

The background of the page features a stylized graphic of green leaves and a white flower. The leaves are layered and semi-transparent, creating a sense of depth. The white flower is positioned on the right side, with its petals overlapping the green leaves. The overall color palette is a range of greens from light to dark, with a bright white center for the flower.

# Annual 2015 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

	2015 RM'000	2014 RM'000
Revenue	84,894	89,057
Profit/(loss) before tax	6,902	(8,463)
Income tax (expense)/credit	(785)	2,897
Profit/(loss) net of tax	6,117	(5,566)
Profit/(loss) net of tax attributable to owners of the parent	5,261	(4,021)
Profit/(loss) net of tax attributable to non-controlling interests	856	(1,545)
Dividends	4,212	6,318
Issued and paid-up share capital	70,202	70,202
Equity attributable to owners of the parent	549,834	496,618
Earnings/(loss) per stock unit		
- Basic	7.49 sen	(5.73) sen
- Diluted	7.49 sen	(5.73) sen
Dividends		
- First interim dividend	3% single tier	5% single tier
- Second interim dividend	3% single tier	4% single tier
Dividend cover (times)	1.25	N/A
Net assets per stock unit attributable to owners of the parent	RM7.83	RM7.07

### FINANCIAL CALENDAR

Financial year	1 January 2015 to 31 December 2015
Announcement of results	
First financial quarter ended 31 March 2015	28 May 2015
Second financial quarter ended 30 June 2015	27 August 2015
Third financial quarter ended 30 September 2015	26 November 2015
Fourth financial quarter ended 31 December 2015	25 February 2016
Dividends payment	
First interim	30 June 2015
Second interim	31 December 2015
Despatch of 2015 Annual Report	29 April 2016
Eighty Fourth Annual General Meeting	27 May 2016

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighty Fourth 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, 27 May 2016 at 10.30 am for the following purposes: -

1. To receive the Directors' Report and the Financial Statements for the financial year ended 31 December 2015 and the Independent Auditors' Report thereon. (Resolution 1)
2. To approve the directors' fees for the financial year ended 31 December 2015 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 Goh Wei Lei (Resolution 4)
4. To re-appoint the following directors pursuant to Section 129(6) of the Companies Act, 1965: -
  - (i) Mr Goh Eng Chew (Resolution 5)
  - (ii) Mr Wong Aun Phui (Resolution 6)
  - (iii) Dato' Ong Bok Lim (Resolution 7)
  - (iv) Mr Goh Pock Ai (Resolution 8)
  - (v) Mr Keong Choon Keat (Resolution 9)
5. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 10)
6. As special business, to consider and if thought fit, pass the following resolutions: -
  - 6.1 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 a related party (Resolution 11)
  - 6.2 To retain the following directors as Independent Non-Executive Directors of the Company: -
    - (i) Mr Sio Sit Po (Resolution 12)
    - (ii) Dato' Ong Bok Lim (Resolution 13)
    - (iii) Mr Keong Choon Keat (Resolution 14)
7. 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  
29 April 2016

### 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 20 May 2016 issued by Bursa Malaysia Depository Sdn Bhd ('Bursa Depository') upon request by the Company in accordance with the rules of 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 6.1, further information are set out in the Circular to Shareholders dated 29 April 2016 which is despatched together with the 2015 Annual Report.
6. For item 6.2, further information are set out in Statement Accompanying Notice of Annual General Meeting.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- (a) Mr Goh Yeok Beng - Retiring pursuant to Article 94 of the Articles of Association  
Refer to page 7 for further details and pages 98 and 99 for his shareholdings in the Company and the subsidiaries.
- (b) Mr Goh Wei Lei - Retiring pursuant to Article 94 of the Articles of Association  
Refer to page 5 for further details and pages 98 and 99 for his shareholdings in the Company and the subsidiaries.
- (c) Mr Goh Eng Chew - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 5 for further details and pages 98 and 99 for his shareholdings in the Company and the subsidiaries.
- (d) Mr Wong Aun Phui - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 5 for further details and pages 98 and 99 for his shareholdings in the Company and the subsidiaries.
- (e) Dato' Ong Bok Lim - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 6 for further details and pages 98 and 99 for his shareholdings in the Company and the subsidiaries.
- (f) Mr Goh Pock Ai - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 5 for further details and pages 98 and 99 for his shareholdings in the Company and the subsidiaries.
- (g) Mr Keong Choon Keat - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 6 for further details and pages 98 and 99 for his shareholdings in the Company and the subsidiaries.

At the annual general meeting ('AGM') held on 25 June 2015, the Company had obtained the respective approval of shareholders to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat (who have served as Independent Directors of the Company for more than nine years), on the Board as Independent Non-Executive Directors and to hold office until the conclusion of the forthcoming AGM. The Board would like to continue to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat on the Board as Independent Non-Executive Directors and to hold office for another one year term with effect from the passing of the resolutions proposed at the forthcoming AGM until the conclusion of the next AGM. The Nomination Committee and the Board have determined that Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat remain objective and independent-minded in Board deliberations. Their vast experience enable them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interests of the Company. Additionally, they fulfil the definition of independent directors of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

<b>Executive Chairman (Non-Independent)</b>	Goh Eng Chew
<b>Executive Vice-Chairman (Non-Independent)</b>	Goh Wei Lei
<b>Senior Executive Director (Non-Independent)</b>	Goh Pock Ai
<b>Executive Director (Non-Independent)</b>	Wong Aun Phui
<b>Independent Non-Executive Directors</b>	Sio Sit Po Dato' Ong Bok Lim Keong Choon Keat Gho Eng Liong
<b>Non-Independent Non-Executive Directors</b>	Goh Yeok Beng Gho Lian Chin Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong
<b>Alternate Director</b>	Gho Bun Tjin (alternate to Gho Lian Chin)

### AUDIT COMMITTEE

<b>Chairman Members</b>	Keong Choon Keat Dato' Ong Bok Lim Sio Sit Po
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### NOMINATION COMMITTEE & REMUNERATION COMMITTEE

<b>Chairman Members</b>	Gho Lian Chin Dato' Ong Bok Lim Keong Choon Keat Gho Eng Liong
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### COMPANY SECRETARY

<b>REGISTERED OFFICE</b>	Gan Kok Tiong B.Commerce (Accounting)(Hons.), CA(M), CPA 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
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### 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)

84-year-old Mr Goh, a Singaporean, has extensive 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 and Timor Oil Palm Plantation Berhad. He is also a director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 103 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 2015: 5 out of 5

### Goh Wei Lei (Executive Vice-Chairman)

47 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 served as Executive Director on 1 June 2008 and was re-designated as Executive Vice-Chairman on 1 July 2015. 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 and Timor Oil Palm Plantation Berhad. He is also a director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 103 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 2015: 5 out of 5

### Goh Pock Ai (Senior Executive Director)

75 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 and Timor Oil Palm Plantation Berhad. He is also a director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 103 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 2015: 5 out of 5

### Wong Aun Phui (Executive Director)

94 years of age, Malaysian. Has extensive 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 and Timor Oil Palm Plantation Berhad. He is deemed interested in certain related party transactions as disclosed on page 103 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 2015: 5 out of 5

## PROFILE OF DIRECTORS

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

67 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 103 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 2015: 5 out of 5

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

78 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 2015: 5 out of 5

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

71 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 Chin Teck Plantations Berhad, Crest Builder Holdings Berhad and Liberty Insurance 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 2015: 5 out of 5

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

56 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 companies in which he is a director are Eng Thye Plantations Berhad and Chin Teck 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 2015: 5 out of 5

## PROFILE OF DIRECTORS

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

67 years of age, Singaporean. Appointed to the Board on 4 August 1982. He has vast experience and extensive knowledge in the oil palm and rubber plantation industries. Other public companies in which he is a director are Chin Teck Plantations Berhad and Timor Oil Palm Plantation Berhad (Executive Director). He is deemed interested in certain related party transactions as disclosed on page 103 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 2015: 5 out of 5

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

68 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 oil palm and rubber plantations and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, and Timor Oil Palm Plantation Berhad. He is also a director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 103 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 2015: 5 out of 5

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

69 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 and Timor Oil Palm Plantation Berhad (alternate director). He is also a director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 103 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 meetings attended during the financial year ended 31 December 2015: 5 out of 5

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

66 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 and Timor Oil Palm Plantation Berhad. He is also an alternate director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 103 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 present the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2015.

