

# 2011

ANNUAL REPORT

**NEGRI SEMBILAN OIL PALMS BERHAD**

(Company No. 592-D)

(Incorporated in Malaysia)

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**FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR****FINANCIAL HIGHLIGHTS - GROUP**

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	113,165	86,612
Profit before tax	54,240	40,166
Income tax expense	(13,087)	(10,244)
Profit net of tax	41,153	29,922
Profit net of tax attributable to owners of the parent	33,317	25,650
Profit net of tax attributable to non-controlling interest	7,836	4,272
Dividends	22,114	16,848
Issued and paid-up share capital	70,202	70,202
Equity attributable to owners of the parent	377,343	317,522
Earnings per stock unit		
- Basic	47.46 sen	36.54 sen
- Diluted	47.46 sen	36.54 sen
Dividends		
- First interim dividend	18 % less 25% taxation	15 % less 25% taxation
- Second interim dividend	24 % less 25% taxation	17 % less 25% taxation
Dividend cover (times)	1.51	1.52
Net assets per stock unit attributable to owners of the parent	RM5.38	RM4.52

**FINANCIAL CALENDAR**

Financial year	1 January 2011 to 31 December 2011
Announcement of results	
First financial quarter ended 31 March 2011	27 May 2011
Second financial quarter ended 30 June 2011	26 August 2011
Third financial quarter ended 30 September 2011	25 November 2011
Fourth financial quarter ended 31 December 2011	29 February 2012
Dividends payment	
First interim	30 June 2011
Second interim	30 December 2011
Despatch of 2011 Annual Report	31 May 2012
Eightieth Annual General Meeting	22 June 2012

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Eightieth Annual General Meeting of the Company will be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Friday, 22 June 2012 at 10.30 am for the following purposes: -

1. To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 December 2011 and the Independent Auditors' Report thereon. (Resolution 1)
2. To approve the directors' fees for the financial year ended 31 December 2011 and to authorise the directors to divide such fees in the proportions and manner to be determined by them. (Resolution 2)
3. To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -
  - (i) Mr Goh Yeok Beng (Resolution 3)
  - (ii) Mr Sio Sit Po (Resolution 4)
4. To re-elect the following director retiring under Article 97 of the Articles of Association of the Company: -
  - (i) Mr Gho Eng Liong (Resolution 5)
5. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965: -
  - (i) "That Mr Goh Eng Chew, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 6)
  - (ii) "That Mr Wong Aun Phui, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 7)
  - (iii) "That Dato' Ong Bok Lim, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 8)
  - (iv) "That Mr Goh Pock Ai, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 9)
6. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 10)
7. As special business, to consider and if thought fit, pass the following ordinary resolutions: -

Proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties (Resolution 11 & 12)

The text of the above resolutions together with the details of the proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties are set out in the Circular to Shareholders dated 31 May 2012.
8. To transact any other ordinary business of the Company of which proper notice shall have been given to the Company.

By Order of the Board

Gan Kok Tiong  
Company Secretary

Kuala Lumpur  
31 May 2012

**NOTES:**

1. A depositor shall not be regarded as a member entitled to attend this Meeting and to speak and vote thereat unless his/her name appears in the Record of Depositors as at 15 June 2012 (which is not less than 3 market days before the date of this Meeting) issued by Bursa Depository Sdn Bhd ("Bursa Depository") upon request by the Company in accordance with the rules of the Bursa Depository.
2. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
3. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
4. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
5. For Item 7, further information are set out in the Circular to Shareholders dated 31 May 2012 which is despatched together with the 2011 Annual Report.

**STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

Further details of directors who are standing for re-election and re-appointment at the Eightieth Annual General Meeting:-

- (a) Goh Yeok Beng - Retiring pursuant to Article 94 of the Articles of Association  
Refer to page 7 for further details and pages 81 and 82 for his shareholdings in the Company and the subsidiaries.
- (b) Sio Sit Po - Retiring pursuant to Article 94 of the Articles of Association  
Refer to page 6 for further details and pages 81 and 82 for his shareholdings in the Company and the subsidiaries.
- (c) Gho Eng Liong - Retiring pursuant to Article 97 of the Articles of Association  
Refer to page 6 for further details and pages 81 and 82 for his shareholdings in the Company and the subsidiaries..
- (d) Goh Eng Chew - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 5 for further details and pages 81 and 82 for his shareholdings in the Company and the subsidiaries.
- (e) Wong Aun Phui - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 5 for further details and pages 81 and 82 for his shareholdings in the Company and the subsidiaries.
- (f) Dato' Ong Bok Lim - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 6 for further details and pages 81 and 82 for his shareholdings in the Company and the subsidiaries.
- (g) Goh Pock Ai - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 5 for further details and pages 81 and 82 for his shareholdings in the Company and the subsidiaries.

**CORPORATE INFORMATION****BOARD OF DIRECTORS****Executive Chairman  
(Non-Independent)**

Goh Eng Chew

**Executive Directors  
(Non-Independent)**Goh Pock Ai  
Wong Aun Phui  
Goh Wei Lei**Non-Executive Directors  
(Independent)**Sio Sit Po  
Dato' Ong Bok Lim  
Keong Choon Keat  
Gho Eng Liong**Non-Executive Directors  
(Non-Independent)**Goh Yeok Beng  
Gho Lian Chin  
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong**Alternate Director**

Gho Bun Tjin (alternate to Gho Lian Chin)

**AUDIT COMMITTEE****Chairman  
Members**Keong Choon Keat  
Dato' Ong Bok Lim  
Sio Sit Po**NOMINATION COMMITTEE &  
REMUNERATION COMMITTEE****Chairman  
Members**Gho Lian Chin  
Dato' Ong Bok Lim  
Keong Choon Keat  
Gho Eng Liong**COMPANY SECRETARY**

Gan Kok Tiong B.Commerce (Accounting)(Hons.), CA(M), CPA

**REGISTERED OFFICE**Suite 2B-3A-2  
Block 2B, Level 3A, Plaza Sentral  
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur  
Telephone: 03-2261 4633  
Fax: 03-2261 4733**AUDITORS**Ernst & Young  
Chartered Accountants  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur**SHARE REGISTRAR AND  
MANAGING AGENT**Sin Thye Management Sdn Bhd  
Suite 2B-3A-2  
Block 2B, Level 3A, Plaza Sentral  
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur  
Telephone: 03-2261 4633  
Fax: 03-2261 4733**LEGAL FORM AND DOMICILE**Public Limited Liability Company  
Incorporated and Domiciled in Malaysia**WEBSITE**[www.nsop.com.my](http://www.nsop.com.my)**STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia Securities Berhad

## PROFILE OF DIRECTORS

### Goh Eng Chew (Executive Chairman)

80-year-old Mr Goh, a Singaporean, has more than forty years of plantation and financial experience. Appointed to the Board on 17 July 1968. He later served as Chairman from 17 December 1994. He was appointed as the Executive Chairman on 20 December 2000. He had been Chairman of a licensed commercial bank, a licensed finance company and a real estate company, all of which were formerly listed in Singapore. He is also the Executive Chairman of Chin Teck Plantations Berhad. Other public companies in which he heads the Board are Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 86 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the father of Goh Wei Lei.

Number of Board meetings attended during the financial year ended 31 December 2011: 4 out of 4

### Goh Pock Ai (Senior Executive Director)

71 years of age, Singaporean. Appointed to the Board on 15 May 1971. He later served as Senior Executive Director from 1 June 2008. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 86 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong.

Number of Board meetings attended during the financial year ended 31 December 2011: 4 out of 4

### Wong Aun Phui (Executive Director)

90 years of age, Malaysian. Has more than fifty years of plantation and banking experience. Appointed to the Board on 15 July 1968. He was conferred Senior Cambridge Certificate by Cambridge University. He had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan Finance Limited and Adviser of Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad). Formerly, Chairman of Bandar Raya Development Berhad. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Pan Malaysia Corporation Berhad. He is deemed interested in certain related party transactions as disclosed on page 86 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2011: 4 out of 4

### Goh Wei Lei (Executive Director)

43 years of age, Singaporean. He was first appointed as an alternate director on 29 March 1994. He ceased as alternate director on 12 March 1996 and was appointed as a director on that date. He was later appointed as Executive Director on 1 June 2008. Holds a Bachelor of Science from the Oregon State University, USA. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 86 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the son of Goh Eng Chew.

