



**PREMIUM  
GROUP**

**Premium Nutrients Berhad**  
589272-D

# ANNUAL REPORT 2010



# CONTENTS

<b>2</b>	Notice of Ninth Annual General Meeting	<b>31</b>	Financial Statements
<b>6</b>	Statement Accompanying Notice of Ninth Annual General Meeting	<b>32</b>	Directors' Report
<b>7</b>	Corporate Information	<b>36</b>	Statement by Directors
<b>8</b>	Board of Directors	<b>37</b>	Statutory Declaration
<b>10</b>	Profile of Directors	<b>38</b>	Independent Auditors' Report
<b>12</b>	Corporate Governance Statement	<b>40</b>	Statements of Comprehensive Income
<b>18</b>	Internal Control Statement	<b>41</b>	Statement of Financial Position
<b>20</b>	Audit Committee Report	<b>42</b>	Statements of Changes in Equity
<b>24</b>	Premium Group Structure	<b>43</b>	Statements of Cash Flows
<b>25</b>	Chairman's Message	<b>45</b>	Notes to the Financial Statements
		<b>96</b>	Analysis of Shareholdings
		<b>98</b>	List of Properties
			Form of Proxy

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the **NINTH ANNUAL GENERAL MEETING OF THE PREMIUM NUTRIENTS BERHAD** will be held at the Auditorium Tan Sri K R Soma, Wisma Tun Sambanthan, No: 2 Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Monday, 27 June 2011 at 10.00 a.m. to transact the following business:-

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 and the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors retiring in accordance with Article 87 of the Company's Articles of Association, and being eligible offer themselves for re-election:
  - 2.1 Yg. Bhg. Datuk Sahadivanaidu a/l Baliah *Resolution 1*
  - 2.2 Mr. Festus a/l A. Christ Dhas *Resolution 2*
  - 2.3 En. Abdul Aziz bin Mohamed Hussain *Resolution 3*
3. To consider and if thought fit, to pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-
  - 3.1 "That pursuant to Section 129(6) of the Companies Act, 1965, Yg. Bhg. Tan Sri Dato' Dr. K. R. Somasundram be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." *Resolution 4*
  - 3.2 "That pursuant to Section 129(6) of the Companies Act, 1965, Mr. Subramaniam a/l Seenivasagam be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." *Resolution 5*
4. To approve the payment of Directors' Fees for the financial year ended 31 December 2010. *Resolution 6*
5. To re-appoint Messrs Raki Thomas & Ramanan (Firm No. AF 0363) as Auditors of the Company and to authorize the Directors to fix their remuneration. *Resolution 7*
6. **AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions:-

- 6.1 **Ordinary Resolution 1**  
**Authority to Directors to Issue Shares** *Resolution 8*

"That subject always to the companies Act, 1965, the Company's Articles of Association and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorized pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being."

6.2 **Ordinary Resolution 2****Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT")***Resolution 9*

"That subject always to the Companies Act, 1965 (Act), the Articles of Association of Association of the Company, other applicable laws, guidelines, rules and regulations, and the approvals of the relevant government/regulatory authorities, approval be and is hereby given to the Company and/or its subsidiary companies to enter into arrangements and/or transactions involving the interests of Related Parties as specified in Section 2.2 of the Circular to Shareholders dated 6 June 2011 provided that such arrangements and/or transactions are:-

- i. recurrent transactions of a revenue or trading in nature;
- ii. necessary for the day to day operations;
- iii. carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- iv. not detrimental to the minority shareholders of the Company (the Mandate)

AND THAT such authority shall continue to be in force until:

- a) the conclusion of the next AGM of the Company following this AGM, at which time the authority shall lapse unless by a resolution passed at the AGM such authority is renewed or
- b) the expiration of the period within which the next AGM after the date that is required by law to be held pursuant to Section 143(1) of the Companies Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act; or
- c) the Mandate is revoked or varied by a resolution passed by the shareholders of the Company at General Meeting; whichever is earlier

AND THAT the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the Mandate."

6.3 **Special Resolution****Proposed Change of Name from Premium Nutrients Berhad to Premier Nalfin Berhad ("Proposed Change of Name")***Resolution 10*

"That the name of the Company be changed from Premium Nutrients Berhad to Premier Nalfin Berhad, such name to be effective from the date of issuance of the Certificate of Incorporation on Change of Name of the Company by the Companies Commission of Malaysia AND THAT all reference in the Company's Memorandum and Articles of Association to the name of Premium nutrients Berhad, wherever the same may appear, shall be deleted and substituted with the name Premier Nalfin Berhad AND the Memorandum and Articles of Association of the Company be amended accordingly AND That the Directors and Secretaries of the Company be authorized to carry out all necessary formalities in giving effect to the Proposed Change of Name."

7. To transact any other ordinary business of the Company.

By Order of the Board

**JEYA KUMAR JEGATHISON (MIA No. 24861)**

**SHIKHA DUTT (MAICSA No. 7008241)**

**Secretaries**

Kuala Lumpur

6 June 2011

**NOTES**

A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or if the appointer is a corporation either under the corporation's seal or under the hand of an officer or attorney duly authorized.

The instrument appointing the proxy must be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd at Level 8, Symphony House, Pusat Dagangan, Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than 48 hours before the time appointed for holding the meeting or adjourned meeting thereof.