During the financial year under review, the average selling prices of crude palm oil decreased significantly due mainly to high levels of crude palm oil inventories and slower growth demand by major purchasing countries. Other factors such as fluctuating prices of crude oil and the weakening of Ringgit also contributed to the volatility of the selling prices of crude palm oil.

### Financial and operation review of the Group

During the financial year 2015, revenue of the Group decreased by 4.67% to RM84,893,912 from RM89,057,139 a year ago.

This was mainly due to decreases in the average selling prices of ffb, crude palm oil and palm kernel even though sales volume increased.

There was an increase of RM1,600,000 in the fair value of biological assets. In the previous financial year, it was a decrease of RM17,900,000 in the fair value of biological assets.

The associates contributed RM1,153,324 to the profit before tax of the Group. The Group's material associate which is engaged in trading in stocks and shares contributed RM826,410 and other individually immaterial associates contributed an aggregate of RM326,914.

The Group suffered an overall loss of RM1,755,661 in its share of results of a joint venture mainly due to the decrease in the fair value of its biological assets. The harvesting of young mature palms of the joint venture engaged in oil palm plantation in South Sumatera Province, Indonesia has been delayed due to unrest in the villages neighbouring the estate.

Overall, the Group recorded a profit net of tax RM6,116,900 as compared with a loss after tax of RM5,565,804 in financial year 2014 mainly due to a decrease in fair value of biological assets in that year.

However, excluding the changes in fair value of biological assets, profit after tax of the Group decreased by 39.03% to RM4,900,900 from RM8,038,196 due mainly to a decrease in revenue and increases in overall operating expenses and share of loss in a joint venture.

Production of ffb increased by 1.05% to 114,552 m/t from 113,364 m/t. Purchases of ffb increased by 10.16% to 56,874 m/t from 51,628 m/t. Overall, production of crude palm oil decreased by 1.28% to 24,296 m/t from 24,610 m/t and production of palm kernel increased by 7.13% to 6,789 m/t from 6,337 m/t.

During the financial year 2015, an additional 397 hectares of old and low yield palms were replanted. Replanting of approximately 615 hectares of old and low yield palms will take place during the financial year 2016.

### Dividends

Total single tier dividends of 6% in respect of the financial year ended 31 December 2015 were paid during the financial year, i.e. a first interim single tier dividend of 3% was paid on 30 June 2015 and a second interim single tier dividend of 3% was paid on 31 December 2015. The amount of dividend paid for financial year 2015 was RM4,212,118 which was lower than that in the previous year of RM6,318,177. However, excluding the changes in fair value of biological assets, the dividend pay-out ratio in financial year 2015 was 121.38% as compared with 95.84% a year ago.

In view of the payment of the interim dividends, the Board do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2015.

### Joint venture on oil palm plantation in Indonesia

As reported previously, the harvesting of young mature palms of the joint venture engaged in oil palm plantation in South Sumatera Province, Indonesia has been delayed due to unrest in the villages neighbouring the estate. The joint venture has maintained its existing staff force to enable it to commence harvesting pending clearance by the relevant authorities.

## **CHAIRMAN'S STATEMENT**

### **Recurrent related party transactions**

The Company announced on 13 April 2016 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 with a related party 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 resolution pertaining to the proposed renewal of shareholders' mandate is enclosed together with the Annual Report.

### **Outlook for Year 2016**

The impact of El Nino weather phenomenon is expected to adversely affect production of fresh fruit bunches and this could have a positive impact on crude palm oil prices.

The selling price of crude palm oil has increased since the end of the previous financial year and should this trend continue, it would have a corresponding effect on the financial performance for the financial year ending 31 December 2016.

### **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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Description of business

Negri Sembilan Oil Palms Berhad ('Company') was incorporated on 30 March 1928.

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

The subsidiaries of the Company are Eng Thye Plantations Berhad (83.3% owned) and Timor Oil Palm Plantation Berhad (58.0% owned). The principal activities of the subsidiaries are the cultivation of oil palms and production and sale of crude palm oil and palm kernel and investment holding.

The Group currently has four estates, namely, Ladang Senama, Ladang Ibam, Ladang Gula and Ladang Maran with a total land bank of approximately 7,682 hectares.

The Group also owns two mills with a total milling capacity of 40 m/t per hour.

Through a joint venture, the Group also has interest in an oil palm plantation in Indonesia.

### Financial review

During the financial year 2015, revenue of the Group decreased by 4.67% to RM84,893,912 from RM89,057,139 a year ago.

This was mainly due to decreases in the average selling prices of ffb, crude palm oil and palm kernel even though sales volume increased.

Average selling prices per tonne:-

	Financial year		+/- %
	2015 RM	2014 RM	
Fresh fruit bunches	449	481	-6.65
Crude palm oil	2,167	2,417	-10.34
Palm kernel	1,573	1,730	-9.08

Overall operating expenses increased by 2.93% to RM88,325,345 from RM85,808,010 mainly due to an increase in the purchase of oil palm produce and depreciation of property, plant and equipment.

Interest income decreased by 6.91% to RM2,492,667 from RM2,677,585.

Dividend income increased by 22.59% to RM2,822,082 from RM2,302,019.

Other income increased by 186.35% to RM4,020,581 from RM1,404,086 mainly due to an increase in amount of unrealised gain on foreign exchange.

There was an increase of RM1,600,000 in the fair value of biological assets. In the previous financial year, it was a decrease of RM17,900,000 in the fair value of biological assets.

The associates contributed of RM1,153,324 to the profit before tax of the Group. The Group's material associate which is engaged in trading in stocks and shares contributed RM826,410 and other individually immaterial associates contributed an aggregate of RM326,914.

The Group suffered an overall loss of RM1,755,661 in its share of results of a joint venture mainly due to the decrease in the fair value of its biological assets. The harvesting of young mature palms of the joint venture engaged in oil palm plantation in South Sumatera Province, Indonesia has been delayed due to unrest in the villages neighbouring the estate.

The effective income tax rate is 11.34% mainly due to certain income which are not subject to income tax.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial review (cont'd.)

Overall, the Group recorded a profit net of tax RM6,116,900 as compared with a loss after tax of RM5,565,804 in financial year 2014 mainly due to a decrease in fair value of biological assets in that year.

However, excluding the changes in fair value of biological assets, profit after tax of the Group decreased by 39.03% to RM4,900,900 from RM8,038,196 due mainly to a decrease in revenue and increases in overall operating expenses and share of loss in a joint venture.

Freehold and leasehold land are measured at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Previously, the Group's policy is to perform valuation at least once every five years by an accredited independent valuer by reference to open market value using the market comparison method, which is due in financial year ending 31 December 2016. However, since the last revaluation on 31 December 2011, the fair values of the land have increased significantly, hence the fair value should have been reflected in the respective years when such increase was noted. Retrospective adjustments have been made to the opening balances and closing balances in the financial statements to attribute the increases in fair value to the respective financial years.

The fair value of freehold and leasehold land as at 31 December 2015 are RM428,700,000 as compared with RM365,100,000 a year ago.

Cash and bank balances decreased by 1.03% to RM117,122,167 from RM118,345,720 mainly due to net cash flows used in operating activities and financing activities even though there were a net cash flows generated from investing activities and favourable exchange rate changes on cash and cash equivalents.

The amount of dividend paid for financial year 2015 was RM4,212,118 which was lower than that in the previous year of RM6,318,177. However, excluding the changes in fair value of biological assets, the dividend pay-out ratio in financial year 2015 was 121.38% as compared with 95.84% a year ago.

The Group did not have any borrowings in the current financial year and its strategy in the current financial year, which was unchanged from previous financial year, was to maintain a debt free capital structure and to pay steady amount of dividends to shareholders.

Equity attributable to shareholders of the Company increased by 10.72% to RM549,833,623 from RM496,618,081 mainly due to an increase in fair value of freehold and leasehold land. Correspondingly, net assets per stock unit attributable to shareholders of the Company increased to RM7.83 from RM7.07.