Number of Board meetings attended during the financial year ended 31 December 2011: 4 out of 4

## PROFILE OF DIRECTORS

### **Sio Sit Po (Independent Non-Executive Director)**

63 years of age, Singaporean. He was first appointed as an alternate director on 16 June 1995 and ceased as alternate director on 10 January 1997. Subsequently, he was appointed as a director on 3 February 1997. He is a member of the Audit Committee. Holds a Bachelor of Science (Hons) from the Nanyang University, Singapore. Worked in a licensed commercial bank listed in Singapore since graduation till 1999. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on page 86 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2011: 4 out of 4

### **Dato' Ong Bok Lim (Independent Non-Executive Director)**

74 years of age, Malaysian. Appointed to the Board on 31 May 1997. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He has vast experience and knowledge in the oil palm plantation industry. He is also a director of Eng Thye Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2011: 4 out of 4

### **Keong Choon Keat (Independent Non-Executive Director)**

67 years of age, Malaysian. Appointed to the Board on 21 May 2001. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales. Attached to Bristol Myers & Company Ltd, England as an Accountant in 1968 and left to join Malaysian Tobacco Company Bhd as an Accountant in 1969. From 1974 to 1999, he was attached to UMW Holdings Bhd where he held various management positions from General Manager to Director, Group Accounts before being promoted to the position of an Executive Director in 1988. Upon retirement in 1999, he joined a consultancy firm providing outplacement and career management consultancy services in Malaysia. Other public companies in which he is a director are JT International Berhad, Chin Teck Plantations Berhad and Crest Builder Holdings Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2011: 4 out of 4

### **Gho Eng Liong (Independent Non-Executive Director)**

52 years of age, Malaysian. Appointed to the Board on 25 November 2011. He is a member of the Nomination Committee and Remuneration Committee. Holds a Bachelor of Science, Mechanical Engineering, from The Pennsylvania State University, State College, Pennsylvania, USA. Since graduation, he worked as Project Development Engineer with National Iron & Steel Mills, Singapore, as Section Head, Mechanical Maintenance with Matsushita Denshi, Singapore, as Manufacturing Engineer with General Motors, Singapore, as Packaging Development Engineer with AT&T Microelectronics, Singapore and as Sales Manager with Kestronics (S) Pte Ltd. Presently, he is managing his own business. Other public company in which he is a director is Eng Thye Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meeting attended during the financial year ended 31 December 2011: Not Applicable. (No Board meetings were held during the period subsequent to his appointment to 31 December 2011)

## PROFILE OF DIRECTORS

### **Goh Yeok Beng (Non-Independent Non-Executive Director)**

63 years of age, Singaporean. Appointed to the Board on 4 August 1982. He has vast experience and extensive knowledge in the oil palm plantation industry and rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (Executive Director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 86 of the Annual Report. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2011: 4 out of 4

### **Gho Lian Chin (Non-Independent Non-Executive Director)**

64 years of age, Singaporean. Appointed to the Board on 13 July 1995. Holds a Bachelor of Science from the University of Melbourne, Australia. He is the Chairman of the Nomination Committee and Remuneration Committee. He worked in a licensed commercial bank listed in Singapore as its representative in a foreign country. Subsequently, he was engaged to manage the property division of the bank. He was also formerly a director of a licensed finance company and a real estate company both of which were listed in Singapore. He has extensive experience and knowledge in the rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 86 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Bun Tjin.

Number of Board meetings attended during the financial year ended 31 December 2011: 4 out of 4

### **Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Non-Independent Non-Executive Director)**

65 years of age, Singaporean. He was first appointed as an alternate director on 22 April 1978. He ceased as alternate director on 29 December 1994 and was appointed as a director on that date. He later resigned as director on 29 February 1996. Subsequently, he was appointed as a director on 28 February 2006. Holds a Bachelor of Business from South Australian Institute of Technology. He has vast experience and extensive knowledge in banking and finance. Attached to DBS Bank Ltd as Senior Officer from 1973 to 1974 and left to join Tat Lee Bank Ltd from 1974 to 1998, during which time he held various positions; credit officer, sub-manager, manager, senior manager, executive director, deputy president and president (from 1995 to 1998). Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (alternate director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 86 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Pock Ai.

Number of Board meeting attended during the financial year ended 31 December 2011: 4 out of 4

### **Gho Bun Tjin (alternate to Gho Lian Chin)**

62 years of age, Singaporean. He was first appointed as an alternate director on 29 June 1979 and ceased as alternate director on 21 June 1995. Subsequently, he was appointed as alternate director of Gho Lian Chin on 8 September 1995. Holds a Bachelor of Science from the University of Waterloo, Canada. He worked for a short period in a licensed commercial bank listed in Singapore. He is now working in a commercial company overseeing the general management. Other public companies in which he is an alternate director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 86 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Lian Chin.

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Negri Sembilan Oil Palms Berhad, I take great pleasure in presenting the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2011.

During the financial year under review, the average selling price of crude palm oil was substantially higher when compared with the previous year due mainly to continued strong demand.

### Financial and operation review

Revenue for the financial year under review was RM113,164,789, an increase of 30.66% when compared with the previous financial year of RM86,612,276.

The average selling prices of ffb, crude palm oil and palm kernel were substantially higher when compared with those of the previous year.

Overall operating expenses increased by 10.96% to RM60,289,991 from RM54,333,105 due mainly to the payments of windfall profit levy as a result of the substantial increase in the average selling price of crude palm oil and increases in replanting expenses and purchase of ffb.

The Group recorded a positive contribution from the jointly controlled entity, Chin Thye Investment Pte Ltd, due to its share of the increase in fair value of biological assets.

Profit before tax, excluding the fair value adjustment of biological assets, increased by 69.16% from RM34,665,760 to RM58,639,729 due mainly to the substantial increases in the average selling prices of ffb, crude palm oil and palm kernel as compared with those of the previous year.

Fair value of biological assets in the financial year under review decreased by RM4,400,000 as compared with an increase of RM5,500,000 in the previous financial year. After taking into account of the fair value adjustment of biological assets, profit before tax for the financial year under review increased by 35.04% from RM40,165,760 to RM54,239,729.

Overall, profit net of tax for the financial year under review increased by 37.53% from RM29,922,223 to RM41,152,497 due to the reasons mentioned above.

Equity attributable to owners of the parent increased by 18.84% to RM377,342,657 from RM317,522,142 due mainly to the surplus arising from the revaluation of freehold and leasehold land.

Production of ffb increased by 3.95% to 131,985 m/t. However, purchase of ffb decreased by 2.33% to 16,622 m/t. Production of crude palm oil increased by 6.65% to 22,217 m/t and production of palm kernel increased by 6.09% to 5,892 m/t.

The overall average oil and kernel extraction rates of the mills are 19.36% and 5.13% respectively.

Approximately 44.84% of the mature palms are more than 20 years of age. During the financial year under review, an additional 396 hectares of old and low yield palms were replanted. Replanting of approximately 317 hectares of old and low yield palms will take place during the financial year ending 31 December 2012.

### Dividends

Total gross dividends of 42% in respect of the financial year ended 31 December 2011 were paid during the financial year, i.e. a first interim dividend of 18% less 25% taxation was paid on 30 June 2011 and a second interim dividend of 24% less 25% taxation was paid on 30 December 2011. The total dividend payments for the financial year under review increased by 31.25% to RM22,113,618 from RM16,848,470

In view of the payment of the interim dividends, the Board do not recommend a final dividend in respect of the financial year ended 31 December 2011.

## CHAIRMAN'S STATEMENT

### Joint venture on oil palm plantation in Indonesia

As at 31 December 2011, approximately 2,213 hectares of land have been planted of which 315 hectares have attained maturity and the remaining 1,898 hectares are immature.

### Recurrent related party transactions

The Company announced on 11 May 2012 that it proposes to seek the approval of shareholders for the proposed renewal of the shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed renewal of shareholders' mandate and to seek the approval for the ordinary resolutions pertaining to the proposed renewal of shareholders' mandate is enclosed together with the Annual Report.

### Board Of Directors

Goh Beng Hwa @ Gho Bin Hoa, an Independent Non-Executive Director, resigned on 25 November 2011. The Board of Directors, would like to record its appreciation for his contribution during his tenure as a director of the Company since the date he was first appointed as a director on 1 November 1969.

The Board welcome Mr Gho Eng Liong, who was appointed as an Independent Non-Executive Director of the Company on 25 November 2011.

### Outlook for Year 2012

Since the end of the previous financial year, the selling price of crude palm oil has been volatile. Should this trend continue, it will affect the financial performance for the financial year ending 31 December 2012.

### Appreciation

On behalf of the Board of Directors, I would like to thank the management and staff for their diligence and commitment. Our suppliers and customers also deserve our thanks for their understanding and support. Lastly, I would like to thank our shareholders for their patience and support.

Goh Eng Chew  
Executive Chairman

18 May 2012

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

The Board of Directors is committed to ensure that a high standard of corporate governance is practised throughout the Group in discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board of Directors continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Malaysian Code on Corporate Governance ("the Code") wherever applicable in the best interests of the shareholders of the Company. The Board considers that it has generally applied the Principles of the Code and complied with the Best Practices of the Code to the extent described in this statement.

### 1. Directors

#### Board Responsibilities

The Board retains full and effective control of the Company and is responsible for the overall performance of the Company. It focuses mainly on strategies, performance and critical business issues and is responsible for the following: -

- Group's strategic plans
- Conduct of the Group's business
- Principal risks identification and their management
- Succession planning for senior management
- Shareholders communication policy
- Group's internal control system and management information system

#### Composition of the Board

The Board currently consists of eleven directors: -

- An Executive Chairman
- Three Executive Directors
- Four Independent Non-Executive Directors
- Three Non-Independent Non-Executive Directors

There is an alternate director on the Board.

The Executive Chairman and Executive Directors have vast experience and extensive knowledge in managing the Group's core business, plantations. The Non-Executive Directors have broad business and commercial experience. The Independent Directors are actively involved in various Board Committees and they provide independent assessment and opinion. The biographical details of the Board members are set out on pages 5 to 7 of the Annual Report.