## EXPLANATORY NOTES ON SPECIAL BUSINESS

### 1. Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965

The Board continues to consider opportunities to broaden the operating base and earnings potential of the Company. If any of the expansion/diversification proposals involves the issuance of new shares, the Directors, under present circumstances, would have to convene a general meeting to approve the issuance of shares even though the number involved may be less than ten percent (10%) of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of shares, it is considered appropriate that the Directors be empowered, as proposed in Resolution 8, to allot and issue shares in the Company, up to an amount not exceeding in aggregate ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

### 2. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Resolution 9, if passed, will enable the Company and/or its subsidiary companies to enter into recurrent transactions involving the interests of the Related Parties, which are of a revenue or trading nature and necessary for the Group's day to day operations, subject to the transactions being carried out in the ordinary course of business on terms not more favourable than those generally available to the public and are not detrimental to the minority shareholders of the Company.

### 3. Proposed Change of Name

The Board proposed to change the Company's name from Premium Nutrients Berhad to Premier Nalfin Berhad.

The proposed corporate name change is pursuant to the terms of the Share Sales Agreement ("SSA") dated 18 February 2011 in relation to the Proposed Disposals approved at the EGM of the Company on 25th May 2011.

The approval of the Companies Commission of Malaysia for the proposed name "Premier Nalfin Berhad" had been obtained on 26th May 2011. The proposed Change of Name is now subject to the shareholders' approval to be obtained at the forthcoming AGM.

The Proposed Change of Name, if approved by the shareholders of the Company, will be effective from the date of issuance of the Certificate of Incorporation on Change of Name by the Companies Commission of Malaysia.

Further information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions and the Proposed Change of Name are set out in the Circular to Shareholders dated 6 June, 2011 dispatched together with the Company's 2010 Annual Report

# STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for Re-appointment and Re-election

The Directors standing for re-election are:-

- a) Yg. Bhg. Datuk Sahadivanaidu a/l Baliah
- b) Mr. Festus a/l A. Christ Dhas
- c) En. Abdul Aziz bin Mohamed Hussain

The Directors standing for re-appointment under Section 129(6) of the Companies Act, 1965 are:-

- a) Tan Sri Dato' Dr. K. R. Somasundram
- b) Mr. Subramaniam a/l Seenivasagam

The profiles of the above Directors are set out in the section entitled "Profile of Directors" on pages 10 to 11. Their shareholdings in the Company are set out in the section entitled "Analysis of Shareholdings" on pages

2. Date, Time and Place of Annual General Meeting

The Ninth Annual General Meeting of Premium Nutrients Berhad will be held as follows:

Date : June 27, 2011

Time : 10.00 a.m.

Place : Auditorium Tan Sri K R Soma  
Wisma Tun Sambanthan  
No.2, Jalan Sultan Sulaiman  
50000 Kuala Lumpur.

## BOARD OF DIRECTORS

### CHAIRMAN

**Tan Sri Dato' Dr. K R Somasundram** *(Non-Independent Non-Executive Director)*

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### DIRECTORS

**Mr. Tharumarajah a/l Thillarajah** *(CEO/ Group Managing Director)*

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**Datuk Sahadivanaidu a/l Baliah** *(Non-Independent Non-Executive Director)*

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**Tuan Syed Mubarak bin Syed Ahmad** *(Independent Non-Executive Director)*

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**Mr. Subramaniam a/l Seenivasagam** *(Non-Independent Non-Executive Director)*

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**Dato' Faruk bin Othman** *(Independent Non-Executive Director)*

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**En. Abdul Aziz bin Mohamed Hussain** *(Independent Non-Executive Director)*

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**Mr. Festus a/l A Christ Dhas** *(Independent Non-Executive Director)*

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### GROUP COMPANY SECRETARIES

**Mr. Jeya Kumar Jegathison**

(MIA 24861)

**Ms. Shikha Dutt**

(MAICSA 7008241)

### REGISTERED OFFICE

Level 27, Wisma Tun Sambanthan

No. 2 Jalan Sultan Sulaiman

50000 Kuala Lumpur

Tel No: 03 2273 5033

Fax No: 03 2273 4340

### REGISTRAR

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Tel No: 03 7841 8285

Fax No: 03 7841 8151/8152

### STOCK EXCHANGE LISTINGS

Main Market of Bursa Malaysia

Securities Berhad

Stock Code : 9458

Stock Name : PREMIUM

### BANKERS

Standard Chartered Bank Malaysia Berhad

Ambank (M) Berhad

Asian Finance Bank Berhad

CIMB Bank Berhad

RHB Bank Berhad

Bank Muamalat Malaysia Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

ING Vysya Bank Limited

Punjab National Bank

Indian Overseas Bank

Syndicate Bank

Andhra Bank

Bank of Maharashtra

### SOLICITORS

**Lee Perara & Tan**

No.55 Jalan Thambapillai

Off Jalan Tun Sambanthan

Brickfields

50470 Kuala Lumpur

Tel No: 03 2273 4307

Fax No: 03 2273 5220

### AUDITORS

**Raki Thomas & Ramanan**

Chartered Accountants

10-4, 10th Floor, Wisma Bandar

18, Jalan Tuanku Abdul Rahman

51200 Kuala Lumpur.

Tel No: 03 2698 1090

Fax No: 03 2694 4090

# BOARD OF DIRECTORS

8



**Tan Sri Dato' Dr. K R Somasundram**  
Chairman,  
Non-Independent Non-Executive Director



**Mr. Tharumarajah  
a/l Thillarajah**

CEO/Group Managing Director



**Datuk Sahadivanaidu  
a/l Baliah**

Non-Independent  
Non-Executive Director



**Tuan Syed Mubarak Bin Syed Ahmad**

Independent  
Non-Executive Director



**Mr. Subramaniam a/l Seenivasagam**

Non-Independent  
Non-Executive Director



**Dato' Faruk Bin Othman**

Independent  
Non-Executive Director



**En. Abdul Aziz Bin Mohamed Hussain**

Independent  
Non-Executive Director



**Mr. Festus a/l A Christ Dhas**

Independent  
Non-Executive Director

# PROFILE OF DIRECTORS

## **TAN SRI DATO' DR. K R SOMASUNDRAM**

Tan Sri Dato' Dr. K R Somasundram, a Malaysian, aged 81 was appointed to the Board on 9 April 2003. He is a planter by profession and is the promoter and Chairman of Premium Vegetable Oils Sdn Bhd since 1992. In 1960, he joined National Land Finance Co-operative Society Limited ("NLFCS") which is involved in plantation, real estate and manufacturing. He was promoted to the position of General Manager of NLFCS in 1974 and subsequently appointed as Chief Executive Officer in 1984. At present he holds the position of Executive Chairman of NLFCS. He also holds directorships in several private limited companies. He was awarded a PhD in Education from Newcastle University, Australia in August 2000.