### Operational review

During the financial year 2015, the total average planted area was 7,173 hectares of which 81.53% or 5,848 hectares are mature area and 18.47% or 1,325 hectares are immature area.

	Hectares	%
Mature area		
Age in years		
Above 25	1,333	18.58
21 – 25	561	7.82
16 – 20	1,610	22.45
11 – 15	999	13.93
6 – 10	331	4.61
Below 6	1,014	14.14
	<hr/>	<hr/>
	5,848	81.53
Immature area	1,325	18.47
	<hr/>	<hr/>
	7,173	100.00

During the financial year 2015, an additional 397 hectares of old and low yield palms were replanted. Replanting of approximately 615 hectares of old and low yield palms will take place during the financial year 2016.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operational review (cont'd.)

The Group has a replanting schedule covering a period of ten years and this schedule is reviewed quarterly which will ensure progressive replanting on a yearly basis. At each review, prevailing conditions and circumstances are taken into consideration to determine the replanting programme.

Production of ffb increased by 1.05% to 114,552 m/t from 113,364 m/t. Purchases of ffb increased by 10.16% to 56,874 m/t from 51,628 m/t. Overall, production of crude palm oil decreased by 1.28% to 24,296 m/t from 24,610 m/t and production of palm kernel increased by 7.13% to 6,789 m/t from 6,337 m/t.

Annual ffb yield per hectare is 19.59 m/t. The mills processed 127,281 m/t of ffb during the financial year 2015. The overall average oil and kernel extraction rates of the mills are 19.09% and 5.33% respectively.

Good agriculture and milling practices are constantly being implemented with the aim to improve productivity and efficiency. The Group has also taken measures to plant better yielding seedlings during its replanting programme.

In an effort to optimise the utilisation of land, the Group is studying the possibility and feasibility of planting other cash-crops in areas that are not suitable for planting of oil palms.

### Joint venture on oil palm plantation in Indonesia

As reported previously, the harvesting of young mature palms of the joint venture engaged in oil palm plantation in South Sumatera Province, Indonesia has been delayed due to unrest in the villages neighbouring the estate. The joint venture has maintained its existing staff force to enable it to commence harvesting pending clearance by the relevant authorities. As such, it is judged that impairment is not necessary at this juncture.

### Prospects

The impact of El Nino weather phenomenon is expected to adversely affect production of fresh fruit bunches and this could have a positive impact on crude palm oil prices.

The selling price of crude palm oil has increased since the end of the previous financial year and should this trend continue, it would have a corresponding effect on the financial performance for the financial year ending 31 December 2016.

The long term prospects of palm oil is promising. Palm oil is widely available and affordable. It is one of the vital oils in meeting the world's dietary and energy requirements. Besides its nutritional values, palm oil also has vast potential as a renewable energy source. Hence, there is rising global demand for palm products.

## STATEMENT ON CORPORATE GOVERNANCE

The Board recognises that good corporate governance is fundamental to a well-managed organisation and to its continued success.

The Board is mindful of the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (MCCG 2012). The Board will continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the principles and recommendations as set out in MCCG 2012 wherever applicable in the best interests of the shareholders of the Company.

The Board considers that it has generally applied the principles and recommendation of the MCCG 2012 to the extent described in this statement.

### 1. Board of 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.

The Board has formulated and adopted a charter ('Board Charter') which sets out its functions, inter-alia, the duties and responsibilities of the Board and the Management. The Board Charter also provides guidance for Directors and the Management. The Board Charter is reviewed annually to ensure its relevance and compliance and is accessible through the Company's website.

#### Composition of the Board

The Board currently consists of eleven directors: -

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

There is also an alternate director on the Board.

The composition of the Board provides an effective Board with a mix of general management, accounting and finance and business experience.

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.

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 Management is responsible for the overall operational and business management and performance of the Group and for managing and administering business activities and day-to-day operations of the Group.

The Management is headed by the Executive Chairman and assisted by the Executive Vice-Chairman and two Executive Directors. They have vast experience and extensive knowledge in managing the Group's core business, plantations and collectively implement the business strategy, operating plan as well as Board policies and decisions.

The Executive Chairman is also responsible for ensuring the effectiveness and conduct of the Board.

The Executive Chairman functions both as Chairman of the Board and Executive Director. The Board is mindful of the combined roles and that the majority of the members of the Board are not independent directors. However, the Board is comfortable that there is no undue risk involved as the Executive Vice-Chairman and 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.

## STATEMENT ON CORPORATE GOVERNANCE

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

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

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.

Besides, the Board believes that the interests of shareholders are best served by the Executive Chairman, who will act in the best interests of the shareholders as a whole since he is representing a major shareholder who has substantial interest in the Company, he is well placed to act on behalf of the shareholders and in their best interests.

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 acknowledges the importance of board diversity, including gender diversity. The Board believes that for it to function effectively, the requisite skills, experience, knowledge and independence needed is vital regardless of gender. Female representation will be considered when vacancies arise and suitable candidates are identified.

In line with the Board's succession planning process, the Board has re-designated Mr Goh Wei Lei as Executive Vice-Chairman with effect from 1 July 2015.

#### Tenure of Independent Directors

At the annual general meeting ('AGM') held on 25 June 2015, the Company had obtained the respective approval of shareholders to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat (who have served as Independent Directors of the Company for more than nine years), on the Board as Independent Non-Executive Directors and to hold office until the conclusion of the forthcoming AGM. The Board would like to continue to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat on the Board as Independent Non-Executive Directors and to hold office for another one year term with effect from the passing of the resolutions proposed at the forthcoming AGM until the conclusion of the next AGM. The Nomination Committee and the Board have determined that Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat remain objective and independent-minded in Board deliberations. Their vast experience enable them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interests of the Company. Additionally, they fulfil the definition of independent directors of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

#### Board Meetings

Five meetings of directors were held during the financial year ended 31 December 2015. The Executive Chairman, Executive Vice-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.

## STATEMENT ON CORPORATE GOVERNANCE

### Time Commitment

There were five meetings of directors held and the attendances of the directors were as follows: -

Name	Number of meetings attended
Goh Eng Chew	5
Goh Pock Ai	5
Wong Aun Phui	5
Goh Wei Lei	5
Sio Sit Po	5
Dato' Ong Bok Lim	5
Keong Choon Keat	5
Gho Eng Liong	5
Goh Yeok Beng	5
Gho Lian Chin	5
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	5

### 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, Executive Vice-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.

### Board Committees

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 2015 is set out on pages 23 to 25 of the annual report.

Details of the nomination committee and remuneration committee are set out on pages 16 to 18 of the annual report.

## STATEMENT ON CORPORATE GOVERNANCE

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

#### 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	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Gho Eng Liong	- 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.

The Nomination Committee meets annually to review the required mix of skills and expertise and core competencies of non-executive directors, effectiveness of the Board as a whole and the Board Committees.

Two meetings of Nomination Committee were held during the financial year ended 31 December 2015. All members of the Nomination Committee attended the meeting.

#### Directors' Training

The Board recognises the importance of continuous training for its members. The directors are encouraged to attend various training programmes and seminars.

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").

All directors are required to evaluate their own training needs on a continuous basis.

During the financial year ended 31 December 2015, the directors and alternate director attended the following programmes: -

Name	Training programme	Duration
Goh Eng Chew	Building Effective IR for Greater Shareholder Value	1/2 day
Goh Wei Lei	Building Effective IR for Greater Shareholder Value	1/2 day
Goh Pock Ai	Building Effective IR for Greater Shareholder Value	1/2 day
Wong Aun Phui	Building Effective IR for Greater Shareholder Value	1/2 day
Sio Sit Po	Building Effective IR for Greater Shareholder Value	1/2 day
Dato' Ong Bok Lim	Building Effective IR for Greater Shareholder Value	1/2 day
Keong Choon Keat	FIDE course (all modules)	7 days
Goh Yeok Beng	Building Effective IR for Greater Shareholder Value	1/2 day
Gho Lian Chin	Building Effective IR for Greater Shareholder Value	1/2 day
Goh Tju Kiang @	Building Effective IR for Greater Shareholder Value	1/2 day
Gho Tju Kiang @		
Gho Tju Kiong		
Gho Eng Liong	Building Effective IR for Greater Shareholder Value	1/2 day
Gho Bun Tjin	Building Effective IR for Greater Shareholder Value	1/2 day

## STATEMENT ON CORPORATE GOVERNANCE

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

#### Re-election and Re-appointment 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.

At the annual general meeting ('AGM') held on 25 June 2015, the Company had obtained the respective approval of shareholders to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat (who have served as Independent Directors of the Company for more than nine years), on the Board as Independent Non-Executive Directors and to hold office until the conclusion of the forthcoming AGM.