The Executive Chairman functions both as Chairman of the Board and Executive Director. The Board is mindful of the combined roles but is comfortable that there is no undue risk involved as the Executive Directors will be informed and consulted before the Executive Chairman makes any significant decision and all major matters and issues are referred to the Board for considerations and approvals. The roles and contributions of Independent Directors also provide an element of objectivity, independent judgment and check and balance on the Board. Furthermore, all related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

### 1. Directors (cont'd.)

#### Composition of the Board (cont'd.)

The Executive Chairman, Goh Eng Chew, the Executive Directors, Goh Pock Ai and Goh Wei Lei, the three Non-Independent Non-Executive Directors, Goh Yeok Beng, Gho Lian Chin and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the alternate director, Gho Bun Tjin are directors and/or alternate director and/or shareholders of Tiong Thye Company Berhad, the largest shareholder of the Company holding 55.13% of the issued and paid-up share capital of the Company as at 30 April 2012. Their shareholdings in Tiong Thye Company Berhad are disclosed on page 83 of the Annual Report.

The Board considers that its complement of the Independent Non-Executive Directors and Non-Independent Non-Executive Directors provides an effective Board with a mix of general management, accounting and finance and business experience and fairly reflects the investment in the Company by shareholders. The Board complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two directors or one third of the Board, whichever is higher, to be independent directors.

All concerns regarding the Company can be conveyed to any one of the Directors. As such, the Board has not appointed a senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed.

The Board has established Board committees, which operate within the defined terms of reference. These committees are: -

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report on Audit Committee for the financial year ended 31 December 2011 is set out on pages 18 to 20 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out on pages 12 to 14 of the Annual Report.

The Board of Directors met four times during the financial year ended 31 December 2011. The Executive Chairman and the Executive Directors explained to the Board the rationale of the matters discussed and the implications on the Group. The Directors participated in the discussion and comments were considered before a decision was made.

The attendances of the Directors were as follows: -

Name	Number of Meetings Attended
Goh Eng Chew	4
Goh Pock Ai	4
Wong Aun Phui	4
Goh Wei Lei	4
Sio Sit Po	4
Dato' Ong Bok Lim	4
Keong Choon Keat	4
Gho Eng Liong	*
Goh Yeok Beng	4
Gho Lian Chin	4
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	4

\* No Board meetings were held during the period subsequent to his appointment to 31 December 2011.

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

### 1. Directors (cont'd.)

#### Supply of Information

Each Director receives monthly financial statements, which contain information on financial performance and plantation statistics.

Agenda of Board meeting and Board papers for each agenda item are sent to the directors prior to Board meeting. The Board papers include amongst others, quarterly financial results, performance of the estates, financial position of the Group and of the Company, the sales of crude palm oil and palm kernel, the market value of its quoted investments, summary of budget and capital expenditure, proposals for major acquisitions and disposals and corporate issues, if any.

Directors have access to information within the Group. Any comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors. Directors may also obtain independent professional advice when necessary.

Directors also have direct access to the services of the Company Secretary.

#### Appointments to the Board

The Nomination Committee was established on 21 May 2001. The members of the Nomination Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director

The duties and functions of the Nomination Committee are: -

- To propose new nominees for the Board and Board Committee
  - Recommend to the Board, candidates for directorships to be filled by the shareholders or the Board;
  - Consider, in making its recommendations, candidates for directorships proposed by the executive directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;
  - Recommend to the Board, directors to fill the seats on Board Committees
- to assess directors, including executive directors, on an on-going basis
- to annually review the required mix of skills and experience and core competencies of non-executive directors, effectiveness of the Board as a whole and the Board Committees

The Directors have direct access to the services of the Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other regulatory requirements.

One meeting of Nomination Committee were held during the financial year ended 31 December 2011. All members of the Nomination Committee attended the meetings.

#### Directors' Training

All Directors are required to attend the training programmes that are prescribed by Bursa Malaysia Securities Berhad from time to time.

All the Directors and alternate director had successfully attended the Mandatory Accreditation Programme ("MAP"). Gho Eng Liong, who was appointed as a director on 25 November 2011 attended the MAP subsequent to the financial year ended 31 December 2011.

The Directors and alternate director evaluated their own training needs on a continuous basis.

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

### 1. Directors (cont'd.)

#### Directors' Training (cont'd)

During the financial year ended 31 December 2011, the Directors and alternate director attended the following programmes: -

Name	Training programme	Duration
Goh Eng Chew	Art of war in the new business landscape	1/2 day
Goh Pock Ai	Art of war in the new business landscape	1/2 day
Wong Aun Phui	Art of war in the new business landscape	1/2 day
Goh Wei Lei	Art of war in the new business landscape	1/2 day
Sio Sit Po	Art of war in the new business landscape	1/2 day
Dato' Ong Bok Lim	Art of war in the new business landscape	1/2 day
Keong Choon Keat	Art of war in the new business landscape	3 1/2 days
	FRS workshops and industry related training	
Goh Yeok Beng	Art of war in the new business landscape	1/2 day
Gho Lian Chin	Art of war in the new business landscape	1/2 day
Goh Tju Kiang @	Art of war in the new business landscape	1/2 day
Gho Tju Kiang @		
Gho Tju Kiong		
Gho Eng Liong	Art of war in the new business landscape	1/2 day
Gho Bun Tjin	Art of war in the new business landscape	1/2 day

#### Re-election of Directors

In accordance with the Articles of Association of the Company, all Directors who are appointed by the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.

The Articles of Association of the Company provides that one-third of the Directors, or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office once at least every three years but shall be eligible for re-election.

Directors who are of or over the age of seventy years shall retire pursuant to Section 129 of the Companies Act, 1965 and shall be re-appointed under the provision of Section 129(6) of the said Act annually.

### 2. Directors' Remuneration

It is the Company's policy that the level of Directors' remuneration is sufficient to attract and retain the Directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the component parts of the remuneration are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The Remuneration Committee was established on 21 May 2001. The members of the Remuneration Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors. However, the determination of remuneration packages of directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration.

One meeting of Remuneration Committee was held during the financial year ended 31 December 2011. All members of the Remuneration Committee attended the meeting.

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

### 2. Directors' Remuneration (cont'd.)

The shareholders at the annual general meeting approve the annual fees payable to the Directors. The Company reimburse reasonable expenses incurred by the Directors in the course of their duties as Directors. The basic salary for each Executive Director takes into account the compensation practices of other comparable companies and the performance of each individual director. Salary will be reviewed annually (although not necessary increased). Appropriate adjustments will be made to reflect performance and increased responsibilities. Executive Directors are entitled to commission, which is dependent on the financial performance of the Company based on an established formula.

The details of the total Group's remuneration receivable by the Executive Directors and Non-Executive Directors of the Company for the financial year ended 31 December 2011 are as follows:-

	No. of Directors	Fees RM	Salaries RM	Commission RM	Other RM	Total RM
<b>Executive Directors</b>						
	1	58,000	276,000	338,077	20,000	692,077
	1	38,000	188,400	236,653	20,000	483,053
	1	40,000	180,000	236,653	20,000	476,653
	1	36,000	120,000	100,171	20,000	276,171
	4	172,000	764,400	911,554	80,000	1,927,954
<b>Non-Executive Directors</b>						
	1	29,000	84,000	88,241	15,000	216,241
	1	46,000	-	-	22,000	68,000
	1	36,500	-	-	21,000	57,500
	1	32,000	-	-	16,000	48,000
	1	31,500	-	-	16,500	48,000
	1	25,465	-	-	17,000	42,465
	1	18,000	-	-	10,000	28,000
	1	6,535	-	-	-	6,535
	8	225,000	84,000	88,241	117,500	514,741
		397,000	848,400	999,795	197,500	2,442,695

### 3. Shareholders

#### Dialogue between the Company and Investors

The annual and quarterly reports and the various mandatory announcements are the primary modes of communication to report on the Group's financial performance and operations and corporate developments. The annual reports are sent to shareholders. Shareholders and the members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing the websites of the Company and Bursa Malaysia Securities Berhad. It is not the practice of the Company to organise briefings sessions or investors forums for analysts and fund managers.

#### Annual General Meeting

The annual general meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and the Annual Report are despatched to shareholders. Notice of the Annual General Meeting is also published in a leading English newspaper. At the Annual General Meeting, shareholders have direct access to the Directors and are given the opportunity to ask questions during the question and answer session prior to the resolution to receive and adopt the audited annual financial statements and directors' report. Suggestions and comments by shareholders are noted by directors for consideration.

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

### 4. Accountability and Audit

#### Financial Reporting

In presenting the annual and quarterly financial statements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 31 of the Annual Report and the Statement explaining the Directors' responsibility for preparing the annual audited accounts pursuant to paragraph 15.27 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 22 of the Annual Report.

#### Internal Control

The Directors acknowledge their responsibilities for the Group's system of internal control, which has been designed to meet the Group's particular needs. The system of internal control is designed to manage risks to which the business of the Group is exposed rather than eliminate the risk of failure in achieving business objectives.

The Directors continue to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets.

#### Internal Audit

The internal audit function has been outsourced to J. S. Lim & Co. with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

#### Relationship with the Auditors

The Company has always maintained a formal and transparent relationship with its auditors.

The role of the Audit Committee in relation to the external auditors is set out in the Report on Audit Committee on pages 18 to 20 of the Annual Report.

## STATEMENT ON INTERNAL CONTROL

The Board of Directors is pleased to present the statement on the state of internal control of the Group comprising the Company and its subsidiaries.

### Responsibility

The Board has overall responsibility for maintaining an effective and sound system of internal control and for reviewing its adequacy and recognises that there are inherent limitations to any system of internal control.

The system of internal control has been designed to meet the particular needs of the Group and to manage risks, which the Group is exposed to rather than eliminating the risk of failure in achieving business objectives.

In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. Furthermore, it should be recognised that the cost of control procedures should not outweigh or exceed the expected benefits.