He is the Chairman of Remuneration and Nomination Committee.

## **MR. THARUMARAJAH A/L THILLARAJAH (MR. TT)**

Chief Executive Officer and Group Managing Director, Mr Tharumarajah or just Mr. TT, a Malaysian, aged 65, was appointed to the Board of PNB and took on the position of Managing Director on 2 May 2007.

A graduate in Mechanical Engineering from University of Technology Malaysia, Mr. TT went on to complete the external Council of Engineering Institute (UK). Besides his engineering background, Mr TT is also equipped with management skills. He also attended the Management and Senior Management programme conducted by Ashridge Management College (UK) and the Harvard Business School.

Mr TT began his career with Sime Darby Plantations in 1971 as a Trainee Engineer. He assumed several senior management positions within the company before retiring in 2001 as General Manager of Kempas Edible Oil, a major manufacturer of edible oils and fats.

Over the years, he has acquired vast experience in the edible oils and fats industry and is involved in direct international marketing.

He is also a member of the Remuneration Committee and the Nomination Committee.

## **DATUK SAHADIVANAIDU A/L BALIAH**

Datuk Sahadivanaidu a/l Baliah, a Malaysian, aged 59, was appointed to the Board on 9 April 2003. He is a Director of Premium Vegetable Oils Sdn. Bhd. since 31 March 1998. He joined NLFCS in 1972, was promoted to the position of General Manager in 1985 and then promoted to the position of Chief Executive Officer in 1995. He holds the said position to date. He obtained a Diploma in Management from Malaysian Institute of Management in 1984 and a Higher Diploma in Law from University of Wolverhampton, United Kingdom (UK) in 1993. He subsequently obtained a Masters Degree in Management from Warnborough University, UK in 1999.

He is a Member of Nomination Committee.

## **TUAN SYED MUBARAK BIN SYED AHMAD**

Tuan Syed Mubarak bin Syed Ahmad, a Malaysian, aged 68, was appointed to the Board on 9 April 2003. He commenced his working career at the Inland Revenue Board ("IRB") in 1967. After 5 years of service with the IRB, he joined Hanafiah Raslan & Mohamad, Chartered Accountants where he worked as a tax manager for another 5 years before he set up his own accounting / audit firm, Syed Mubarak & Co. Chartered Accountants in 1977. He retired from his accounting practice in 1999.

Tuan Syed Mubarak is a member of the Association of Chartered Certified Accountants (UK), Malaysian Institute of Accountants, Institute of Chartered Secretaries & Administrators (UK) and the Chartered Tax Institute of Malaysia.

Tuan Syed Mubarak is currently practising as an advocate and solicitor. He holds bachelors and masters degrees in law (LLB, LLM) both from University of London. He is also a barrister-at-law of Lincoln's Inn and a solicitor of the Supreme Court of England and Wales.

He is the Chairman of Audit Committee.

**MR. SUBRAMANIAM A/L SEENIVASAGAM**

Mr. Subramaniam A/L Seenivasagam, a Malaysian, aged 75, was appointed to the Board on 9 April 2003. He is a director of Premium Vegetable Oils Sdn Bhd since 13 April 1993. He is an accountant by profession having completed his Australian Society & Accountants Professional Exams in 1961. Upon completing his professional exams, he served in the private sector for a brief period before he joined MIDA in 1966 as Deputy Director of the Tariff Division. He was then promoted to Director in MIDA in 1973 where he was responsible for setting up the MIDA office in San Francisco for promoting investments from the West Coast of the USA and Western Canada in the manufacturing sector in Malaysia. He was a Director at MIDA headquarters from 1977 to 1986. His last posting was as Trade Commissioner ("Investment") at MIDA, London from 1986 to 1991. He retired from MIDA and joined the private sector.

Since May 1994 to 2000, he served as Director of Corporate Affairs in Mahkota Technologies Sdn. Bhd. He also sits on the Board of NLFCS as well as on some of its subsidiaries/associates.

He is a member of Remuneration Committee.

**DATO' FARUK BIN OTHMAN**

Dato' Faruk bin Othman, aged 63 is the Director of the Company and was appointed to the Board on 9 April, 2003.

He graduated in Business Studies from North East Essex College, England and completed a postgraduate Diploma in Management Studies from the Brighton Polytechnic / University of Sussex, United Kingdom in 1971.

Dato' Faruk has over 30 years of experience in the financial sector, mainly in the banking and stockbroking. His involvement in the banking industry started when he joined Standard Chartered Bank in 1971 before leaving for United Asian Bank in 1980.

In 1981, he assumed the position of Assistant General Manager of Kwong Yik Bank Berhad before being appointed Executive Director of Inter Pacific Securities Sdn Bhd in 1989. In 1994, Dato' Faruk was appointed as the Executive Chairman of United Merchant Finance Berhad where he served until October 2001.

At present, Dato' Faruk is the Executive Chairman of APFT and Chairman of Furqan Business Organisation Bhd both companies listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the board of several private limited companies.