### 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	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Gho Eng Liong	- 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.

Two meetings of remuneration committee was held during the financial year ended 31 December 2015. All members of the remuneration committee attended the meeting.

The shareholders at the annual general meeting approve the annual fees payable to the directors. To commensurate with the increased responsibilities, directors who serve as Chairman and/or members of Board committees are remunerated with additional fees. 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.

## STATEMENT ON CORPORATE GOVERNANCE

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

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 2015 are as follows:-

	No. of directors	Fees RM	Salaries RM	Commission RM	Other RM	Total RM
Executive Directors						
	1	82,000	468,000	49,596	29,000	628,596
	1	58,000	336,000	37,039	29,000	460,039
	1	58,000	300,000	32,409	27,000	417,409
	1	58,000	186,000	6,150	28,000	278,150
	4	256,000	1,290,000	125,194	113,000	1,784,194
Non-Executive Directors						
	1	42,000	144,000	16,653	21,000	223,653
	1	70,000	-	-	40,000	110,000
	1	60,000	-	-	45,000	105,000
	1	56,000	-	-	39,000	95,000
	1	54,000	-	-	33,000	87,000
	1	48,000	-	-	33,000	81,000
	1	26,000	-	-	15,000	41,000
	7	356,000	144,000	16,653	226,000	742,653
	11	612,000	1,434,000	141,847	339,000	2,526,847

The number of Directors whose remuneration falls into each band of RM50,000 are set out on page 68 of the Annual Report.

### 3. Shareholders

#### Timely and High Quality Disclosures

The Board is committed in ensuring accurate and timely dissemination of information, including corporate announcement and release of quarterly financial results to Bursa Malaysia as well as the despatch of annual reports to shareholders.

#### 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. As a good corporate governance practice, resolutions tabled at annual general meetings are voted by poll.

#### 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 despatched 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.

#### Dividend payment

The Board is mindful of its responsibility to enhance shareholders' value and will use its best endeavours to ensure a steady dividend payment although the actual amount and timing of dividend payment would depend on the financial performance.

## STATEMENT 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 37 of the annual report and the statement explaining the directors' responsibility for preparing the annual audited financial statements pursuant to paragraph 15.27 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 28 of the annual report.

#### Risk Management and Internal Control

The directors acknowledge their responsibilities for the Group's system of internal control and risk management, 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 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 Independent Auditors

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

The role of the Audit Committee in relation to the independent auditors is set out in the report on audit committee on pages 23 to 25 of the annual report.

### 5. Code of Conduct

The Board has established a code of business conduct ('Code of Conduct') to be complied with by the directors and members of the management. The Code of Conduct is in addition to any other obligations that are imposed on the directors by any applicable rules, laws and regulations.

The Code of Conduct covers the following:-

- Honesty and integrity
- Compliance with laws
- Conflict of interests
- Confidentiality

The Code of Conduct is reviewed by the Board periodically.

## STATEMENT ON CORPORATE GOVERNANCE

### 6. Strategies for Sustainability

It is the aspiration of the Board to manage its plantation operations in a socially and environmentally responsible manner.

Sustainable strategies and practices have been outlined for implementation:-

- Zero burning policy
- Effective water management
- Soil enrichment and conservation
- Pest management
- Health and safety at work place
- Human resource development
- Maintaining a debt free capital structure and to pay steady amount of dividends to shareholders

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors has pleasure to present the statement on risk management and 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 risk management and internal control and for reviewing its adequacy and recognises that there are inherent limitations to any system of risk management and internal control.

The system of risk management and 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, risk management and internal control can only provide reasonable and not absolute assurance against material misstatement or loss. Furthermore, it should be recognised that the cost of managing risk and control procedures should not outweigh or exceed the expected benefits.

### 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 risk management and the system of internal control.

### Key elements of internal control

- **Organisational structure**

The Group is headed by the Executive Chairman and assisted by Executive Vice-Chairman and two Executive Directors. They have vast experience and extensive knowledge in managing the Group's core business, plantations.

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

- **Policy manual**

There is a Policy 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 Lawrence Wong & Co. chartered accountants (Malaysia), 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 RISK MANAGEMENT AND 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 and mills visits**

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

### Conclusion

Based on the foregoing as well as the inquiries and information provided, the Executive Chairman has assured the Board that the risk management process and system of internal control is operating adequately and satisfactory in all material aspects to meet the business objectives of the Group for the year under review and up to the date of approval of this statement.

### Review of the statement by external auditors

The External Auditors, Messrs. Ernst & Young, have performed limited assurance procedures on the Statement in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000, 'Assurance Engagement Other Than Audits or Reviews of Historical Financial Information' and Recommended Practice Guide 5 (Revised), 'Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report'.

Messrs. Ernst & Young have reported to the Board that nothing has come to their attention that causes them to believe that the Statement included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by Paragraph 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

## REPORT ON AUDIT COMMITTEE

The Board of Directors of Negri Sembilan Oil Palms Berhad is pleased to present the report on the Audit Committee for the financial year ended 31 December 2015.

### Members of the Audit Committee

The members of the Audit Committee during the financial year ended 31 December 2015 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 2015 and attendance of each member of Audit Committee

During the financial year ended 31 December 2015, a total of four meetings were held.

The attendance of each member is as follows: -

	<u>Number of Meetings Attended</u>
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 2015

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 2015: -

- (a) Meeting with external auditors twice without the presence of executive directors.
- (b) Review of the quarterly financial statements prior to submission to the Board of Directors for consideration and approval.
- (c) Review the annual financial statements in the presence of the external auditors prior to submission to the Board of Directors for consideration and approval.
- (d) 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.
- (e) 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.
- (f) Consider and recommend to the Board of Directors the re-appointment of external auditors. (The external auditors have confirmed their independence)
- (g) Discussion and acceptance of the resignation of JS Lim & Co. as the internal auditors and consideration and recommendation to the Board of Directors the appointment of Lawrence Wong & Co. as the internal auditors.
- (h) Review on the transactions with related parties as disclosed in the annual financial statements.

## REPORT ON AUDIT COMMITTEE

### Internal audit functions

The internal audit functions have been outsourced 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 auditor, JS Lim & Co. had tendered their resignation. Their team of audit personnel met with a fatal road accident after completing the internal audit assignment. With the loss of key and experienced personnel and the psychological trauma of other staff, they are no longer in the position to continue providing internal audit services to the Company.

Lawrence Wong & Co., chartered accountants (Malaysia), has been appointed as the internal auditor. The Audit Committee and the Board are satisfied that they possess the qualification and audit experiences to carry out the internal audit.

The internal auditors report directly to the Audit Committee.

During the financial year under review, the internal auditors visited the estates to carry out reviews of the business processes as well as the internal control systems. The internal auditors attended a meeting of Audit Committee to present their audit reports 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. The total cost of internal audit for the financial year under review amounted to RM78,397.

## 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.

To further improve safe and healthy working conditions, existing health and safety procedures and measures are regularly being reviewed and additional procedures and measures are being introduced, workers at work place are also regularly being briefed on the importance of health and safety procedures and measures.

### Environmental Management

It is the aims of our palm oil mills to 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 chief engineer and visiting engineer review 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 FINANCIAL STATEMENTS**

The Directors are required by the Companies Act, 1965 ('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 requirements of the Act in Malaysia.

The Directors consider that the financial statements set out on pages 40 to 96 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the Financial Reporting Standards and the requirements of 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 38 and 39.