### Internal Control Process

There is continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.

### Key Elements of Internal Control

- **Organisational Structure**

The Group is headed by the Executive Chairman and assisted by three Executive Directors. The Executive Chairman and Executive Directors have many years of experience in managing the Group's core business i.e. plantations.

There is in place an operating structure with clear defined lines of accountability and delegated authority for the estates.

- **Policies Manual**

There is a Policies Manual including Authority Limit to serve as guidance for the operations and personnel of the Group to function within the accepted practices of the Group.

- **Audit Committee and Internal Audit**

The Audit Committee was established with a view to assist the Board in discharging its duties. The internal audit function has the primary objective to carry out a review of the internal control systems to determine if the accounting and internal control procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee. Internal audit reports were prepared by J. S. Lim & Co. and presented to the Audit Committee. The internal audit reports summarised the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also covered the follow-up by the management on implementation of recommendations in their earlier reports.

## STATEMENT ON INTERNAL CONTROL

### Key Elements of Internal Control (cont'd.)

- **Financial Report**

The Group has in place a reporting mechanism whereby Directors receive monthly financial statements, which contain information on financial performance and plantation statistics.

Periodical meetings of the Board and Audit Committee are held. Quarterly financial results, performance of the estates, financial position of the Group, the market value of its quoted investments, the sales of fresh fruit bunches, crude palm oil and palm kernel, summary of budgets and capital expenditure, plantation statistics and progress of oil palm planting and financial performance of the joint venture on oil palm plantation in Indonesia are presented to the Board at the Board meetings.

- **Estates Visits and Estates Managers Meeting**

Executive Directors and the Plantation Controller regularly visit the Group's estates to monitor the state of affairs of the estates. During the visits, the estate managers report on the progress and performance of the respective estates and to discuss and resolve estate operational and key management issues.

Other Directors also visit the Group's estates from time to time and their comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors.

An Estate Managers Meeting was held during the financial year under review to discuss and resolve estates operational and key management policies and issues.

- **Review of Recurrent Related Party Transactions**

All recurrent related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.

### Risk Management

Management regularly review, identify, evaluate, monitor and manage the significant risks faced by the Group. In addition, the internal auditors, using a risk-based approach, annually review the operational procedures and processes to ensure the integrity of the management information system.

The Audit Committee chaired by an Independent Non-Executive Director and its members comprising Independent Non-Executive Directors, provide an independent review of the process of the Group for producing financial data, the adequacy, effectiveness and integrity of the system of internal control, compliance with laws, regulations and guidelines, independence of external auditors and the internal audit function. It reviews annually with the internal auditors, their evaluation of the system of internal control.

### Conclusion

The Board is of the opinion that the existing system of internal control is adequate to achieve the business objectives of the Group. The Board will continuously assess the adequacy of the system of internal control of the Group and make improvements and enhancements to the system as and when necessary.

## REPORT ON AUDIT COMMITTEE

The Board of Directors of Negri Sembilan Oil Palms Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2011.

### Members of the Audit Committee

The members of the Audit Committee during the financial year ended 31 December 2011 are as follows:-

Chairman	Keong Choon Keat	- Independent Non-Executive Director
Members	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Sio Sit Po	- Independent Non-Executive Director

### Terms of Reference

The Terms of Reference of the Audit Committee are as follows: -

#### 1. Formation

1.1 The Board pursuant to its resolution formed the Audit Committee on 25 June 1994.

#### 2. Membership

2.1 The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not fewer than three (3) members all of whom shall be independent directors.

2.2 At least one (1) member of the Audit Committee: -

- (i) must be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and: -
- (iii) (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
- (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

2.3 No alternate director can be appointed as a member of the Audit Committee.

2.4 The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

2.5 If a member of the Audit Committee retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 2.1 and 2.2 above, the Board shall within three (3) months of that event, fill the vacancy.

2.6 The Company Secretary or such other person as the Audit Committee may determine shall be the Secretary of the Audit Committee.

#### 3. Meeting

3.1 Meetings of Audit Committee shall be held at least four (4) times a year.

3.2 In order to form a quorum in respect of a meeting of an Audit Committee, at least two members must be present.

3.3 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.

3.4 The Audit Committee shall meet with the external auditors without the presence of the executive directors at least twice a year.

3.5 At least 5 calendar days' notice should be given to members of the Audit Committee before a meeting is held. In an emergency meeting, the notice can be shortened provided majority of members agree.

3.6 Each member is entitled to one vote. Decision arising from any meeting shall be by majority of votes. The Chairman has no casting vote.

3.7 Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

## REPORT ON AUDIT COMMITTEE

### Terms of Reference (cont'd.)

#### 4. Authority

- 4.1 The Audit Committee is authorised to investigate any activity within its term of reference.
- 4.2 The Audit Committee shall have the resources, which are required to perform its duties.
- 4.3 The Audit Committee shall have full and unrestricted access to any information pertaining to the Group and is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee and is free to summon any employee to appear before the meeting of the Audit Committee.
- 4.4 The Audit Committee is authorised to communicate directly with the external auditors and person(s) carrying out the internal audit function.
- 4.5 The Audit Committee is authorised to obtain independent professional service or other service and to secure the attendance of persons with relevant experience and expertise at the meeting of the Audit Committee, if it considers necessary.

#### 5. Duties and functions

##### 5.1 The duties and functions of the Audit Committee shall be: -

- (a) to review with the external auditors, the audit plan.
- (b) to review with the external auditors, their evaluation of the system of internal controls.
- (c) to review with the external auditors, their audit report.
- (d) to review the assistance given by the employees to the external auditors.
- (e) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (f) to review the internal audit programme, processes, the results of the internal audit programme, process or investigation and consider the findings and recommendations of the internal audit and management's response.
- (g) to review any appraisal or assessment of the performance of members of the internal audit function and approve any appointment or termination of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (h) to review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on: -
  - any change in or implementation of accounting policies and practices
  - the going concern assumption
  - significant and unusual events
  - significant adjustments arising from the audit
  - compliance with accounting standards and other legal requirements
- (i) to review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (j) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary)
- (k) to consider the appointment of the external auditors, audit fee and any questions of resignation or dismissal.

##### 5.2 To consider other topics as defined by the Board.

#### 6. Minutes

- 6.1 The Audit Committee shall cause minutes to be duly entered in books provided for the purpose of all proceedings of meetings of Audit Committee.
- 6.2 Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
- 6.3 The Secretary shall circulate the minutes of meetings of Audit Committee to all members of the Board.

## REPORT ON AUDIT COMMITTEE

### Terms of Reference (cont'd.)

7. Reporting of breaches to Bursa Malaysia Securities Berhad.
- 7.1 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.
8. Review of the Audit Committee
- 8.1 The Board must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and the members have carried out their duties in accordance with the terms of reference.

### Number of meetings of Audit Committee held during the financial year ended 31 December 2011 and attendance of each member of Audit Committee

During the financial year ended 31 December 2011, a total of four meetings were held.

The attendance of each member is as follows: -

	Number of Meetings Attended
Keong Choon Keat	4
Dato' Ong Bok Lim	4
Sio Sit Po	4

### Summary of the activities of the Audit Committee during the financial year ended 31 December 2011

The Audit Committee met at scheduled times. Agendas were planned and itemised so that matters were deliberated and discussed in a focused and detailed manner.

The Audit Committee carried out the following activities during the financial year ended 31 December 2011: -

- (a) Meeting with external auditors twice without the executive directors present.
- (b) Review of the quarterly and annual financial statements prior to submission to the Board of Directors for consideration and approval.
- (c) Review of the Audit Report and any internal control weaknesses report and recommendations made by the external auditors as well as internal audit reports and recommendations made by internal auditors.
- (d) Review of the audit plans for the financial year prepared by the external and internal auditors as well as the recommendations of their respective fees to the Board.
- (e) Consider and recommend to the Board of Directors the re-appointment of external auditors.
- (f) Review the transactions with related parties as disclosed in the annual financial statements.

### Internal audit functions

The internal audit functions have been outsourced to J. S. Lim & Co. with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee.

During the financial year under review, the internal auditors visited the estates of the Group. The internal auditors prepared internal audit reports and presented these to the Audit Committee. The internal audit reports summarise the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also cover the follow-up by the management on implementation of recommendations in their earlier reports. The internal auditors attended the meetings of Audit Committee twice during the financial year under review. The total cost of internal audit for the financial year under review amounted to RM74,780.

## CORPORATE SOCIAL RESPONSIBILITY

### Health and Safety

The Group is committed to provide a safe and healthy working environment for all employees. Health and safety consideration will not be compromised in all processes and activities. Relevant health and safety programmes will be implemented with the ultimate objective of achieving "Zero Accident" at work place. To achieve this objective, the Group has established a Health and Safety Committee which is entrusted with the functions of cultivating safe working practices and behaviour at the work place.

Workers at the work place are provided with safety equipment and working procedures. They are also provided with regular training and briefing on health and safety matters.

Injury investigations are conducted and analysis reports are prepared to determine the root cause for preventing or reducing accidents in the future.

Approved codes of health and safety practices are to be strictly adhered to by all parties concerned.

### Environmental Management

Our palm oil mills adhere to strict compliance with the environmental laws governing mill operations, maintenance and improvements in areas relating to environmental standards, emission standards, noise level management and treatment of effluents and waste disposal.

The visiting engineer reviews environmental issues and compliance. Appropriate recommendations are made and necessary actions are taken for further improvement in compliance with environmental and related standards.

