabilities	6.9	4.5	3.2	42.9	70.7	128.2
Amounts due to associates	36.5	–	–	–	–	36.5
Derivative liabilities – net settlement	149.5	–	30.3	–	–	179.8
	1,329.6	752.5	3,134.3	144.3	1,450.8	6,811.5

Notes to the Financial Statements

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						
2020						
Financial liabilities						
Other payables	83.3	–	–	–	–	83.3
Borrowings	496.4	244.8	67.9	66.0	–	875.1
Amounts due to subsidiaries	93.0	268.0	567.2	182.1	1,274.4	2,384.7
Derivative liabilities – net settlement	131.1	6.9	–	–	–	138.0
	803.8	519.7	635.1	248.1	1,274.4	3,481.1
2019						
Financial liabilities						
Other payables	88.5	–	–	–	–	88.5
Borrowings	144.2	243.1	236.8	65.7	63.8	753.6
Amounts due to subsidiaries	280.9	69.3	69.3	67.2	1,919.3	2,406.0
Derivative liabilities – net settlement	126.7	–	30.3	–	–	157.0
	640.3	312.4	336.4	132.9	1,983.1	3,405.1

- i. The Group and the Company maintain a level of cash and cash equivalents and banking facilities that is adequate to meet its financial liabilities and obligations maturing in the next twelve (12) months; and
- ii. Financial liabilities contractual maturity periods exceeding twelve (12) months are within comfortable levels, and should be well covered by its annual free cash flow to be generated from its operations.

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).

<i>In RM million</i>	Fair value of financial instruments carried at fair value			
	Hierarchy of the underlying variable input used in measuring fair valuation			Total
	Level 1	Level 2	Level 3	
Group				
2020				
Derivatives				
Forward foreign exchange contracts	–	1.2	–	1.2
Commodity forward contracts	–	34.9	–	34.9
Commodity futures	6.8	–	–	6.8
Cross currency swap contracts	–	94.9	–	94.9
Interest rate swap contracts	–	(10.4)	–	(10.4)
Put option	–	–	377.5	377.5
Call option	–	–	(124.2)	(124.2)
Equity based				
Other investments	69.8	–	8.5	78.3
Short term funds	1,536.7	–	–	1,536.7
	1,613.3	120.6	261.8	1,995.7

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			
In RM million	Hierarchy of the underlying variable input used in measuring fair valuation			Total
	Level 1	Level 2	Level 3	
Group				
2019				
Derivatives				
Forward foreign exchange contracts	–	2.3	–	2.3
Commodity forward contracts	–	38.2	–	38.2
Commodity futures	(2.0)	–	–	(2.0)
Cross currency swap contracts	–	125.2	–	125.2
Interest rate swap contracts	–	(1.2)	–	(1.2)
Put option	–	–	346.4	346.4
Call option	–	–	(126.7)	(126.7)
Equity based				
Other investments	60.6	–	8.6	69.2
Short term funds	1,775.7	–	–	1,775.7
	1,834.3	164.5	228.3	2,227.1

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				
2020				
Derivatives				
Cross currency swap contracts	–	(2.8)	–	(2.8)
Interest rate swap contracts	–	(10.4)	–	(10.4)
Put option	–	–	377.5	377.5
Call option	–	–	(124.2)	(124.2)
Equity based				
Other investments	3.3	–	–	3.3
	3.3	(13.2)	253.3	243.4

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	
Company				
2019				
Derivatives				
Cross currency swap contracts	–	(29.1)	–	(29.1)
Interest rate swap contracts	–	(1.2)	–	(1.2)
Put option	–	–	346.4	346.4
Call option	–	–	(126.7)	(126.7)
Equity based				
Other investments	4.3	–	–	4.3
	4.3	(30.3)	219.7	193.7

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

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Financial assets/liabilities designated at fair value through profit or loss				
At beginning of financial year	228.3	184.3	219.7	176.0
Net fair value gain recognised in profit or loss	33.5	44.0	33.6	43.7
At end of financial year	261.8	228.3	253.3	219.7