This statement is made in accordance with a resolution of the Board of Directors dated 28 April 2016.

## GROUP FINANCIAL PROFILE

	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue	113,165	85,349	74,672	89,057	84,894
Cost of sales	(40,823)	(38,810)	(41,829)	(57,486)	(58,843)
Gross profit	72,342	46,539	32,843	31,571	26,051
Interest income	2,524	2,705	2,709	2,677	2,493
Dividend income	2,042	1,697	2,191	2,302	2,822
Other income	1,045	1,839	2,104	1,404	4,020
Fair value adjustment of biological assets	(4,400)	(17,400)	17,500	(17,900)	1,600
Selling expenses	(1,385)	(1,429)	(1,717)	(1,756)	(1,847)
Administrative expenses	(14,654)	(16,718)	(18,471)	(20,315)	(20,828)
Replanting expenses	(3,232)	(4,323)	(5,059)	(6,243)	(6,806)
Other expenses	(194)	-	(19)	(7)	-
Share of results of associates	(611)	830	313	911	1,153
Share of results of a joint venture	764	1,456	(3,804)	(1,107)	(1,756)
Profit/(loss) before tax	54,241	15,196	28,590	(8,463)	6,902
Income tax (expense)/credit	(13,087)	(2,628)	(6,614)	2,897	(785)
Profit/(loss) net of tax	41,154	12,568	21,976	(5,566)	6,117
Attributable to:					
Owners of the parent	33,318	10,147	18,058	(4,021)	5,261
Non-controlling interests	7,836	2,421	3,918	(1,545)	856
	41,154	12,568	21,976	(5,566)	6,117
Dividends	22,114	15,269	6,318	6,318	4,212
Earnings/(loss) per stock unit (sen)					
Basic	47.46	14.45	25.72	(5.73)	7.49
Diluted	47.46	14.45	25.72	(5.73)	7.49
Net dividend (sen per stock unit)					
First interim	13.50	7.50	4.00	5.00	3.00
Second interim	18.00	10.50	5.00	4.00	3.00
Special	-	3.75	-	-	-
	31.50	21.75	9.00	9.00	6.00
Dividend cover (times)	1.51	0.66	2.86	N/A	1.25
Dividend payout - %	66.37	150.48	34.98	N/A	88.06
Gross profit margin - %	63.93	54.53	43.98	35.45	30.69

## GROUP FINANCIAL PROFILE

	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	217,013	274,339	313,420	379,850	443,725
Biological assets	56,200	38,800	56,300	38,400	40,000
Investments in associates	19,284	20,587	21,617	22,690	27,101
Investment in a joint venture	24,443	25,006	19,652	19,357	20,110
Investment securities	41,088	49,782	58,903	70,616	69,298
	<u>358,028</u>	<u>408,514</u>	<u>469,892</u>	<u>530,913</u>	<u>600,234</u>
<b>Current assets</b>					
Inventories	2,298	3,490	2,254	2,181	2,307
Receivables	5,196	4,502	6,304	5,150	6,951
Income tax recoverable	1,176	855	555	2,005	3,391
Cash and bank balances	125,325	129,903	127,659	118,346	117,122
	<u>133,995</u>	<u>138,750</u>	<u>136,772</u>	<u>127,682</u>	<u>129,771</u>
<b>Total assets</b>	<u>492,023</u>	<u>547,264</u>	<u>606,664</u>	<u>658,595</u>	<u>730,005</u>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Payables	7,072	8,656	8,874	8,356	8,239
Income tax payable	395	403	479	-	-
	<u>7,467</u>	<u>9,059</u>	<u>9,353</u>	<u>8,356</u>	<u>8,239</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	34,273	37,505	50,261	55,030	64,260
<b>Total liabilities</b>	<u>41,740</u>	<u>46,564</u>	<u>59,614</u>	<u>63,386</u>	<u>72,499</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	119,010	164,571	190,405	239,515	290,163
Retained profits	183,794	179,398	191,710	182,565	185,132
	<u>377,343</u>	<u>418,507</u>	<u>456,653</u>	<u>496,618</u>	<u>549,833</u>
<b>Non-controlling interests</b>	72,940	82,193	90,397	98,591	107,673
<b>Total equity</b>	<u>450,283</u>	<u>500,700</u>	<u>547,050</u>	<u>595,209</u>	<u>657,506</u>
<b>Total equity and liabilities</b>	<u>492,023</u>	<u>547,264</u>	<u>606,664</u>	<u>658,595</u>	<u>730,005</u>
Net assets per stock unit attributable to owners of the parent (RM)	5.38	5.96	6.50	7.07	7.83
Current ratio	17.9	15.3	14.6	15.3	15.8
Return on equity attributable to owners of the parent	8.83%	2.42%	3.95%	-0.81%	0.96%

## GROUP FINANCIAL PROFILE

	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Net cash flows generated from/(used in) operating activities	42,207	21,415	8,855	5,073	(1,568)
Net cash flows (used in)/generated from investing activities	(3,133)	(803)	(4,736)	(7,229)	1,967
Net cash flows used in financing activities	(24,335)	(16,753)	(7,287)	(7,276)	(4,880)
Net increase/(decrease) in cash and cash equivalents	14,739	3,859	(3,168)	(9,432)	(4,481)
Effects of exchange rate changes on cash and cash equivalents	588	706	910	108	3,303
Cash and cash equivalents at beginning of year	109,655	124,982	129,547	127,289	117,965
Cash and cash equivalents at end of year	124,982	129,547	127,289	117,965	116,787
Deposits pledged for banks guarantee facilities	343	356	370	381	335
Cash and bank balances	125,325	129,903	127,659	118,346	117,122

## PLANTATIONS STATISTICS

	2011	2012	2013	2014	2015
<b>Malaysia</b>					
Planted Area -Hectares					
Mature	6,360	6,106	6,179	6,078	5,848
Immature	800	1,064	1,000	1,101	1,325
	<u>7,160</u>	<u>7,170</u>	<u>7,179</u>	<u>7,179</u>	<u>7,173</u>
Mature area					
Age in years					
Above 25	2.69%	5.55%	5.96%	3.38%	22.79%
21 - 25	42.15%	38.55%	37.66%	34.77%	9.59%
16 - 20	13.47%	18.36%	20.91%	25.87%	27.53%
11 - 15	21.64%	17.23%	22.17%	19.55%	17.08%
6 - 10	15.49%	18.11%	6.99%	5.21%	5.66%
Below 6	4.56%	2.20%	6.31%	11.22%	17.35%
	<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	131,985	123,244	118,223	113,364	114,552
- purchased	16,622	12,021	24,291	51,628	56,874
	<u>148,607</u>	<u>135,265</u>	<u>142,514</u>	<u>164,992</u>	<u>171,426</u>
Crude palm oil	<u>22,217</u>	<u>19,934</u>	<u>21,833</u>	<u>24,610</u>	<u>24,296</u>
Palm kernel	<u>5,892</u>	<u>5,340</u>	<u>5,744</u>	<u>6,337</u>	<u>6,789</u>
ffb yield per mature hectare, m/t per hectare	<u>20.75</u>	<u>20.18</u>	<u>19.13</u>	<u>18.80</u>	<u>19.59</u>
<b>Extraction Rate (%)</b>					
Crude palm oil	19.36	18.93	18.98	19.43	19.09
Palm kernel	5.13	5.07	4.99	5.00	5.33
	<u>5.13</u>	<u>5.07</u>	<u>4.99</u>	<u>5.00</u>	<u>5.33</u>
<b>Joint venture in Indonesia</b>					
Planted Area -Hectares					
Mature, below 6 years	315	702	1,969	1,969	2,653
Immature	1,898	1,951	684	684	-
	<u>2,213</u>	<u>2,653</u>	<u>2,653</u>	<u>2,653</u>	<u>2,653</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 2015.