### Human Resource Development

The Group believes that proper training and development programme is necessary in developing and upgrading workers' skills and knowledge to achieve an optimal performance. Workers are encouraged to attend relevant external trainings and seminars. In-house trainings are also conducted for workers.

Recognising the social needs, quarters are provided to staff and workers in the estates. Furthermore, the estates provide facilities to take care of the young children of the workers. Sports facilities such as football fields, badminton courts and table tennis tables, are provided for workers to engage in healthy activities during their free time. The estates also provide transportation for workers' school going children.

To foster a better rapport among the workforce, the estates organise social events on festive and cultural occasions.

### Community

Additionally, the Group also makes monetary donations and contributions to charitable organisations from time to time.

**STATEMENT ON DIRECTORS' RESPONSIBILITY  
FOR THE PREPARATION OF ANNUAL AUDITED ACCOUNTS**

The Directors are required by the Companies Act, 1965 ('the Act') to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the Group as at the end of the financial year and their financial performance and cash flows for the financial year.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group and which enable them to ensure that the financial statements of the Company and of the Group comply with the Financial Reporting Standards and the Act in Malaysia.

The Directors consider that the financial statements set out on pages 34 to 80 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the Financial Reporting Standards and the Act in Malaysia.

The Directors have engaged independent auditors who are required to undertake inspection and make enquiries they consider to be appropriate for the purpose of enabling them to give their audit report set out on pages 32 and 33.

This statement is made in accordance with a resolution of the Board of Directors dated 29 February 2012.

## GROUP FINANCIAL PROFILE

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	74,660	105,456	79,336	86,612	113,165
Cost of sales	(31,616)	(46,385)	(37,443)	(38,120)	(40,823)
Gross profit	43,044	59,071	41,893	48,492	72,342
Interest income	2,984	2,789	1,659	1,917	2,524
Dividend income	871	1,083	1,013	1,236	2,042
Other income	1,916	1,912	2,093	109	1,045
Fair value adjustment of biological assets	20,000	(19,000)	5,900	5,500	(4,400)
Selling expenses	(1,257)	(1,608)	(1,473)	(1,365)	(1,385)
Administrative expenses	(9,065)	(11,428)	(10,917)	(11,797)	(14,654)
Replanting expenses	(772)	(1,263)	(1,688)	(2,621)	(3,233)
Other expenses	-	(1,059)	-	(429)	(194)
Share of results of associates	1,258	(940)	341	26	(611)
Share of results of a jointly controlled entity	(270)	(441)	(2,052)	(902)	764
Profit before tax	58,709	29,116	36,769	40,166	54,240
Income tax expense	(14,241)	(7,948)	(8,984)	(10,244)	(13,087)
Profit net of tax	44,468	21,168	27,785	29,922	41,153
Attributable to:					
Owners of the parent	38,163	16,519	24,075	25,650	33,317
Non-controlling interest	6,305	4,649	3,710	4,272	7,836
	44,468	21,168	27,785	29,922	41,153
Dividends	12,812	20,780	13,162	16,848	22,114
Earnings per stock unit (sen)					
Basic	54.36	23.53	34.29	36.54	47.46
Diluted	54.36	23.53	34.29	36.54	47.46
Net dividend (sen per stock unit)					
First interim	7.30	14.80	7.50	11.25	13.50
Second interim	10.95	14.80	11.25	12.75	18.00
	18.25	29.60	18.75	24.00	31.50
Dividend cover (times)	2.98	0.79	1.83	1.52	1.51
Dividend payout - %	33.57	125.79	54.67	65.69	66.37
Gross profit margin - %	57.65	56.01	52.80	55.99	63.93

## GROUP FINANCIAL PROFILE

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	148,793	147,832	146,973	147,013	217,013
Biological assets	68,200	49,200	55,100	60,600	56,200
Investments in associates	10,339	9,919	19,844	19,507	19,284
Investment in a jointly controlled entity	16,336	23,779	24,495	22,914	24,443
Investment securities	9,423	20,233	15,965	40,901	41,088
	<u>253,091</u>	<u>250,963</u>	<u>262,377</u>	<u>290,935</u>	<u>358,028</u>
<b>Current assets</b>					
Inventories	1,984	2,607	2,612	1,461	2,298
Receivables	6,528	4,491	4,559	6,140	5,196
Income tax recoverable	542	2,634	2,058	1,279	1,176
Cash and bank balances	113,854	108,040	112,970	109,982	125,325
	<u>122,908</u>	<u>117,772</u>	<u>122,199</u>	<u>118,862</u>	<u>133,995</u>
<b>Total assets</b>	<u>375,999</u>	<u>368,735</u>	<u>384,576</u>	<u>409,797</u>	<u>492,023</u>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Payables	5,677	5,920	6,676	5,939	7,072
Income tax payable	1,061	3	-	965	395
	<u>6,738</u>	<u>5,923</u>	<u>6,676</u>	<u>6,904</u>	<u>7,467</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	28,195	23,332	24,661	25,967	34,273
	<u>28,195</u>	<u>23,332</u>	<u>24,661</u>	<u>25,967</u>	<u>34,273</u>
<b>Total liabilities</b>	<u>34,933</u>	<u>29,255</u>	<u>31,337</u>	<u>32,871</u>	<u>41,740</u>
<b>Equity attributable to owners of the parent</b>					
Share capital	70,202	70,202	70,202	70,202	70,202
Share premium	4,336	4,336	4,336	4,336	4,336
Other reserves	62,338	62,131	61,850	70,869	119,010
Retained profits	155,234	151,449	162,838	172,115	183,795
	<u>292,110</u>	<u>288,118</u>	<u>299,226</u>	<u>317,522</u>	<u>377,343</u>
<b>Non-controlling interest</b>	48,956	51,362	54,013	59,404	72,940
<b>Total equity</b>	<u>341,066</u>	<u>339,480</u>	<u>353,239</u>	<u>376,926</u>	<u>450,283</u>
<b>Total equity and liabilities</b>	<u>375,999</u>	<u>368,735</u>	<u>384,576</u>	<u>409,797</u>	<u>492,023</u>
<b>Net assets per stock unit attributable to owners of the parent (RM)</b>	4.16	4.10	4.26	4.52	5.38
<b>Current ratio</b>	18:1	20:1	18:1	17:1	18:1
<b>Return on equity attributable to owners of the parent - %</b>	13.06%	5.73%	8.05%	8.08%	8.83%

## GROUP FINANCIAL PROFILE

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Net cash flows from operating activities	24,324	32,399	23,341	26,545	42,205
Net cash flows from/(used in) investing activities	2,583	(16,869)	(4,462)	(10,778)	(3,130)
Net cash flows used in financing activities	(14,077)	(23,018)	(14,250)	(18,333)	(24,335)
Net increase/(decrease) in cash and cash equivalents	12,830	(7,488)	4,629	(2,566)	14,740
Effects of exchange rate changes on cash and cash equivalents	(43)	1,676	275	(429)	587
Cash and cash equivalents at beginning of year	100,771	113,558	107,746	112,650	109,655
Cash and cash equivalents at end of year	113,558	107,746	112,650	109,655	124,982
Deposits pledged for banks guarantee facilities	296	294	320	327	343
Cash and bank balances	113,854	108,040	112,970	109,982	125,325

## PLANTATIONS STATISTICS

	2007	2008	2009	2010	2011
<b>Malaysia</b>					
Planted Area -Hectares					
Mature	6,892	6,879	6,857	6,678	6,360
Immature	269	285	303	482	800
	<u>7,161</u>	<u>7,164</u>	<u>7,160</u>	<u>7,160</u>	<u>7,160</u>
Mature oil palm					
Age in years					
Above 25	0.59%	0.60%	3.09%	2.59%	2.69%
21 - 25	9.61%	14.68%	13.14%	33.65%	42.15%
16 - 20	44.72%	44.15%	43.56%	22.45%	13.47%
11 - 15	17.09%	22.45%	22.52%	23.29%	21.64%
6 - 10	14.73%	15.99%	16.84%	14.75%	15.49%
Below 6	13.26%	2.13%	0.85%	3.27%	4.56%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>Production (m/t)</b>					
ffb					
- own estates	132,660	147,732	150,110	126,975	131,985
- purchased	18,331	20,263	25,063	17,018	16,622
	<u>150,991</u>	<u>167,995</u>	<u>175,173</u>	<u>143,993</u>	<u>148,607</u>
Crude palm oil	<u>19,867</u>	<u>23,411</u>	<u>24,874</u>	<u>20,831</u>	<u>22,217</u>
Palm kernel	<u>5,639</u>	<u>6,475</u>	<u>7,006</u>	<u>5,554</u>	<u>5,892</u>
ffb yield per mature hectare, m/t per hectare	<u>19.25</u>	<u>21.48</u>	<u>21.89</u>	<u>19.01</u>	<u>20.75</u>
<b>Extraction Rate (%)</b>					
Crude palm oil	18.62	18.79	18.75	19.25	19.36
Palm kernel	<u>5.29</u>	<u>5.20</u>	<u>5.28</u>	<u>5.13</u>	<u>5.13</u>
<b>Joint venture in Indonesia</b>					
Planted Area -Hectares					
Mature, below 6 years	-	-	-	-	315
Immature	632	1,673	1,992	1,992	1,898
	<u>632</u>	<u>1,673</u>	<u>1,992</u>	<u>1,992</u>	<u>2,213</u>

## DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

### Principal activities

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding.