He is a member of Audit Committee.

**EN. ABDUL AZIZ BIN MOHAMED HUSSAIN**

Mr. Abdul Aziz bin Mohamed Hussain, a Singaporean, aged 60, was appointed to the Board on 9 April 2003. He was appointed to the Board of Premium Vegetable Oils Sdn.Bhd. on the 7th April 1989. He obtained his Bachelor of Business Administration from University of Singapore, Singapore in 1973. He was with Sembawang Shipyard Ltd., Singapore as an Organisation and Method Analyst from 1973 to 1974. He was with Pica S.A., Indonesia and Singapore from 1974 to 1976 as an Assistant Representative and an Investment Officer respectively. He furthered his studies and received a Post-Graduate Diploma in Management Studies from the University of Chicago in 1978 and was the Managing Director of Pica (M) Corporation Berhad ("PMCB") from October 1992 until 4th June 1999.

He is member of the Audit Committee, Remuneration Committee and Nomination Committee.

**MR. FESTUS A/L A CHRIST DHAS**

Mr. Festus A/L A Christ Dhas, a Malaysian, aged 60, was appointed to the Board on 29 November 2005. He is an accountant by profession having graduated with Chartered Institute of Management Accountant (UK) in 1978. He is a member of the Chartered Institute of Management Accountants (UK) and also a member of the Malaysian Institute of Accountants (MIA). He has over 37 years of working experience of which 30 years have been with Tenaga Nasional Berhad (TNB). He held various Senior Management positions in TNB, and held key positions in a few private limited companies. Currently he is a Finance Advisor of Emrail Sdn.Bhd, a company principally involved in railway related engineering works and constructions.

He is a member of Audit Committee.

# CORPORATE GOVERNANCE STATEMENT

## STATEMENT OF CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance (the Code) sets out the principles and best practices on structures and processes that Companies may use in their operations towards achieving the optimal governance framework.

The Board of Directors of Premium Nutrients Berhad (Premium or the company) is supportive of the adoption of the principles and best practices as enshrined in the Code throughout the Premium Group. The board recognizes that the adoption of the highest standards of governance is imperative for the protection and enhancement of shareholders' value and the performance of the Group.

The Board is pleased to present the following report on the application of the principles and compliances with best practices as set out in the Code throughout the year ended 2010.

## BOARD OF DIRECTORS

The Board of Premium is responsible for the overall governance of the Group and is the primary body that formulates and promotes the direction of the Group to achieve its success in its strategic goals. Together with the subsidiaries' boards, it takes full responsibility in ensuring business is conducted in a transparent and objective manner with full accountability and integrity to safeguard shareholders' investment and ultimately enhancing their value.

### Board Balance

The Board as at the date of this statement consists of eight (8) members. Seven (7) are non-executive Directors (including the Chairman) and one (1) is an executive Director. Four (4) of the Directors are independent as defined under the Bursa Malaysia Securities Berhad's Main Market Listing Requirements (Listing Requirements).

There is optimum board balance and compliance with the independent directors criteria set out under the Listing Requirements. Together, the Directors with their wide experiences in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience which is vital for the successful direction of the Group. A brief profile of the Directors is presented on pages 10 to 11.

### Division of roles and responsibilities between the Chairman and CEO/Group Managing Director

There is a distinct and clear division of responsibility between the Chairman and the CEO/Group Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the CEO/Group Managing Director are separated and clearly defined.

The Chairman is responsible for ensuring the Board effectiveness and conduct whilst the CEO/Group Managing Director has overall responsibilities over the operating units, organizational effectiveness and implementation of the Board policies and decisions.

The presence of independent non-executive Directors fulfils a pivotal role in corporate accountability. Although all Directors have equal responsibility for the Group's operations, the role of these independent Directors is particularly important as they provide unbiased and independent views, advice and judgment to take account of the interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the many communities in which the Group conducts business.

### Board Meetings

The Board has at least four (4) scheduled meetings annually, with additional meetings for particular matters convened as and when necessary.

The Board met five (5) times during the year and a summary of the attendance of each Director at the Board Meetings held during the financial year under review are as follows:

#### Board Meetings held in 2010

DIRECTORS	MEETINGS ATTENDED	%
Tan Sri Dato' Dr. K R Somasundram	5/5	100
Datuk Sahadivanaidu a/l Baliah	5/5	100
Mr. Tharumarajah a/l Thillarajah	5/5	100
Mr. Subramaniam a/l Seenivasagam	4/5	80
Tuan Syed Mubarak bin Syed Ahmad	3/5	60
Dato' Faruk bin Othman	5/5	100
En. Abdul Aziz bin Mohamed	5/5	100
Mr. Festus a/l A Christ Dhas	4/5	80

### Supply of Information

The agenda of each board meeting is determined by the Chairman in consultation with the CEO/Group Managing Director and with the assistance of the Company Secretary. The Board receives the agenda and set of Board papers containing information relevant to the matters to be deliberated at the meetings. These are issued in sufficient time to enable the Directors to obtain further information or research, where necessary.

All Directors have direct access to the advice and services of two (2) Company Secretaries, whether as a full Board or in their individual capacities, in the furtherance of their duties. The Directors are regularly updated on new statutory as well as regulatory requirements relating to the duties and responsibilities of the Directors. Directors, whether acting as a full board or in their individual capacities may obtain independent professional advice in the furtherance of their duties.

## BOARD COMMITTEES

To assist the Board in discharging its duties, various Board Committees have been established. The functions and terms of references of the Board Committees are clearly defined and, where applicable, comply with the recommendations of the Code.