### 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 and the 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	6,116,900	6,486,626
Attributable to:		
Owners of the parent	5,261,252	6,486,626
Non-controlling interests	855,648	-
	<u>6,116,900</u>	<u>6,486,626</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 2014 were as follows:

	RM
In respect of the financial year ended 31 December 2015:	
First interim single tier dividend of 3% declared on 28 May 2015 and paid on 30 June 2015	2,106,059
Second interim single tier dividend of 3% declared on 26 November 2015 and paid on 31 December 2015	2,106,059
	<u>4,212,118</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 the 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 Wei Lei  
Goh Pock Ai  
Wong Aun Phui  
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 Eng Liong  
Gho Bun Tjin (alternate to Gho Lian Chin)

## DIRECTORS' REPORT

### 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 2015	Bought	Sold	31 December 2015
<b>The Company</b>				
<b>Direct interest:</b>				
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	39,101,009	-	-	39,101,009
Wong Aun Phui #	59,785	-	-	59,785
Gho Lian Chin	38,852,673	-	-	38,852,673
<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
Gho Eng Liong	3,500	-	-	3,500
<b>Indirect interest:</b>				
Goh Eng Chew	15,783,250	-	-	15,783,250
Gho Lian Chin	15,783,250	-	-	15,783,250

## DIRECTORS' REPORT

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

	<----- Number of ordinary shares of RM1 each ----->			
	1 January 2015	Bought	Sold	31 December 2015
<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	20,000	-	6,132,300
Wong Aun Phui #	39,000	-	-	39,000
Gho Lian Chin	6,112,300	20,000	-	6,132,300
<b>Tiong Thye Company Sdn Bhd - 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	13,650,000	3,500,000	-	17,150,000
Gho Lian Chin	5,670,000	3,563,000	-	9,233,000

#### # 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 stock units and 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.

#### Other statutory information

- (a) Before the statements of profit or loss, 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.

## DIRECTORS' REPORT

### Other statutory information (cont'd.)

- (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 28 April 2016.

Goh Eng Chew

Gho Lian Chin

## STATEMENT BY DIRECTORS

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

We, Goh Eng Chew and Gho Lian Chin, 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 40 to 96 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

### Other matters

The supplementary information set out in Note 34 on page 97, have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance").

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2016.

Goh Eng Chew

Gho Lian Chin

## 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 40 to 97 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 28 April 2016.

Gan Kok Tiong

Before me,

Ooi Ah Bah  
No. W152  
Commissioner for Oaths  
Kuala Lumpur

## INDEPENDENT AUDITORS' REPORT

### 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 2015 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 96.

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

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 entity'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 entity'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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Company Act, 1965 in Malaysia.

### 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements 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 financial statements 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

### Other reporting responsibilities

The supplementary information set out in Note 34 on page 97 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matters

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Tan Shium Jye  
No. 2991/05/16(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
28 April 2016

**STATEMENTS OF PROFIT OR LOSS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	Group		Company	
		2015 RM	2014 RM (Restated)	2015 RM	2014 RM (Restated)
<b>Revenue</b>	4	84,893,912	89,057,139	18,819,297	19,534,939
Cost of sales	4	(58,843,105)	(57,486,382)	(9,376,826)	(8,108,087)
<b>Gross profit</b>		<u>26,050,807</u>	<u>31,570,757</u>	<u>9,442,471</u>	<u>11,426,852</u>
<b>Other items of income</b>					
Interest income		2,492,667	2,677,585	1,061,417	1,124,435
Dividend income	5	2,822,082	2,302,019	2,332,463	3,307,027
Other income	6	4,020,581	1,404,086	76,706	196,540
Fair value adjustment of biological assets	14	1,600,000	(17,900,000)	7,200,000	(2,200,000)
<b>Other items of expense</b>					
Selling expenses		(1,847,560)	(1,756,473)	(362,778)	(362,643)
Administrative expenses		(20,828,397)	(20,314,748)	(7,820,141)	(7,769,473)
Replanting expenses		(6,806,283)	(6,243,039)	(3,569,408)	(3,180,046)
Other expenses		-	(7,368)	-	(7,242)
Share of results of associates		1,153,324	910,810	-	-
Share of results of a joint venture		(1,755,661)	(1,107,076)	-	-
<b>Profit/(loss) before tax</b>	7	<u>6,901,560</u>	<u>(8,463,447)</u>	<u>8,360,730</u>	<u>2,535,450</u>
Income tax (expense)/credit	10	(784,660)	2,897,643	(1,874,104)	366,406
<b>Profit/(loss) net tax</b>		<u>6,116,900</u>	<u>(5,565,804)</u>	<u>6,486,626</u>	<u>2,901,856</u>
<b>Attributable to:</b>					
Owners of the parent		5,261,252	(4,020,661)	6,486,626	2,901,856
Non-controlling interests		855,648	(1,545,143)	-	-
		<u>6,116,900</u>	<u>(5,565,804)</u>	<u>6,486,626</u>	<u>2,901,856</u>
<b>Earnings/(loss) per stock unit attributable to owners of the parent (sen per stock unit)</b>					
Basic	11	7.49	(5.73)		
Diluted	11	7.49	(5.73)		

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

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	Group		Company	
		2015 RM	2014 RM (Restated)	2015 RM	2014 RM (Restated)
<b>Profit/(loss) net of tax</b>		6,116,900	(5,565,804)	6,486,626	2,901,856
<b>Other comprehensive income/(loss):</b>					
<b><i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i></b>					
Foreign currency translation		5,749,012	907,300	-	-
Net (loss)/gain on fair value changes of available-for-sale investment securities		(2,083,387)	3,436,864	(242,531)	(902,632)
- Transfer to profit or loss upon disposal		(316,567)	(996,113)	(29,307)	(80,995)
- (Loss)/gain on fair value changes		(1,766,820)	4,432,977	(213,224)	(821,637)
Net gain on fair value changes of available-for-sale investments in subsidiaries	15	-	-	26,750,393	24,003,735
Share of other comprehensive income of an associate		10,743	6,564	-	-
<b><i>Total other comprehensive income to be reclassified to profit or loss in subsequent periods</i></b>		<b>3,676,368</b>	<b>4,350,728</b>	<b>26,507,862</b>	<b>23,101,103</b>
<b><i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax:</i></b>					
Revaluation surplus on freehold and leasehold land		57,377,990	56,588,976	20,913,274	19,802,108
Share of other comprehensive income of a joint venture		7,000	60,952	-	-
<b><i>Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i></b>		<b>57,384,990</b>	<b>56,649,928</b>	<b>20,913,274</b>	<b>19,802,108</b>
<b>Total other comprehensive income</b>		<b>61,061,358</b>	<b>61,000,656</b>	<b>47,421,136</b>	<b>42,903,211</b>
<b>Total comprehensive income for the year</b>		<b>67,178,258</b>	<b>55,434,852</b>	<b>53,907,762</b>	<b>45,805,067</b>
<b>Attributable to:</b>					
Owners of the parent		57,427,660	46,283,128	53,907,762	45,805,067
Non-controlling interests		9,750,598	9,151,724	-	-
		<b>67,178,258</b>	<b>55,434,852</b>	<b>53,907,762</b>	<b>45,805,067</b>

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		Group		
	Note	2015 RM	2014 RM (Restated)	1.1.2014 RM (Restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	443,725,072	379,850,218	313,420,067
Biological assets	14	40,000,000	38,400,000	56,300,000
Investments in associates	16	27,100,945	22,689,666	21,616,932
Investment in a joint venture	17	20,110,647	19,357,507	19,651,691
Investment securities	18	69,297,714	70,616,061	58,903,461
		<u>600,234,378</u>	<u>530,913,452</u>	<u>469,892,151</u>
<b>Current assets</b>				
Inventories	19	2,306,710	2,181,193	2,254,178
Receivables	20	6,951,552	5,149,372	6,304,386
Income tax recoverable		3,390,574	2,005,251	554,868
Cash and bank balances	21	117,122,167	118,345,720	127,658,507
		<u>129,771,003</u>	<u>127,681,536</u>	<u>136,771,939</u>
<b>Total assets</b>		<b><u>730,005,381</u></b>	<b><u>658,594,988</u></b>	<b><u>606,664,090</u></b>
<b>Current liabilities</b>				
Payables	22	8,238,930	8,356,488	8,873,936
Income tax payable		-	-	479,119
		<u>8,238,930</u>	<u>8,356,488</u>	<u>9,353,055</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	26	64,259,819	55,030,004	50,261,306
<b>Total liabilities</b>		<b><u>72,498,749</u></b>	<b><u>63,386,492</u></b>	<b><u>59,614,361</u></b>
<b>Equity attributable to owners of the parent</b>				
Share capital	23	70,201,962	70,201,962	70,201,962
Share premium	23	4,335,840	4,335,840	4,335,840
Other reserves	24	290,163,487	239,514,728	190,404,814
Retained profits	25	185,132,334	182,565,551	191,710,514
		<u>549,833,623</u>	<u>496,618,081</u>	<u>456,653,130</u>
<b>Non-controlling interests</b>		<b>107,673,009</b>	<b>98,590,415</b>	<b>90,396,599</b>
<b>Total equity</b>		<b><u>657,506,632</u></b>	<b><u>595,208,496</u></b>	<b><u>547,049,729</u></b>
<b>Total equity and liabilities</b>		<b><u>730,005,381</u></b>	<b><u>658,594,988</u></b>	<b><u>606,664,090</u></b>