The principal activities of the subsidiaries are the cultivation of oil palms, process and sale of crude palm oil and palm kernel.

There have been no significant changes in the nature of the principal activities during the financial year.

### Results

	Group RM	Company RM
Profit net of tax	41,152,497	17,804,293
Attributable to:		
Owners of the parent	33,316,946	17,804,293
Non-controlling interest	7,835,551	-
	<u>41,152,497</u>	<u>17,804,293</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### Dividends

The amount of dividends paid by the Company since 31 December 2010 were as follows:

	RM
In respect of the financial year ended 31 December 2011:	
First interim dividend of 18% less 25% taxation, on 70,201,962 ordinary stock units, declared on 27 May 2011 and paid on 30 June 2011	9,477,265
Second interim dividend of 24% less 25% taxation, on 70,201,962 ordinary stock units, declared on 25 November 2011 and paid on 30 December 2011	12,636,353
	<u>22,113,618</u>

In view of the payment of the interim dividends, the directors do not recommend any final dividend in respect of the current financial year.

### Directors

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

Goh Eng Chew  
Goh Pock Ai  
Wong Aun Phui  
Goh Wei Lei  
Goh Yeok Beng  
Gho Lian Chin  
Sio Sit Po

Dato' Ong Bok Lim  
Keong Choon Keat

Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong  
Gho Bun Tjin (alternate to Gho Lian Chin)

Gho Eng Liong

Goh Beng Hwa @ Gho Bin Hoa

(appointed on 25 November 2011)

(resigned on 25 November 2011)

**DIRECTORS' REPORT****Directors (cont'd.)**

In accordance with the Company's Articles of Association, Goh Yeok Beng, Sio Sit Po and Gho Eng Liong retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Goh Eng Chew, Wong Aun Phui, Dato' Ong Bok Lim and Goh Pock Ai retire pursuant to Section 129 of the Companies Act, 1965 and resolutions are being proposed for their reappointment as directors under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

**Directors' benefits**

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

**Directors' interests**

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

	<----- Number of ordinary stock units of RM1 each ----->			
	1 January 2011	Bought	Sold	31 December 2011
<b>The Company</b>				
<b>Direct interest:</b>				
Goh Eng Chew	400,000	-	-	400,000
Goh Pock Ai	401,100	-	-	401,100
Wong Aun Phui	645,850	-	-	645,850
Goh Yeok Beng	400,000	-	-	400,000
Gho Lian Chin	2,200	-	-	2,200
Sio Sit Po	608,968	-	-	608,968
Gho Bun Tjin	2,200	-	-	2,200
Gho Eng Liong	400,000 #	-	-	400,000
<b>Indirect interest:</b>				
Goh Eng Chew	38,701,009	-	-	38,701,009
Wong Aun Phui ##	59,785	-	-	59,785
Gho Lian Chin	38,852,673	-	-	38,852,673

## DIRECTORS' REPORT

## Directors' interests (cont'd.)

	<----- Number of ordinary shares of RM1 each ----->			
	1 January 2011	Bought	Sold	31 December 2011
<b>Eng Thye Plantations Berhad - Subsidiary</b>				
<b>Direct interest:</b>				
Wong Aun Phui	3,500	-	-	3,500
Dato' Ong Bok Lim	35,000	-	-	35,000
<b>Indirect interest:</b>				
Goh Eng Chew	15,783,250	-	-	15,783,250
Gho Lian Chin	15,783,250	-	-	15,783,250
<b>Timor Oil Palm Plantation Berhad - Subsidiary</b>				
<b>Direct interest:</b>				
Goh Eng Chew	10,000	-	-	10,000
Goh Pock Ai	10,000	-	-	10,000
Wong Aun Phui	1,000	-	-	1,000
Goh Yeok Beng	10,000	-	-	10,000
Gho Lian Chin	10,000	-	-	10,000
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	10,000	-	-	10,000
<b>Indirect interest:</b>				
Goh Eng Chew	6,112,300	-	-	6,112,300
Wong Aun Phui ##	39,000	-	-	39,000
Gho Lian Chin	6,112,300	-	-	6,112,300
<b>Tiong Thye Company Berhad - Holding company</b>				
<b>Direct interest:</b>				
Gho Lian Chin	1,000	-	-	1,000
Gho Bun Tjin	1,000	-	-	1,000
<b>Indirect interest:</b>				
Goh Eng Chew	13,649,000	1,000	-	13,650,000
Gho Lian Chin	5,670,000	-	-	5,670,000

# At 25 November 2011, date appointed as director of the Company

## Interest by virtue of the interests of children

Goh Eng Chew and Gho Lian Chin by virtue of their interests in the holding company, are also deemed interested in the shares of all its subsidiaries to the extent the holding company has an interest.

None of the other directors in office at the end of the financial year had any interest in stock units in the Company and shares of its related corporations during the financial year.

## DIRECTORS' REPORT

### Other statutory information

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 February 2012.

Goh Eng Chew

Wong Aun Phui

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

We, Goh Eng Chew and Wong Aun Phui, being two of the directors of Negri Sembilan Oil Palms Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 80 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

**Other matters**

The supplementary information set out in Note 33 on page 80, is prepared in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 February 2012.

Goh Eng Chew

Wong Aun Phui

**STATUTORY DECLARATION  
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Gan Kok Tiong, being the officer primarily responsible for the financial management of Negri Sembilan Oil Palms Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 80 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Gan Kok Tiong  
at Kuala Lumpur in the Federal Territory  
on 29 February 2012.

Gan Kok Tiong

Before me,

Ooi Ah Bah  
No. W152  
Commissioner for Oaths  
Kuala Lumpur

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEGRI SEMBILAN OIL PALMS BERHAD

### Report on the financial statements

We have audited the financial statements of Negri Sembilan Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 80.

#### *Directors' responsibility for the financial statements*

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

#### *Auditors' responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

### Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEGRI SEMBILAN OIL PALMS BERHAD****Other matters**

The supplementary information set out in Note 33 on page 80 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Ong Chee Wai  
No. 2857/07/12(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
29 February 2012

**INCOME STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Note	Group		Company	
		2011	2010	2011	2010
		RM	RM	RM	RM
<b>Revenue</b>	4	113,164,789	86,612,276	31,847,234	27,690,772
Cost of sales	4	(40,823,339)	(38,120,560)	(6,176,364)	(7,487,272)
<b>Gross profit</b>		<u>72,341,450</u>	<u>48,491,716</u>	<u>25,670,870</u>	<u>20,203,500</u>
<b>Other items of income</b>					
Interest income		2,523,981	1,916,772	1,283,218	1,007,723
Dividend income	5	2,041,991	1,236,372	9,465,870	6,631,244
Other income	6	1,045,356	109,261	122,195	23,040
Fair value adjustment of biological assets	14	(4,400,000)	5,500,000	(4,900,000)	1,800,000
<b>Other items of expense</b>					
Selling expenses		(1,385,348)	(1,365,264)	(465,250)	(475,593)
Administrative expenses		(14,653,591)	(11,796,833)	(5,471,701)	(4,624,860)
Replanting expenses		(3,233,263)	(2,621,491)	(1,884,862)	(989,016)
Other expenses		(194,450)	(428,957)	-	(5,387)
Share of results of associates		(610,749)	25,999	-	-
Share of results of a jointly controlled entity		764,352	(901,815)	-	-
<b>Profit before tax</b>	7	<u>54,239,729</u>	<u>40,165,760</u>	<u>23,820,340</u>	<u>23,570,651</u>
Income tax expense	10	(13,087,232)	(10,243,537)	(6,016,047)	(5,945,421)
<b>Profit net of tax</b>		<u>41,152,497</u>	<u>29,922,223</u>	<u>17,804,293</u>	<u>17,625,230</u>
<b>Attributable to:</b>					
Owners of the parent		33,316,946	25,649,821	17,804,293	17,625,230
Non-controlling interest		7,835,551	4,272,402	-	-
		<u>41,152,497</u>	<u>29,922,223</u>	<u>17,804,293</u>	<u>17,625,230</u>
<b>Earnings per stock unit attributable to owners of the parent (sen per stock unit)</b>					
Basic	11	47.46	36.54		
Diluted	11	47.46	36.54		

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

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Profit net of tax		41,152,497	29,922,223	17,804,293	17,625,230
<b>Other comprehensive income:</b>					
Foreign currency translation		1,164,961	(1,063,112)	-	-
Net (loss)/gain on fair value changes of available-for-sale investment securities		(5,656,020)	3,110,830	(127,692)	1,344,762
- Transfer to profit or loss upon disposal		193,158	(1,986)	-	-
- (Loss)/gain on fair value changes		(5,849,178)	3,112,816	(127,692)	1,344,762
Net gain on fair value changes of available-for-sale investment in subsidiaries	15	-	-	26,681,871	11,743,155
Revaluation surplus on freehold and leasehold land		61,044,115	-	25,192,187	-
Share of other comprehensive income of an associate		(13,917)	1,517	-	-
<b>Total comprehensive income for the year</b>		<b>97,691,636</b>	<b>31,971,458</b>	<b>69,550,659</b>	<b>30,713,147</b>
<b>Attributable to:</b>					
Owners of the parent		81,934,133	27,355,045	69,550,659	30,713,147
Non-controlling interest		15,757,503	4,616,413	-	-
		<b>97,691,636</b>	<b>31,971,458</b>	<b>69,550,659</b>	<b>30,713,147</b>