### a. Audit Committee

The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures that an objective and professional relationship is maintained with the external auditors. Its principal function is to assist the Board in maintaining a sound system of internal control. The Committee has full access to the auditors both internal and external who in turn have access at all times to the Chairman of the Committee.

In line with good corporate governance and best practice, the CEO/Group Managing Director is not a member of the Audit Committee.

The report on the Audit Committee is presented on pages 20 to 23 and the duties of the Audit Committee are included therein.

### b. Remuneration Committee

The Remuneration Committee is responsible for developing the Group's remuneration policy and determining the remuneration packages of executive employees of Group. The Committee recommends to the Board of Premium and its subsidiaries, the remuneration to be paid to each non-executive director for his services as member of the Board as well as Committees of the Board.

The Remuneration Committee is made up of majority Non-Executive Directors and the CEO/Group Managing Director. During the year ended 31 December 2010, 2 (two) Meetings were held and their attendances were as follows:

Members	No. of Meetings attended	%
Tan Sri Dato' Dr. K.R. Somasundram	2/2	100
Mr. Subramaniam a/l Seenivasagam	2/2	100
Encik Abdul Aziz Bin Mohamed Hussain	2/2	100
Mr. Tharumarajah a/l Thillarajah	2/2	100

### c. Nomination Committee

The Nomination Committee has been charged with identifying and recommending new nominees to the Board as well as committees of the Boards of Premium and its subsidiaries. However, all decisions on appointments are made by the respective boards of the companies after considering the recommendations of the Committee.

The members of the Nomination Committee are as follows:-

Tan Sri Dato' Dr. K R Somasundram	(Non Independent, Non-Executive Director)
Datuk Sahadivanaidu a/l Baliah	(Non Independent, Non-Executive Director)
Encik Abdul Aziz Bin Mohamed Hussain	(Independent, Non-Executive Director)

### APPOINTMENTS TO THE BOARD AND RE-ELECTION OF DIRECTORS

There is in place a formal and transparent procedure for the appointment of Directors to the Board. The proposed appointment of member(s) of the Board as well as proposed re-appointment or re-election of Directors seeking re-appointment or re-election at the Annual General Meeting are recommended by the Nomination Committee to the Board for its approval. The Board makes the final decision on appointments.

In accordance with the Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. Directors over the age of seventy (70) years of age are required to submit themselves for re-appointment by shareholders annually in accordance with Section 129(6) of the Companies Act, 1965. In accordance with the Company's Articles of Association, at least one-third of the remaining Directors are required to submit themselves for re-election by rotation at each Annual General Meeting.

The Company Secretaries ensure that all appointments are properly made, that all information is obtained from the Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements or other regulatory requirements.

### DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors of the caliber needed to direct the Group successfully.

The Remuneration Committee recommends to the Board the framework of the Executive Director's remuneration and the remuneration package. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the Executive Director.

Shareholders' approval will be sought at the forthcoming Annual General Meeting of the Company to be held on June 27, 2011 to approve the fees for the non-executive Directors. The determination of the fees of each non-executive Director is made by the Board as a whole.

The Executive Director is not entitled to fees nor is he entitled to receive any meeting allowance for the Board and board committee Meetings that he attends

The Company's Directors' aggregate remuneration is categorized below for the financial year ended 31 December 2010.

Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	30	351	381
Salaries	998	-	998
EPF	140	-	140
Bonus	173	-	173
Benefit-in-kind	27	-	27
Total	1,368	351	1,719

#### Analysis of Remuneration

Total Remuneration	Number of Executive Directors	Number of Non-Executive Directors	Total
RM0 to RM50,000	-	8	8
RM50,001 to RM1,000,000	3	1	4
Total	3	9	12

The remuneration details of the Non-executive and Executive Directors have been disclosed as above.

#### DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. They also continued to attend and participate in other education programmes and seminars to keep abreast with developments in the market place.

The Company has on an ongoing basis identified conferences and seminars which will be beneficial to the Directors. There were also briefings by the external and internal auditors and the Company Secretaries on the relevant updates on statutory and regulatory requirements from time to time during the Audit Committee and Board meetings.

#### INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATION

The Board acknowledges the need for shareholders to be informed of all material matters affecting the Company. Dissemination of information is made via various announcements during the year, the timely release of financial results on a quarterly basis provides shareholders with an overview of the group's performance and operations.

The Company also uses the Annual General Meeting, scheduled annually in June as a means of communication with shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders are welcome to raise queries.

**FINANCIAL REPORTING**

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's financial position and prospects.

The Directors' consider that in preparing the financial statements, the Group has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates. All accounting standards which the Board considers to be applicable have been adopted, subject to any explanation for material departures disclosed in the notes to the financial statements.

**INTERNAL CONTROL**

The Code requires the Board to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Group's inherent system of internal control is designed to provide reasonable assurance but not absolute assurance against the risk of material errors, fraud or losses occurring.

The Statement of Internal Control which provides an overview of the state of internal control is set out on pages 18 to 19. The internal audit function of the Group is described in the Report of the Audit Committee on pages 20 to 23.

**RELATIONSHIP WITH THE AUDITORS**

Through the Audit Committee, the Board has established transparent and appropriate relationships with the Group's auditors, both external and internal.

**COMPLIANCE STATEMENT**

The Board is satisfied and of the opinion that it has, in all material aspects complied with the principles and best practices outlined in the Malaysian Code on Corporate Governance for the financial year ended 31 December 2010.

# STATEMENT OF INTERNAL CONTROL

The Statement of Internal Control is made in accordance with Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia, which requires Malaysian public listed companies to make a statement about their internal control, as a Group, in their annual report and this is in line with the Malaysian Code on Corporate Governance that requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets.