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS (continued)

38.6 Fair values (continued)

Fair value hierarchy (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 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 value 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.
- iv. 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, including the effects of COVID-19 pandemic.
- v. 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, including the effects of COVID-19 pandemic. The key assumptions in estimating the fair values include expected underlying share price of Lodders, expected exercise 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 RM15.9 million (2019 – RM17.8 million) or increased by approximately RM16.7 million (2019 – RM18.4 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 RM0.4 million (2019 – decreased by approximately RM0.4 million) and decreased by approximately RM0.9 million (2019 – increased by approximately RM0.2 million) respectively.

- vi. 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.

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				
2020				
Trade and other receivables, excluded deposits and prepayments	758.2	—	—	758.2
Amounts due from associates	111.3	—	—	111.3
Amount due from a joint venture	11.1	—	—	11.1
Derivative assets	—	590.0	0.6	590.6
Other investments	—	78.3	—	78.3
Short term funds	—	1,536.7	—	1,536.7
Deposits with financial institutions	3.3	—	—	3.3
Cash and bank balances	773.0	—	—	773.0
	1,656.9	2,205.0	0.6	3,862.5
2019				
Trade and other receivables, excluded deposits and prepayments	699.7	—	—	699.7
Amounts due from associates	94.4	—	—	94.4
Amount due from a joint venture	11.9	—	—	11.9
Derivative assets	—	562.0	—	562.0
Other investments	—	69.2	—	69.2
Short term funds	—	1,775.7	—	1,775.7
Deposits with financial institutions	302.6	—	—	302.6
Cash and bank balances	520.3	—	—	520.3
	1,628.9	2,406.9	—	4,035.8

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	Fair value through other comprehensive income	Total
Group				
Financial liabilities				
2020				
Borrowings	4,926.7	–	–	4,926.7
Lease liabilities	46.8	–	–	46.8
Trade and other payables	601.3	–	–	601.3
Amounts due to associates	19.5	–	–	19.5
Derivative liabilities	–	206.5	3.4	209.9
	5,594.3	206.5	3.4	5,804.2
2019				
Borrowings	4,860.6	–	–	4,860.6
Lease liabilities	45.1	–	–	45.1
Trade and other payables	543.6	–	–	543.6
Amounts due to associates	34.6	–	–	34.6
Derivative liabilities	–	150.7	29.1	179.8
	5,483.9	150.7	29.1	5,663.7

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			
2020			
Amounts due from subsidiaries	935.3	–	935.3
Amount due from a joint venture	11.1	–	11.1
Derivative assets	–	378.1	378.1
Other investments	–	3.3	3.3
Cash and bank balances	103.5	–	103.5
	1,049.9	381.4	1,431.3
2019			
Amounts due from subsidiaries	1,212.4	–	1,212.4
Amount due from a joint venture	11.9	–	11.9
Derivative assets	–	346.4	346.4
Other investments	–	4.3	4.3
Deposits with financial institutions	210.2	–	210.2
Cash and bank balances	16.5	–	16.5
	1,451.0	350.7	1,801.7
Financial liabilities			
2020			
Borrowings	840.6	–	840.6
Other payables	83.3	–	83.3
Amounts due to subsidiaries	1,637.0	–	1,637.0
Derivative liabilities	–	138.0	138.0
	2,560.9	138.0	2,698.9
2019			
Borrowings	704.0	–	704.0
Other payables	88.5	–	88.5
Amounts due to subsidiaries	1,603.4	–	1,603.4
Derivative liabilities	–	157.0	157.0
	2,395.9	157.0	2,552.9

Notes to the Financial Statements

39. COMMITMENTS

39.1 Capital Commitments

<i>In RM million</i>	Group		Company	
	2020	2019	2020	2019
Authorised capital expenditure not provided for in the financial statements				
Additions of property, plant and equipment				
– Contracted	154.8	87.3	–	–
– Not contracted	222.0	342.7	–	0.1
Additions of intangible assets				
– Contracted	4.1	16.3	–	–