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

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

		<----- Group ----->		<----- Company ----->	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	217,012,751	147,013,365	92,276,836	62,520,251
Biological assets	14	56,200,000	60,600,000	21,400,000	26,300,000
Investments in subsidiaries	15	-	-	198,977,505	172,295,634
Investments in associates	16	19,283,671	19,507,439	11,063,584	11,063,584
Investment in a jointly controlled entity	17	24,442,715	22,914,300	13,781,480	13,781,480
Investment securities	18	41,088,357	40,900,629	6,894,472	6,980,922
		<u>358,027,494</u>	<u>290,935,733</u>	<u>344,393,877</u>	<u>292,941,871</u>
<b>Current assets</b>					
Inventories	19	2,298,402	1,461,053	324,282	200,203
Receivables	20	5,195,708	6,139,733	2,519,091	6,714,960
Income tax recoverable		1,175,987	1,279,142	40,332	-
Cash and bank balances	21	125,325,124	109,981,525	46,465,003	42,930,529
		<u>133,995,221</u>	<u>118,861,453</u>	<u>49,348,708</u>	<u>49,845,692</u>
<b>Total assets</b>		<b><u>492,022,715</u></b>	<b><u>409,797,186</u></b>	<b><u>393,742,585</u></b>	<b><u>342,787,563</u></b>
<b>Current liabilities</b>					
Payables	22	7,071,485	5,939,203	2,253,992	1,902,347
Income tax payable		395,194	964,863	-	521,789
		<u>7,466,679</u>	<u>6,904,066</u>	<u>2,253,992</u>	<u>2,424,136</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	26	34,273,255	25,966,917	15,984,436	12,296,111
<b>Total liabilities</b>		<b><u>41,739,934</u></b>	<b><u>32,870,983</u></b>	<b><u>18,238,428</u></b>	<b><u>14,720,447</u></b>
<b>Equity attributable to owners of the parent</b>					
Share capital	23	70,201,962	70,201,962	70,201,962	70,201,962
Share premium	23	4,335,840	4,335,840	4,335,840	4,335,840
Other reserves	24	119,009,800	70,868,914	219,710,535	168,249,083
Retained profits	25	183,795,055	172,115,426	81,255,820	85,280,231
		<u>377,342,657</u>	<u>317,522,142</u>	<u>375,504,157</u>	<u>328,067,116</u>
<b>Non-controlling interest</b>		<u>72,940,124</u>	<u>59,404,061</u>	-	-
<b>Total equity</b>		<b><u>450,282,781</u></b>	<b><u>376,926,203</u></b>	<b><u>375,504,157</u></b>	<b><u>328,067,116</u></b>
<b>Total equity and liabilities</b>		<b><u>492,022,715</u></b>	<b><u>409,797,186</u></b>	<b><u>393,742,585</u></b>	<b><u>342,787,563</u></b>

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

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

2011 Group	Note	Equity, total RM	Equity attributable to owners of the parent, total RM		Attributable to owners of the parent		Non-distributable		Non- controlling interest RM	
			Share capital RM	Share premium RM	Retained profits RM	Asset revaluation reserve – land RM	Foreign currency translation reserve RM	Fair value adjustment reserve RM		
Opening balance at 1 January 2011		376,926,203	317,522,142	70,201,962	4,335,840	172,115,426	58,960,214	1,461,747	10,446,953	59,404,061
Total comprehensive income		97,691,636	81,934,133	-	-	33,316,946	51,607,833	1,040,257	(4,030,903)	15,757,503
Revaluation reserve of leasehold land realised		-	-	-	-	476,301	(476,301)	-	-	-
<b>Transaction with owners</b>										
Dividends, representing total transaction with owners	12	(24,335,058)	(22,113,618)	-	-	(22,113,618)	-	-	-	(2,221,440)
<b>Closing balance at 31 December 2011</b>		<b>450,282,781</b>	<b>377,342,657</b>	<b>70,201,962</b>	<b>4,335,840</b>	<b>183,795,055</b>	<b>110,091,746</b>	<b>2,502,004</b>	<b>6,416,050</b>	<b>72,940,124</b>

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D.)**

2010 Group	Note	Equity, total RM	Equity attributable to owners of the parent, total RM			Attributable to owners of the parent		Non-distributable			Non- controlling interest RM
			Equity, total RM	Share capital RM	Share premium RM	Retained profits RM	Asset revaluation reserve – land RM	Foreign currency translation reserve RM	Fair value adjustment reserve RM	Distributable	
Opening balance at 1 January 2010		363,287,362	307,015,567	70,201,962	4,335,840	162,837,774	59,436,515	2,412,502	7,790,974		56,271,795
Total comprehensive income		31,971,458	27,355,045	-	-	25,649,821	-	(950,755)	2,655,979		4,616,413
Revaluation reserve of leasehold land realised		-	-	-	-	476,301	(476,301)	-	-		-
<b>Transaction with owners</b>											
Dividends, representing total transaction with owners	12	(18,332,617)	(16,848,470)	-	-	(16,848,470)	-	-	-		(1,484,147)
<b>Closing balance at 31 December 2010</b>		<b>376,926,203</b>	<b>317,522,142</b>	<b>70,201,962</b>	<b>4,335,840</b>	<b>172,115,426</b>	<b>58,960,214</b>	<b>1,461,747</b>	<b>10,446,953</b>		<b>59,404,061</b>

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D.)

2011 Company	Note	Equity, total RM	Non-distributable --->			Distributable		Non-distributable ----->		
			Share capital RM	Share premium RM	Retained profits RM	Asset revaluation reserve – land RM	Assets revaluation reserve – investments in subsidiaries RM	Fair value adjustment reserve RM		
Opening balance at 1 January 2011		328,067,116	70,201,962	4,335,840	85,280,231	27,945,893	136,442,983	3,860,207		
Total comprehensive income		69,550,659	-	-	17,804,293	25,192,187	26,681,871	(127,692)		
Revaluation reserve of leasehold land realised		-	-	-	284,914	(284,914)	-	-		
<b>Transaction with owners</b>										
Dividends, representing total transaction with owners	12	(22,113,618)	-	-	(22,113,618)	-	-	-		
<b>Closing balance at 31 December 2011</b>		<b>375,504,157</b>	<b>70,201,962</b>	<b>4,335,840</b>	<b>81,255,820</b>	<b>52,853,166</b>	<b>163,124,854</b>	<b>3,732,515</b>		

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D.)**

2010 Company	Note	Equity, total RM	Non-distributable			Distributable			Non-distributable		
			Share capital RM	Share premium RM	Retained profits RM	Asset revaluation reserve – land RM	Assets revaluation reserve – investments in subsidiaries RM	Fair value adjustment reserve RM			
Opening balance at 1 January 2010		314,202,439	70,201,962	4,335,840	84,218,557	28,230,807	124,699,828	2,515,445			
Total comprehensive income		30,713,147	-	-	17,625,230	-	11,743,155	1,344,762			
Revaluation reserve of leasehold land realised		-	-	-	284,914	(284,914)	-	-			
<b>Transaction with owners</b>											
Dividends, representing total transaction with owners	12	(16,848,470)	-	-	(16,848,470)	-	-	-			
<b>Closing balance at 31 December 2010</b>		<b>328,067,116</b>	<b>70,201,962</b>	<b>4,335,840</b>	<b>85,280,231</b>	<b>27,945,893</b>	<b>136,442,983</b>	<b>3,860,207</b>			

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

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
<b>Operating activities</b>				
Profit before tax	54,239,729	40,165,760	23,820,340	23,570,651
Adjustments for:				
Depreciation of property, plant and equipment	2,204,540	1,977,683	813,048	735,455
Fair value decrease/(increase) in biological assets	4,400,000	(5,500,000)	4,900,000	(1,800,000)
Gain on sale of property, plant and equipment	(100,000)	(14,000)	(100,000)	(14,000)
Gross dividend income	(2,041,991)	(1,236,372)	(9,465,870)	(6,631,244)
Interest income	(2,523,981)	(1,916,772)	(1,283,218)	(1,007,723)
Net fair value loss/(gain) on available-for-sale securities (transferred from equity on disposal)	193,158	(1,986)	-	-
Property, plant and equipment written off	684	-	684	-
Share of results of associates	610,749	(25,999)	-	-
Share of results of a jointly controlled entity	(764,352)	901,815	-	-
Net unrealised (gain)/loss on foreign exchange	(587,671)	429,327	(4,226)	5,506
Total adjustments	1,391,136	(5,386,304)	(5,139,582)	(8,712,006)
<b>Operating cash flows before changes in working capital</b>	<b>55,630,865</b>	<b>34,779,456</b>	<b>18,680,758</b>	<b>14,858,645</b>
Changes in working capital				
(Increase)/decrease in inventories	(837,349)	1,151,225	(124,079)	146,910
Decrease/(increase) in receivables	976,112	(1,507,767)	4,191,053	(3,685,702)
Increase/(decrease) in payables	1,132,282	(736,983)	351,645	(98,864)
Total changes in working capital	1,271,045	(1,093,525)	4,418,619	(3,637,656)
<b>Cash flows from operations</b>	<b>56,901,910</b>	<b>33,685,931</b>	<b>23,099,377</b>	<b>11,220,989</b>
Taxes paid	(14,697,227)	(7,141,128)	(5,517,798)	(2,105,790)
<b>Net cash flows from operating activities</b>	<b>42,204,683</b>	<b>26,544,803</b>	<b>17,581,579</b>	<b>9,115,199</b>
<b>Investing activities</b>				
Interest received	2,491,894	1,843,248	1,288,034	945,538
Net dividends received	1,546,248	893,706	7,090,592	4,981,698
Purchase of property, plant and equipment	(1,646,433)	(2,017,525)	(414,067)	(526,069)
Purchase of investment securities	(5,658,406)	(11,506,855)	(2,272)	(76,794)
Proceeds from sale of property, plant and equipment	100,000	14,000	100,000	14,000
Proceeds from sale of investment securities	53,000	1,986	-	-
Placement of fixed deposits pledged to banks	(16,238)	(6,906)	(7,764)	(4,568)
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(3,129,935)</b>	<b>(10,778,346)</b>	<b>8,054,523</b>	<b>5,333,805</b>
<b>Financing activities</b>				
Dividends paid to owners of the parent	(22,113,618)	(16,848,470)	(22,113,618)	(16,848,470)
Dividends paid to non-controlling interest	(2,221,440)	(1,484,147)	-	-
<b>Net cash flows used in financing activities</b>	<b>(24,335,058)</b>	<b>(18,332,617)</b>	<b>(22,113,618)</b>	<b>(16,848,470)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,739,690</b>	<b>(2,566,160)</b>	<b>3,522,484</b>	<b>(2,399,466)</b>
Effects of exchange rate changes on cash and cash equivalents	587,671	(429,327)	4,226	(5,506)
<b>Cash and cash equivalents at 1 January</b>	<b>109,654,042</b>	<b>112,649,529</b>	<b>42,733,372</b>	<b>45,138,344</b>
<b>Cash and cash equivalents at 31 December (Note 21)</b>	<b>124,981,403</b>	<b>109,654,042</b>	<b>46,260,082</b>	<b>42,733,372</b>