## **BOARD RESPONSIBILITY**

The Board of Directors ("the Board") of Premium Nutrients Berhad ("Premium") is committed to maintain a sound system of internal control for Premium Group ("the Group") and is responsible for reviewing its adequacy and integrity so as to safeguard shareholders' investments and the assets of the Group.

The Board and Management have implemented a control system designed to identify and manage risks faced by the Group in pursuit of its business objectives including updating the system in line with changes to business environment, operating conditions and regulatory requirements. As any system of internal control has inherent limitations, such systems are designed to manage rather than eliminate the risk that may restrict or prevent the achievement of the Group's business objectives. This internal control system, by its nature, can only provide reasonable and not absolute assurance against material misstatements, losses or fraud.

The Group's system of internal controls does not apply to associates and joint-ventures where the Group does not have full management control over them.

## **RISK MANAGEMENT**

The Board reviews the risk areas affecting the business together with the plans proposed by the Management to mitigate these risks periodically.

The Group has established an ongoing process for identifying, evaluating, monitoring and managing significant risks faced by the group during the year. The Management is responsible for the identification and evaluation of significant risks applicable to their respective areas of business and to formulate suitable internal controls. The process is regularly reviewed by the Board and accords with the guidelines for Directors on internal control, the Statement of Internal Control: Guidance for Directors of Public listed Companies.

## **INTERNAL CONTROL SYSTEM**

The key processes of the Group's internal control system include the following:

- i. Organisational structure with clearly defined roles and responsibilities, lines of accountability and delegated authority to facilitate the Group's daily operations consistently in line with corporate objectives, strategies, budget, policies and business directions as approved by the Board;
- ii. Regular and comprehensive information provided to Management, covering operating and financial performance, key business indicators, resource utilization, cash flow performance, project achievement, human resource and information technology;
- iii. A budget process where budgets for the coming year are approved by the Board;

- iv. Regular visits to operating units by the members of the Board and Senior Management;
- v. Policy guidelines and authority limits imposed on Executive Directors and Management within the Group in respect of the day to day banking and financing operations, investments, acquisitions and disposal of assets;
- vi. Code of Business Conduct governing the performance of work and business practices of the group;
- vii. Guidelines within the Group for recruitment of staff, training, performance appraisals and other relevant procedures
- viii. The Group's risk management framework provides ongoing process of identifying, assessing and managing key businesses, operational and financial risks faced by its business units concerned as well as regularly reviewing planned strategies to determine whether such risks are mitigated and well managed.
- ix. An independent internal audit function that provides assurance to the Audit committee on the adequacy and integrity of the Group's internal controls through the execution of internal audit review based on an approved risk-based internal audit plan findings of which together with Management's responses are presented to the Audit Committee;

The duties and responsibilities of the Audit Committee are detailed in the Terms of Reference of the Audit Committee.

### **CONCLUSION**

The Board is pleased to report that there were no significant internal control deficiencies or weaknesses that resulted in material losses or contingencies to the Group for the financial year under review.

The Board has an ongoing commitment to ensure continuous improvement in the effectiveness and integrity of the Group's system of internal control.

# AUDIT COMMITTEE REPORT

## I. CONSTITUTION

The Audit Committee of Premium nutrients Berhad was established on 9 April 2003. The terms of reference of the Audit committee are set out in pages 21 to 23 of the Annual Report.

## II. COMPOSITION

The Audit Committee comprises four (4) members of the Board who are all Non-executive Directors.

## III. MEMBERSHIP

Members of the Board who serve on the Audit Committee are as follows:

No	Audit Committee Members	Designation
1.	Tuan Syed Mubarak bin Syed Ahmad, Chairman	Independent Non-Executive
2.	En. Abdul Aziz bin Mohamed Hussain	Independent Non-Executive
3.	Dato' Faruk bin Othman	Independent Non-Executive
4.	Mr. Festus a/I A Christ Dhas	Independent Non-Executive

## IV. MEETINGS

During the financial year ended 2010, the Audit Committee held 5 (five) meetings which were well attended.

No	Audit Committee Members	Designation	No. of audit committee Meetings Attended
1.	Tuan Syed Mubarak bin Syed Ahmad, Chairman	Independent Non-Executive	4/5
2.	En. Abdul Aziz bin Mohamed Hussain	Independent Non-Executive	4/5
3.	Dato' Faruk bin Othman	Independent Non-Executive	5/5
4.	Mr. Festus a/I A Christ Dhas	Independent Non-Executive	5/5

## V. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the Financial Year, the Audit Committee conducted its activities in line with its terms of reference which included the following:

### 1. Financial Results

- (a) Reviewed the unaudited quarterly financial results and announcements before recommending to the Board for consideration and approval and the release of the Group's results to bursa Malaysia.

**1. Financial Results (cont'd)**

- (b) Reviewed the annual audited financial statements before recommending to the Board for consideration and approval. The review was to ensure that the financial reporting and disclosures were in compliance with:-
- Listing Requirements of Bursa Malaysia;
  - Provisions of the Companies Act, 1965 and other legal and regulatory requirements; and
  - Applicable approved accounting standards of Malaysian Accounting Standard Board

**2. External Audit**

- (a) Reviewed the external auditor's scope of work and audit plan for the year.
- (b) Reviewed the results of their audit of the year end financial statements and the resolution of issues highlighted in their report to the Audit Committee.
- (c) Reviewed the independence of the external auditors during the year.
- (d) Reviewed and recommended external auditors' remuneration to the Board.
- (e) Reviewed with the external auditors the impact of new or proposed changes in the accounting standards and regulatory requirements and the extent of compliance.
- (f) Held a minimum of two meetings with the external auditors without the presence of the executive directors and employees of Premium Nutrients Berhad

**3. Internal Audit**

- (a) Reviewed and approved the internal audit plan for the year prepared by the Internal Auditor to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key risks areas.
- (b) Reviewed the performance, adequacy resources and competency of the Internal Auditor
- (c) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve the system of internal control and procedures.