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		Company		
	Note	2015 RM	2014 RM (Restated)	1.1.2014 RM (Restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	181,729,151	157,925,375	133,454,511
Biological assets	14	22,700,000	15,500,000	17,700,000
Investments in subsidiaries	15	303,771,570	277,021,177	253,017,442
Investments in associates	16	11,063,584	11,063,584	11,063,584
Investment in a joint venture	17	13,781,480	13,781,480	13,781,480
Investment securities	18	8,096,428	8,189,377	8,377,309
		<u>541,142,213</u>	<u>483,480,993</u>	<u>437,394,326</u>
<b>Current assets</b>				
Inventories	19	201,609	236,722	627,755
Receivables	20	2,061,931	1,714,461	2,283,645
Income tax recoverable		340,625	274,480	55,295
Cash and bank balances	21	36,446,770	39,075,676	41,930,046
		<u>39,050,935</u>	<u>41,301,339</u>	<u>44,896,741</u>
<b>Total assets</b>		<b><u>580,193,148</u></b>	<b><u>524,782,332</u></b>	<b><u>482,291,067</u></b>
<b>Current liabilities</b>				
Payables	22	1,977,829	2,091,696	2,609,678
<b>Non-current liabilities</b>				
Deferred tax liabilities	26	31,980,909	26,151,870	22,629,513
<b>Total liabilities</b>		<b><u>33,958,738</u></b>	<b><u>28,243,566</u></b>	<b><u>25,239,191</u></b>
<b>Equity attributable to owners of the parent</b>				
Share capital	23	70,201,962	70,201,962	70,201,962
Share premium	23	4,335,840	4,335,840	4,335,840
Other reserves	24	397,582,717	350,965,509	308,684,039
Retained profits	25	74,113,891	71,035,455	73,830,035
<b>Total equity</b>		<b><u>546,234,410</u></b>	<b><u>496,538,766</u></b>	<b><u>457,051,876</u></b>
<b>Total equity and liabilities</b>		<b><u>580,193,148</u></b>	<b><u>524,782,332</u></b>	<b><u>482,291,067</u></b>

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



STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D.)

2014 Group	Note	Equity attributable to owners of the parent, total RM		Non-distributable			Non-distributable					Non-controlling interests RM
		Equity, total RM	Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Foreign currency translation reserve RM	Fair value adjustment reserve RM	Employee benefits plan reserve of a joint venture RM		
Opening balance at 1 January 2014		547,049,729	70,201,962	4,335,840	191,710,514	190,404,814	175,143,458	1,509,320	13,752,036	-	90,396,599	
(Restated)		(5,565,804)	-	-	(4,020,661)	-	-	-	-	-	(1,545,143)	
Loss for the year												
Other comprehensive income		61,000,656	-	-	-	50,303,789	47,296,315	797,872	2,156,820	52,782	10,696,867	
Revaluation reserve of leasehold land realised		-	-	-	1,193,875	(1,193,875)	(1,193,875)	-	-	-	-	
Transaction with owners		-	-	-	-	-	-	-	-	-	-	
Dividends paid to owners of the parent	12	(6,318,177)	-	-	(6,318,177)	-	-	-	-	-	-	
Dividends paid to non-controlling interests		(957,908)	-	-	-	-	-	-	-	-	(957,908)	
Total dividends, representing total transaction with owners		(7,276,085)	-	-	(6,318,177)	-	-	-	-	-	(957,908)	
Closing balance at 31 December 2014		595,208,496	70,201,962	4,335,840	182,565,551	239,514,728	221,246,898	2,307,192	15,908,856	52,782	98,590,415	
(Restated)												

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D.)**

2015 Company	Note	Equity, total RM	←----- Non-distributable ----→ Distributable				←----- Non-distributable -----→		
			Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Asset revaluation reserve – investments in subsidiaries RM	Fair value adjustment reserve RM
Opening balance		496,538,766	70,201,962	4,335,840	71,035,455	350,965,509	105,752,911	241,168,526	4,044,072
at 1 January 2015 (Restated)		6,486,626	-	-	6,486,626	-	-	-	-
Profit for the year		47,421,136	-	-	-	47,421,136	20,913,274	26,750,393	(242,531)
Other comprehensive income/(loss)		-	-	-	-	-	-	-	-
Revaluation reserve of leasehold land realised		-	-	-	803,928	(803,928)	(803,928)	-	-
Transaction with owners		-	-	-	-	-	-	-	-
Dividends, representing total transaction with owners	12	(4,212,118)	-	-	(4,212,118)	-	-	-	-
Closing balance at 31 December 2015		546,234,410	70,201,962	4,335,840	74,113,891	397,582,717	125,862,257	267,918,919	3,801,541

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D.)

2014 Company	Note	Equity, total RM	←----- Non-distributable ----→ Distributable			←----- Non-distributable -----→			
			Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Asset revaluation reserve – investments in subsidiaries RM	Fair value adjustment reserve RM
Opening balance at 1 January 2014 (Restated)		457,051,876	70,201,962	4,335,840	73,830,035	308,684,039	86,572,544	217,164,791	4,946,704
Profit for the year		2,901,856	-	-	2,901,856	-	-	-	-
Other comprehensive income/(loss)		42,903,211	-	-	-	42,903,211	19,802,108	24,003,735	(902,632)
Revaluation reserve of leasehold land realised		-	-	-	621,741	(621,741)	(621,741)	-	-
Transaction with owners		-	-	-	-	-	-	-	-
Dividends, representing total transaction with owners	12	(6,318,177)	-	-	(6,318,177)	-	-	-	-
<b>Closing balance</b>		<b>496,538,766</b>	<b>70,201,962</b>	<b>4,335,840</b>	<b>71,035,455</b>	<b>350,965,509</b>	<b>105,752,911</b>	<b>241,168,526</b>	<b>4,044,072</b>
<b>at 31 December 2014 (Restated)</b>									