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. CONTINGENT LIABILITIES

On 12 September 2017, the Company had entered into a share purchase agreement (“SPA”) with Koninklijke Bunge B.V. (“Bunge”) for the disposal of its 70% equity interest held in Loders Croklaan Group B.V.. The said disposal was completed on 1 March 2018. Bunge subsequently made purported direct claims amounting to EUR23.3 million via Notices of Indemnification dated 14 December 2018, 28 January 2019 and 29 August 2019 against the Company (“Purported Direct Claims”), alleging that the Company had breached certain warranties and covenants under the SPA.

The Company denies the Purported Direct Claims and has commenced assessment of the validity of Purported Direct Claims, whilst holding preliminary discussions with Bunge. Based on the information given, the Company’s external counsel has opined that the Company has a fair chance of success in opposing the Purported Direct Claims. As at the date of these financial statements, the Directors are of the view that material losses will not likely to arise in respect of the Purported Direct Claims.

41. FINANCIAL REPORTING UPDATES

41.1 IFRIC Agenda Decision – An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee (“IFRIC”) issue a final agenda decision on 26 November 2019 regarding “Lease term and useful life of leasehold improvement (IFRS 16 and IAS 16)”.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 30 June 2020.

42. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the 2019 Novel Coronavirus infection (“COVID-19”) a global pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order (“MCO”) effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic. The MCO was subsequently extended until 12 May 2020, followed by Conditional MCO until 9 June 2020 and then, Recovery MCO until 31 August 2020, which has now been further extended until 31 December 2020.

Whilst the MCO, Conditional MCO and Recovery MCO were imposed, the Group was able to continue its operations as the palm oil industry is considered an essential sector. Its plantations and mills have operated in compliance with the standard operating procedures and directives issued by the Government of Malaysia throughout the period. As for the resource-based manufacturing segment of the Group, the performance for oleochemical sub-segment was adversely affected by higher palm oil price, which has resulted in lower margins. During the COVID-19 pandemic period, the higher demand from personal hygiene and pharmaceutical sectors were able to offset the lower demand from other sectors such as automotive and plastics. On the other hand, the specialty fats sub-segment, which comprises Bunge Loders, an associate of the Group, was affected by the lower sales volume in Europe and parts of Asia and there was also a one-off debt write-off in the European operation.

Overall, there is no significant impact arising from the COVID-19 pandemic to the Group at this juncture.

Based on the assessment of the Group, the judgements and assumptions used in the preparation of the financial statements for the financial year ended 30 June 2020 has not been impacted significantly by the COVID-19 pandemic. The Group will continue to assess the impact of the COVID-19 pandemic on the financial statements of the Group for the financial year ending 30 June 2021.

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and uncertain. The Group will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic. Nevertheless, with the Group’s past focus on cost efficiency, strong cash position and the resilient fundamentals of its palm oil business, the Group expects to sustain its operational and financial performance for the financial year ending 30 June 2021.

43. COMPARATIVES

The presentation and classification of items in the current year’s financial statement have been consistent with the previous financial year except for comparative amounts in relation to right-of-use assets, which have been reclassified to property, plant and equipment to conform to the current year’s presentation.