**4. Related Party Transactions**

Discussed and reviewed Related Party Transactions for compliance with Listing Requirements.

**VI. TERMS OF REFERENCE****1 Objectives of the Committee**

- 1.1 The Committee shall assist the Board:
- 1.1.1 In complying with specified accounting standards and the necessary disclosure as required by Bursa Malaysia, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
  - 1.1.2 In presenting a balanced and understandable assessment of the Company's positions and prospects;
  - 1.1.3 In establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors; and
  - 1.1.4 In maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets

## 2. Composition of the Committee

- 2.1 The Committee is to be appointed by the Board from among their numbers, which shall comprise of the following:
  - 2.1.1 A minimum of three (3) Members;
  - 2.1.2 All the Members must be non executive directors with all the Members being Independent Directors;
  - 2.1.3 At least one(1) member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA") or a person who fulfils the requirements as stated in para 15.10(C) (ii) of the Bursa Malaysia listing Requirements;
  - 2.1.4 The Members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director;
  - 2.1.5 All Members of the Committee shall hold office only for as long as they serve as Directors of the Company;
  - 2.1.6 In the event any vacancy resulting in non-compliance of the minimum of three (3) Members, the Board shall upon the recommendation of the Directors' Nomination Committee, appoint such number of Directors within three (3) months of the event to fill such vacancies;
  - 2.1.7 Members of the Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company; and
  - 2.1.8 The Secretary of the Committee shall be any one of the Company Secretaries.

## 3 Duties and Responsibilities of the Committee

- 3.1 The following are the main duties and responsibilities of the Committee collectively, which are not exhaustive and can be augmented if necessary with the Board's approval:
  - 3.1.1 Nominates and recommends the external auditor for appointment, to consider the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditor;
  - 3.1.2 Reviews with the external auditor the nature and scope of the audit before the audit commences and reports the same to the Board;
  - 3.1.3 Reviews with the external auditor his audit report and reports the same to the Board;
  - 3.1.4 Reviews with external auditor his evaluation of the system of internal controls and reports the same to the Board;
  - 3.1.5 Reviews the assistance given by the employees of Premium to the external auditor and reports the same to the Board;
  - 3.1.6 To do the following with regard to the internal audit function:
    - (a) Reviews and reports the same to the Board on the adequacy of the scope, authority, functions, resources and competency of the internal audit function;
    - (b) Reviews and reports the same to the Board on the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken;
    - (c) Where necessary, ensures that appropriate action is taken on the recommendations of the internal audit function;
    - (d) Reviews any appraisal or assessment of the performance of members of the internal audit function;
    - (e) Approves any appointment or termination of senior staff members of the internal audit function;
    - (f) Considers the resignations of internal audit staff members and provides the resigning staff member an opportunity to submit his reasons for resigning; and
    - (g) Ensures the independence of the internal audit function and that the internal audit function reports directly to the Committee

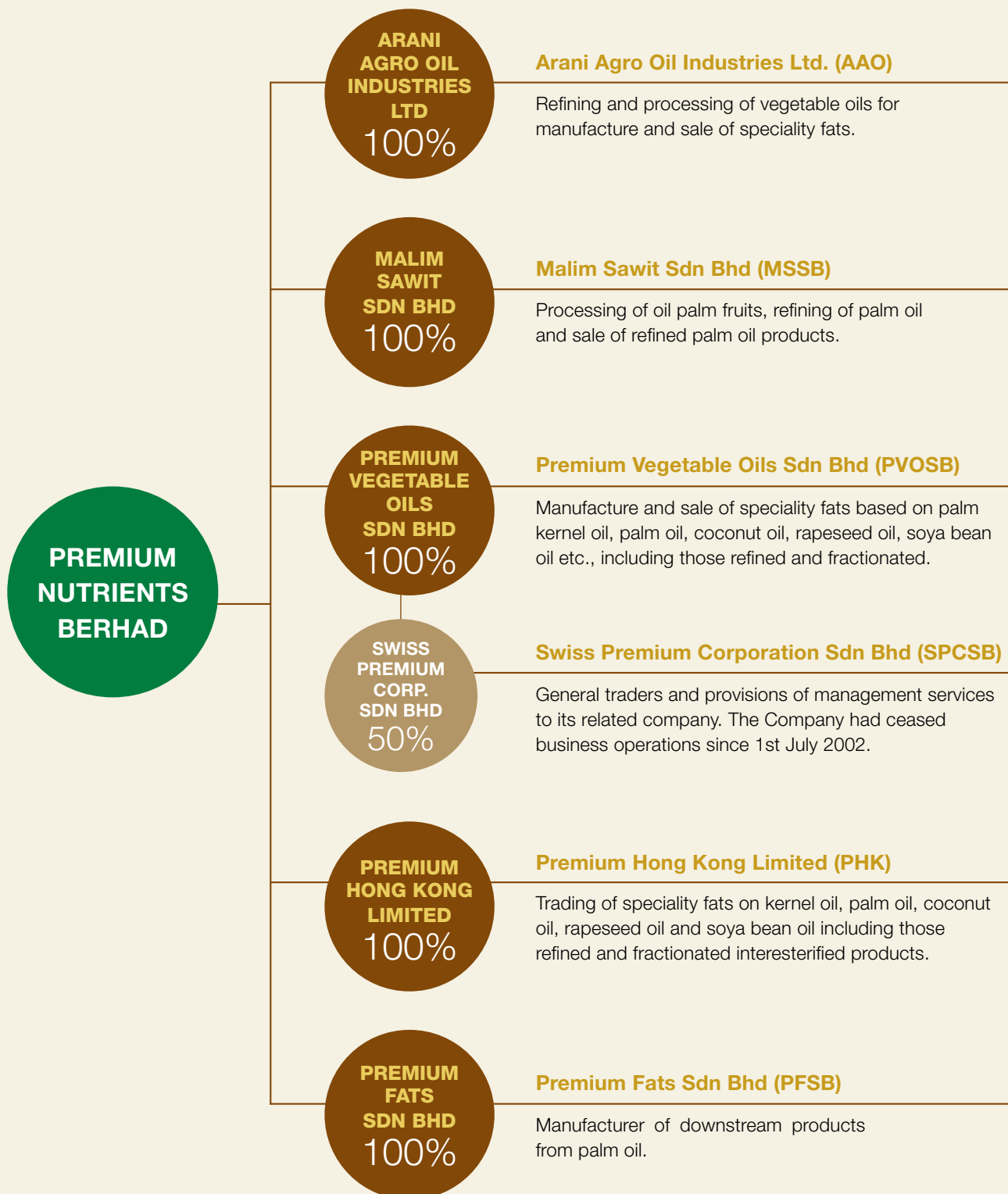
### 3 Duties and Responsibilities of the Committee (cont'd)