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

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
<b>Operating activities</b>				
Profit/(loss) before tax (restated)	6,901,560	(8,463,447)	8,360,730	2,535,450
Adjustments for:				
Depreciation of property, plant and equipment (restated)	5,732,229	4,796,391	2,068,716	1,738,055
Fair value (increase)/decrease in biological assets	(1,600,000)	17,900,000	(7,200,000)	2,200,000
Gain on sale of property, plant and equipment	(250,954)	(25,000)	-	(25,000)
Gross dividend income	(2,822,082)	(2,302,019)	(2,332,463)	(3,307,027)
Interest income	(2,492,667)	(2,677,585)	(1,061,417)	(1,124,435)
Net fair value gain on available-for-sale securities (transferred from equity on disposal)	(316,567)	(996,113)	(29,307)	(80,995)
Property, plant and equipment written off	-	7,242	-	7,242
Share of results of associates	(1,153,324)	(910,810)	-	-
Share of results of a joint venture	1,755,661	1,107,076	-	-
Unrealised gain on foreign exchange	(3,303,721)	(108,012)	(16,400)	(1,105)
Total adjustments	(4,451,425)	16,791,170	(8,570,871)	(593,265)
<b>Operating cash flows before changes in working capital</b>	<b>2,450,135</b>	<b>8,327,723</b>	<b>(210,147)</b>	<b>1,942,185</b>
Changes in working capital				
(Increase)/decrease in inventories	(125,515)	72,985	35,113	391,033
(Increase)/decrease in receivables	(1,722,434)	1,172,772	(275,128)	565,600
Decrease in payables	(117,558)	(517,448)	(113,867)	(517,982)
Total changes in working capital	(1,965,507)	728,309	(353,882)	438,651
<b>Cash flows generated from/(used in) operations</b>	<b>484,628</b>	<b>9,056,032</b>	<b>(564,023)</b>	<b>2,380,836</b>
Income taxes paid	(2,052,402)	(3,983,364)	(340,402)	(833,719)
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(1,567,774)</b>	<b>5,072,668</b>	<b>(904,425)</b>	<b>1,547,117</b>
<b>Investing activities</b>				
Interest received	2,412,920	2,659,827	989,075	1,128,019
Net dividends received	2,630,406	2,161,263	2,252,471	3,257,903
Purchase of property, plant and equipment	(3,145,386)	(4,924,605)	(730,026)	(1,910,756)
Purchase of investment securities	(1,987,849)	(12,052,279)	(109,720)	(698,579)
Proceeds from sale of property, plant and equipment	279,480	25,000	-	25,000
Proceeds from sale of investment securities	1,731,051	4,913,412	69,437	113,998
Withdrawal/(placement) of fixed deposits pledged to banks	46,047	(11,206)	(6,670)	(6,551)
<b>Net cash flows generated from/(used in) investing activities</b>	<b>1,966,669</b>	<b>(7,228,588)</b>	<b>2,464,567</b>	<b>1,909,034</b>
<b>Financing activities</b>				
Dividends paid to owners of the parent	(4,212,118)	(6,318,177)	(4,212,118)	(6,318,177)
Dividends paid to non-controlling interests	(668,004)	(957,908)	-	-
<b>Net cash flows used in financing activities</b>	<b>(4,880,122)</b>	<b>(7,276,085)</b>	<b>(4,212,118)</b>	<b>(6,318,177)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,481,227)</b>	<b>(9,432,005)</b>	<b>(2,651,976)</b>	<b>(2,862,026)</b>
Effects of exchange rate changes on cash and cash equivalents	3,303,721	108,012	16,400	1,105
<b>Cash and cash equivalents at 1 January</b>	<b>117,964,226</b>	<b>127,288,219</b>	<b>38,851,714</b>	<b>41,712,635</b>
<b>Cash and cash equivalents at 31 December (Note 21)</b>	<b>116,786,720</b>	<b>117,964,226</b>	<b>36,216,138</b>	<b>38,851,714</b>

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

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

### 1. Corporate information

Negri Sembilan Oil Palms Berhad ('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, Malaysia.

The immediate and ultimate holding company of the Company is Tiong Thye Company Sdn Bhd, which is incorporated in Malaysia.

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 and the 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 28 April 2016.

### 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 ("FRS") and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted Amendments to FRS which are mandatory for financial periods beginning on or after 1 July 2014 as described fully in Note 2.2.

The financial statements have been prepared on the 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 in the current financial year, the Group and the Company adopted the following amended FRSs:

On 1 January 2015, the Group and the Company adopted the following new and amended FRSs mandatory for financial periods beginning on or after 1 January 2015.

##### Effective for financial period beginning on or after 1 July 2014:

Amendments to FRS 2, 3, 8, 116, 124 and 138	Annual Improvements to FRSs 2010 - 2012 Cycle
Amendments to FRS 3, FRS 139 and 140	Annual Improvements to FRSs 2011 - 2013 Cycle
Amendments to FRS 119	Defined Benefit Plans: Employee Contributions

Adoption of the above amended standards did not have any effect on the financial performance or the financial position of the Group and of the Company.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2015**

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

**2.3 Standards issued but not yet effective**

The standards that are issued but not yet effective up to the date of the issuance of the Group's and of the Company's financial statements are discussed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

**Effective for annual period beginning on or after 1 January 2016:**

Amendments to FRS 5, 7, 119	Annual Improvements 2012 - 2014 Cycle
Amendments to FRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
FRS 14	Regulatory Deferred Accounts
Amendments to FRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements

**Effective for annual period beginning on or after 1 January 2017:**

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

**Effective for annual period beginning on or after 1 January 2018:**

FRS 9	Financial Instruments
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**Deferred**

Amendments to FRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture
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The adoption of the above standards are not expected to have a material impact on the financial statements in the period of initial application except for those discussed below:

**Amendments to FRS 127 Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are to be applied retrospectively from the date of transition to FRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

**FRS 9 Financial Instruments**

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's and of the Company's financial assets, but no impact on the classification and measurement of the Group's and of the Company's financial liabilities.

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

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

**Malaysian Financial Reporting Standards**

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 and continue to use the existing FRS Framework. The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the 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. At the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between accounting standards under the FRS Framework and MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2015 could be different if prepared under the MFRS Framework.

The Group and the Company consider that they are achieving their scheduled milestones and expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

Under the adoption of MFRS Framework, the standards that are issued but not yet effective as at the date of the issuance of the Group's and of the Company's financial statements are as follows:

	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferred Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2018

The directors expect that the adoption of the above standards will not have a material impact on the financial statements of the Group and of the Company in the period of initial application excepts as disclosed below:

**Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants**

Under the FRS Framework, the Group's and the Company's accounting policy for biological assets are disclosed in Note 2.11. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that agricultural produce, which is the harvested produce of an entity's bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

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

**2.4 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.

The Company controls an investee if and only if the Company meets all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, over vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

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

Profit or loss and each component of other comprehensive income/(loss) are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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.

When the Company loses control of a subsidiary, a gain or loss calculated as the difference between

- (i) aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets and liabilities of the subsidiaries and any non-controlling interest, is recognised in profit or loss.

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date of control is lost is regarded as the cost on initial recognition of the investment.

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

**2.4 Basis of consolidation (cont'd.)**

Business combination

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 on a transaction-by-transaction basis, 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's 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.

**2.4 Non-controlling interests**

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated 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 Group's interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions as described in Note 2.4.

**2.5 Subsidiaries**

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee as further described in Note 2.4.

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 gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when such investment is derecognised.

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

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

**2.7 Associates**

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. 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 investments in associates are measured in the Group's statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments. 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 investments 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 Investment in joint venture**

The Group has an interest in a joint venture. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investment in joint venture is accounted for in the Group's financial statements using the equity method as described in Note 2.7.

In the Company's separate financial statements, investment in joint venture 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.

## 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 Company 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 Company 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 and the Company recognise 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 whose fair value is measured reliably and carried at revalued amount, being fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

**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. .

The fair value of the leasehold and freehold land is estimated by reference to independent professional valuations as disclosed in Note 13.

**2.11 Biological assets**

This represents the mature and immature oil palm plantations of the Group and of the Company which are measured at their fair values less estimated point-of-sale costs annually. Oil palms are considered mature when the palms attain 4 years old. Point-of-sale costs include all costs that would be necessary to sell the assets. The fair value of biological assets is determined by an 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.

The fair value of the biological assets is estimated by reference to independent professional valuations as disclosed in Note 14.

**2.12 Replanting expenses**

Replanting expenses incurred in the financial year is recognised in the profit or loss. 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 and the Company's financial statements are presented in 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 are 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.

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

**2.14 Foreign currencies**

**(b) Foreign currency transactions (cont'd.)**

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.

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

**(c) Foreign operations**

The 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 and of the Company. 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 companies in the Group make contributions to the Employees 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2015**

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

**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.

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

### 2.17 Provisions

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

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

### 2.18 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

### 2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### 2.20 Financial assets

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

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

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

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

2.20 Financial assets (cont'd.)

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition.

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

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

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

(b) Loans and receivables

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

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

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

The Group and the Company have classified their cash and bank balances and receivables as loans and receivables as summarised in Note 20 to the financial statements.

(c) Held-to-maturity

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

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

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

The Group and the Company have not designated or classified any financial assets as held-to-maturity.