Notes to the Financial Statements

44. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

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

	Effective Group Interest		
Name of Company	2020	2019	Principal Activities
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

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

	Effective Group Interest		
Name of Company	2020	2019	Principal Activities
Direct Subsidiaries (continued)			
Plantation (continued)			
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
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 in Singapore)	100.0%	100.0%	Investment holding
Oakridge Investments Pte Ltd * (Incorporated in Singapore)	100.0%	100.0%	Investment holding
Oleander Capital Resources Pte Ltd * (Incorporated 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 ^

Notes to the Financial Statements

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

	Effective Group Interest		
Name of Company	2020	2019	Principal Activities
Direct Subsidiaries (continued)			
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 activities of palm oil related product, 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
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 (Incorporated in the Federal Territory of Labuan)	100.0%	100.0%	Issuance of Exchangeable Bonds
IOI Ventures (L) Berhad (Incorporated in the Federal Territory of Labuan)	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 ^
Kean Ko Sdn Bhd (In the progress of striking off under Section 550 of the Companies Act 2016)	100.0%	100.0%	Ceased operations
IOI Palm Wood Sdn Bhd (Formerly known as Palmco Plantations Sendirian Berhad)	100.0%	100.0%	Cultivation of oil palm ^

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

	Effective Group Interest		
Name of Company	2020	2019	Principal Activities
Indirect Subsidiaries			
Plantation			
Subsidiary of B. A. Plantations Sdn Bhd			
Kesan Jadi Sdn Bhd	100.0%	100.0%	Investment holding ^
Subsidiaries of Mayvin (Sabah) Sdn Bhd			
Sri Mayvin Plantation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Deramakot Plantations Sdn Bhd (In the progress of striking off under Section 550 of the Companies Act 2016)	100.0%	100.0%	Ceased operations
Ladang Mayvin Sdn Bhd (In the progress of striking off under Section 550 of the Companies Act 2016)	100.0%	100.0%	Ceased operations
Mowtas Plantations Sdn Bhd (In the progress of striking off under Section 550 of the Companies Act 2016)	100.0%	100.0%	Ceased operations
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 ^
Priceland Plantation 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 ^
Subsidiaries of Mayvin Incorporated Sdn Bhd			
Gamore Corporation Sdn Bhd	100.0%	100.0%	Cultivation of oil palm
Vantage Wealth Sdn Bhd	100.0%	100.0%	Investment holding ^
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

Notes to the Financial Statements

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

	Effective Group Interest		
Name of Company	2020	2019	Principal Activities
Indirect Subsidiaries (continued)			
Plantation (continued)			
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 Berkas Agro Sawitindo ^{#@} (Incorporated in the Republic of Indonesia)	95.0%	75.9%	Management consulting services and investment holding
PT Sawit Nabati Agro ^{#@} (Incorporated in the Republic of Indonesia)	95.0%	75.9%	Management consulting services and investment holding
Subsidiaries of PT Sawit Nabati Agro			
PT Bumi Sawit Sejahtera ^{#@} (Incorporated in the Republic of Indonesia)	95.0%	75.9%	Cultivation of oil palm
PT Berkas Nabati Sejahtera ^{#@} (Incorporated in the Republic of Indonesia)	90.3%	72.2%	Cultivation of oil palm
PT Kalimantan Prima Agro Mandiri ^{#@} (Incorporated in the Republic of Indonesia)	95.0%	75.9%	Cultivation of oil palm
PT Sukses Karya Sawit ^{#@} (Incorporated in the Republic of Indonesia)	90.3%	72.2%	Cultivation of oil palm
PT Ketapang Sawit Lestari ^{#@} (Incorporated in the Republic of Indonesia)	95.0%	75.9%	Cultivation of oil palm ^
Subsidiaries of IOI Plantation Sdn Bhd			
Unico-Desa Plantations Berhad	100.0%	100.0%	Cultivation of oil palm, processing of palm oil 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

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

	Effective Group Interest		
Name of Company	2020	2019	Principal Activities
Indirect Subsidiaries (continued)			
Plantation (continued)			
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
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 * (Incorporated in Germany)	100.0%	100.0%	Manufacture and sale of oleochemical specialty products
Acidchem (USA) Inc * (Incorporated in United States of America)	100.0%	100.0%	Trading in fatty acids and glycerine
IOI Oleo (Europe) ApS * (Incorporated in Denmark)	100.0%	100.0%	Carrying out registration of oleochemical products of European Union registration, trading and distribution of oleochemical products