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

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2011

### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The immediate and ultimate holding company of the Company is Tiong Thye Company Berhad, which is incorporated in Malaysia and produces financial statements available for public use.

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding. The principal activities of the subsidiaries are the cultivation of oil palms, process and sale of crude palm oil and palm kernel. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 February 2012.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2.2.

The financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

#### 2.2 Changes in accounting policies

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

On 1 January 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
<i>FRS 1</i> First-time Adoption of Financial Reporting Standards	1 July 2010
<i>Amendments to FRS 2</i> Share-based payments	1 July 2010
<i>FRS 3</i> Business Combinations	1 July 2010
<i>Amendments to FRS 5</i> Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
<i>Amendments to FRS 127</i> Consolidated and Separate Financial Statements	1 July 2010
<i>Amendments to FRS 138</i> Intangible Assets	1 July 2010
<i>Amendments to IC Interpretation 9</i> Reassessment of Embedded Derivatives	1 July 2010
<i>IC Interpretation 12</i> Service Concession Arrangements	1 July 2010
<i>IC Interpretation 16</i> Hedges of a Net Investment in a Foreign Operation	1 July 2010
<i>IC Interpretation 17</i> Distributions of Non-cash Assets to Owners	1 July 2010
<i>Amendments to FRS 132: Classification of Rights Issues</i>	1 March 2010
<i>IC Interpretation 18</i> Transfers of Assets from Customers	1 January 2011
<i>Amendments to FRS 7: Improving Disclosures about Financial Instruments</i>	1 January 2011
<i>Amendments to FRS 1: Limited Exemptions for First-time Adopters</i>	1 January 2011
<i>Amendments to FRS 1: Additional Exemptions for First-time Adopters</i>	1 January 2011
<i>IC Interpretation 4</i> Determining Whether an Arrangement contains a Lease	1 January 2011
<i>Improvements to FRS issued in 2010</i>	1 January 2011

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2011

## 2. Summary of significant accounting policies (cont'd.)

### 2.2 Changes in accounting policies (cont'd.)

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Company except for those discussed below:

#### Amendments to FRS 127 Consolidated and Separate Financial Statements

The amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, or will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

#### Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 30. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 31(b).

### 2.3 Standards and interpretations issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
<i>IC Interpretation 19</i> Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
<i>Amendments to IC Interpretation 14:</i> Prepayments of a Minimum Funding Requirement	1 July 2011
<i>Amendments to FRS 1:</i> Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
<i>Amendments to FRS 7:</i> Transfers of Financial Assets	1 January 2012
<i>Amendments to FRS 112:</i> Deferred Tax: Recovery of Underlying Assets	1 January 2012
<i>FRS 124</i> Related Party Disclosures	1 January 2012
<i>Amendments to FRS 101:</i> Presentation of Items of Other Comprehensive Income	1 July 2012
<i>FRS 9</i> Financial Instruments	1 January 2013
<i>FRS 10</i> Consolidated Financial Statements	1 January 2013
<i>FRS 11</i> Joint Arrangements	1 January 2013
<i>FRS 12</i> Disclosure of interests in Other Entities	1 January 2013
<i>FRS 13</i> Fair Value Measurement	1 January 2013
<i>FRS 119</i> Employee Benefits	1 January 2013
<i>FRS 127</i> Separate Financial Statements	1 January 2013
<i>FRS 128</i> Investment in Associate and Joint Ventures	1 January 2013
<i>IC Interpretation 20</i> Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

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

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2011****2. Summary of significant accounting policies (cont'd.)****2.3 Standards and interpretations issued but not yet effective (cont'd.)**Amendments to FRS 7: Transfers of Financial Assets

The amendments require additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's and the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendments requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's and the Company's financial position or performance.

Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets

The amendments introduce the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in FRS 116 to be always measured on a sale basis of that asset.

Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The amendments to FRS 101 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group and the Company's financial position or performance.

FRS 9 Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group and the Company's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group and the Company are in the process of making an assessment of the impact of adoption of FRS 9.

FRS 10 Consolidated Financial Statements

FRS 10 replaces the portion of FRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127.

FRS 11 Joint Arrangements

FRS 11 replaces FRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-controlled Entities – Non-monetary Contributions by Venturers.

FRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard has no impact on the financial position of the Group as investment in jointly controlled entity is accounted using the equity method accounting as disclosed in Note 2.8.

FRS 12 Disclosure of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2011

### 2. Summary of significant accounting policies (cont'd.)

#### 2.3 Standards and interpretations issued but not yet effective (cont'd.)

##### FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The Group and the Company are currently assessing the impact of adoption of FRS 13.

##### FRS 127 Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

##### FRS 128 Investments in Associates and Joint Ventures

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

#### **Malaysian Financial Reporting Standards (MFRS Framework)**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The Group and Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2013. In presenting its first MFRS financial statements, the Group and Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and Company has commenced transitioning its accounting policies and financial reporting from the current Financial Reporting Standards to MFRS Framework. At the date of these financial statements, the Group and Company has not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group and Company consider that it is achieving its schedules milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2013.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2011

### 2. Summary of significant accounting policies (cont'd.)

#### 2.4 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are classified as available-for-sale financial assets in accordance with FRS 139. These financial assets are measured at fair value. Any gains or losses from changes in fair value are recognised in other comprehensive income except that impairment losses are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when such investment is derecognised.

Any dividends received from a subsidiary after the revaluation, which are paid out of profits earned before the revaluation of the investment in that subsidiary, are offset against the carrying amount of the investments in the books of the Company.

On derecognition of such investments, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

#### 2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group translation are eliminated in full.

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

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2011

### 2. Summary of significant accounting policies (cont'd.)

#### 2.6 Transactions with non-controlling interest

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

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

#### 2.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairments as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

#### 2.8 Jointly controlled entity

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in jointly controlled entity is accounted for in the Group's financial statements using the equity method of accounting as described in Note 2.7.

In the Company's separate financial statements, investment in jointly controlled entity is stated at cost less impairment losses.

On disposal of the investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2011

## 2. Summary of significant accounting policies (cont'd.)

### 2.9 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### (a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) Interest income

Interest income is recognised using the effective interest method.

#### (c) Dividend income

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

### 2.10 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment except for freehold and leasehold land are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred.

Freehold and leasehold land are measured at fair value and impairment loss is recognised after the date of revaluation. Valuations are performed at least once every five years to ensure that the carrying amount does not differ materially from the fair value of the freehold and leasehold land at the reporting date. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offset an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital-work-in-progress are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	99 years
Buildings	5 to 25 years
Motor vehicles	5 years
Plant and machinery, estate equipment, office equipment, and furniture and fittings	5 to 10 years

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2011

### 2. Summary of significant accounting policies (cont'd.)

#### 2.10 Property, plant and equipment and depreciation (cont'd.)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised. .

#### 2.11 Biological assets

This represents the oil palms of the Group and of the Company which are measured at their fair values less estimated point-of-sale costs annually. The fair value of biological assets is determined by an accredited independent valuer based on expected value in use of the biological assets.

The changes in fair value of the biological assets are recognised through profit or loss.

#### 2.12 Replanting expenses

Replanting expenses incurred in the financial year is recognised in the income statement. Replanting expenses represent the total cost incurred from land clearing to the point of harvesting.

#### 2.13 Inventories

Inventories of oil palm produce and estate stores are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost of inventories of oil palm produce includes, where appropriate, the cost of direct materials, direct labour and appropriate production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### 2.14 Foreign currencies

##### (a) Functional and presentation currency

The individual financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

##### (b) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2011****2. Summary of significant accounting policies (cont'd.)****2.14 Foreign currencies (cont'd)****(b) Foreign currency transactions (cont'd.)**

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

**(c) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

**2.15 Employee benefits****(a) Short term benefits**

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

**(b) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian company in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

**2.16 Income taxes****(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.