- 3.1.7 Prior to the approval of the Board, reviews the quarterly and year-end financial statements and reports the same to the Board, focusing particularly on:
- (a) Any changes in accounting policies and practices;
  - (b) Significant adjustments arising from the audit;
  - (c) The going concern assumptions; and
  - (d) Compliance with accounting standards and other statutory requirements
- 3.1.8 Reviews any related party transactions and conflict of interest situation that may arise within the Premium Group including any transaction, procedure or course of conduct that raises questions of management integrity and reports the same to the Board.
- 3.1.9 Reviews any letter of resignation from the external auditor and reports the same to the board;
- 3.1.10 Reviews whether there is any reason, supported by grounds, to believe that the external auditor is not suitable for reappointment and reports the same to the Board;
- 3.1.11 Discusses problems and reservations, if any, arising from the interim and final audits and any matter which the external wishes to discuss in the absence of management, where necessary;
- 3.1.12 Discusses and reviews the external auditor's management letter and management's response;
- 3.1.13 Discusses and reviews the major findings of internal audit investigations and management's response;
- 3.1.14 Reviews with the external auditor the statement made by the Board with regard to the state of internal control of Premium Group and reports the results thereof to the Board;
- 3.1.15 Performs any other work that is required or empowered to do by statutory legislation or guidelines as prepared by the relevant Government authorities;
- 3.1.16 Reports to the Board of Directors if there is any breach of the Listing Requirements and recommends corrective measures;
- 3.1.17 Promptly reports to Bursa Malaysia where a matter reported by the committee to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Listing Requirement; and
- 3.1.18 Considers other issues as defined by the Board.

This statement is made in accordance with the resolution of the Board of Directors dated 29 April 2011.

# PREMIUM GROUP STRUCTURE

## PRINCIPAL ACTIVITIES OF ALL THE COMPANIES IN THE GROUP



# CHAIRMAN'S MESSAGE

25



“On behalf of the Board of Directors Premium Nutrients Berhad, I am pleased to present the Annual Report and Audited Financial Statements of the Group and Company for the financial year ended 31 December 2010.”

**Tan Sri Dato' Dr. K R Somasundram**  
Chairman, Non-Independent Non-Executive Director



## Operating Environment

2010 was a challenging year in terms of sustaining and strengthening revenue and profitability growth. This was attributed mainly to the recovery mode of the global economy. The weakening of the US Dollar coupled with unfavourable trends in input costs with average prices of raw materials being higher than that of the previous year led to a significant impact on the operations of the Group.

It was a formidable task to achieve optimum synergy in feedstock sourcing arrangements and supply chain network.



Like most non plantation companies, the Group suffered and continues to suffer in the aftermath of rising feedstock prices.

The landscape of the edible oils and Specialty fats industry has changed considerably. The natural consolidation process has resulted in only plantation groups who may produce edible oils and specialty fats as part of their backward integration.

I am of the view that edible oil and specialty producers without backward integration may become scarce over time and be completely displaced by plantation Groups.





## Financial Performance and Operational Review

During the year the Group recorded a loss of RM69.70 million mainly due to the strategic exit from the industry by the disposal of the Palm Oil refinery complex and the disposal of the entire equity interest in Arani Agro Oil Limited, Premium Fats Sdn Bhd and Premium Vegetable Oils Sdn Bhd.

The strengthening ringgit against the greenback eroded the sales value in the year of review by 8.8% in comparison to the previous year. The average price of Crude palm oil and Palm kernel increased by 21% and 62% respectively in the current financial year due to firmer global oils and fats prices.





## Outlook and Prospects

Upon the completion of the disposal of the Palm Oil Refinery complex and the subsidiaries, the Company no longer have any business or operations and would be a cash company.

It is the Board's intention to maintain the listing status of the Company. In this regard the Board is actively identifying suitable business / assets to be acquired for purposes of addressing the future of the Company. It is the aim of the Company to invest in the Economic Transformation programme. Upon the completion of the disposal the Company will be debt free and the proceeds shall be invested wisely to achieve maximum shareholder value.

At the date of this report, the Board has yet to identify any suitable business / assets to be acquired.





## Acknowledgement

On behalf of the Board, I wish to express my most sincere gratitude to the management and employees for their commitment, hard work and dedication to the Group despite another challenging year.

I would also like to express my appreciation to our stakeholders, including existing and potential customers, bankers, suppliers, government authorities and business associates for their support and loyalty.