Notes to the Financial Statements

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

	Effective Group Interest		
Name of Company	2020	2019	Principal Activities
Indirect Subsidiaries (continued)			
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 * (Incorporated in Hong Kong)	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 ^
Subsidiaries of Palmco International (HK) Limited			
Palmco Engineering Limited * (Incorporated in Hong Kong)	100.0%	100.0%	Investment holding
Acidchem (Singapore) Pte Ltd * (Incorporated in Singapore)	100.0%	100.0%	Investment holding ^
Subsidiary of Palmco Engineering Limited			
Tianjin Palmco Oil And Fats Co. Ltd * (Incorporated in the People's Republic of China)	—	100.0%	Dormant
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.

+ Disposed for a consideration of RM11.3 million, which resulted in a gain on disposal of subsidiary amounting to RM10.5 million recognised by the Group during the financial year.

@ On 13 November 2019, Oleander Capital Resources Pte. Ltd., a wholly-owned subsidiary of the Company had entered into a Sale and Purchase Agreement to acquire 700 ordinary shares in both PT Sawit Nabati Agro and PT Berkat Agro Sawitindo respectively, at a purchase consideration of IDR701 million (equivalent to approximately RM0.2 million).

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

	Effective Group Interest		
Name of Company	2020	2019	Principal Activities
Associates			
<i>Plantation</i>			
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 in Singapore)</i>	32.1%	32.0%	Investment holding
<i>Resource-based Manufacturing</i>			
Bunge Loders Croklaan Group B.V. <i>(Incorporated 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			
<i>Resource-based Manufacturing</i>			
Adeka Foods (Asia) Sdn Bhd	40.0%	40.0%	Manufacturing of margarine, shortening and fat spreads

45. AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2020 were authorised for issue by the Board of Directors on 15 September 2020.

Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 11 to 123 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 2020 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
15 September 2020

Statutory Declaration

I, Lee Tuan Meng (CA 7027) 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 11 to 123 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 15 September 2020)

Lee Tuan Meng

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 2020 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 11 to 123.

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 2020, 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 RM210.1 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 revenues and profit margins, as well as determining an appropriate pre-tax discount rate and growth rates, and including the effects of COVID-19 pandemic.

Independent Auditors' Report to the members of IOI Corporation Berhad (Incorporated in Malaysia)

Key Audit Matters (continued)

(a) Impairment assessment of the carrying amounts of goodwill (continued)

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.

(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. ("Loders") in the previous financial years as further disclosed in Note 18(v) to the financial statements.

As at 30 June 2020, the total derivative financial instruments of the Group and of the Company that were carried at fair value comprised financial assets of RM590.6 million and RM378.1 million and financial liabilities of RM209.9 million and RM138.0 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, including the effects of COVID-19 pandemic. 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 Loders, expected exercise 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 management 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, 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 errors.

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.

Independent Auditors' Report to the members of IOI Corporation Berhad (Incorporated in Malaysia)

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

- (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.

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 44 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
LLP0018825-LCA & AF 0206
Chartered Accountants

Kuala Lumpur
15 September 2020

Tang Seng Choon
02011/12/2021 J
Chartered Accountant

POISED & FUTURE-READY

Poised & Future-Ready, IOI is resolute and committed to reach further heights as a global integrated palm oil player. This year's cover depicts our future-ready focus through unfurling wings that depict the Group's steady progression anchored by global aspirations at the core.

IOI's palm oil supply chain extends across the top horizon through icons that depict upstream to downstream business activities.

The Group's long-term business strategies ensure resilience, growth and a sustainable future through continued improvements in Research & Development ("R&D"), Plantation, Refinery, Oleochemical and Renewable Energy.

Corporate blue tones are used to reflect synergy unleashed across all business operations.

Together the left and right wings represent the pairing of this Annual Report with a corresponding Sustainability Report, forming our Integrated Report for the year.



IOI CORPORATION BERHAD

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