

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

**AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010**

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THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the One Hundred and first Annual Report and Financial Statements of The Narborough Plantations, plc for the financial year ended 31 December 2010.

**FINANCIAL PERFORMANCE**

	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	<b>RM</b>	<b>RM</b>	<b>£</b>	<b>£</b>
Revenue	<u>7,102,574</u>	<u>5,638,523</u>	<u>1,429,089</u>	<u>1,019,624</u>
Cost of sales	<u>(2,045,951)</u>	<u>(2,061,529)</u>	<u>(411,660)</u>	<u>(372,790)</u>
Gross profit	<u>5,056,623</u>	<u>3,576,994</u>	<u>1,017,429</u>	<u>646,834</u>
Gain arising on revaluation of biological assets	<u>13,112</u>	<u>74,346</u>	<u>2,743</u>	<u>13,517</u>
Profit before tax	<u>5,175,359</u>	<u>4,178,988</u>	<u>1,041,394</u>	<u>756,500</u>
Earnings per share	<u>30.03 sen</u>	<u>25.25 sen</u>	<u>6.04 pence</u>	<u>4.57 pence</u>

The year 2010 held a special meaning to the Company as it celebrated its 100<sup>th</sup> year of incorporation on 27 April 2010. The year began with the world economy showing signs of recovery through the efforts of governments of the world in implementing stimulus packages.

However, the Company is mindful that this recovery may be fragile and the world economy may suffer another dip. Hence, we have implemented a prudent approach in the operations to sustain shareholders' value.

Crude Palm Oil ("CPO") prices recovered in the 1<sup>st</sup> quarter of the financial year, however declined in the 2<sup>nd</sup> quarter mostly due to bearish sentiments brought on by lower crude oil and vegetable oil prices. However, the 2<sup>nd</sup> half of the financial year brought on a steady increase in CPO price after bottoming out in July 2010. Weather conditions have also been beneficial to the trees during the second half of the financial year with ample rain brought on by the La Nina effect and pest attack on the oil palms has been kept under control.

Hence, the reduction in productivity has been brought down to 4% as compared with the reduction in the previous financial year of 6%. The reduction in productivity however, was compensated with the substantial increase in CPO price during the 2<sup>nd</sup> half of the financial year, which was reflected in the price of Fresh Fruit Bunches ("FFB"), which in turn increased the Company's turnover. The Company recorded a turnover of RM7,102,574 (£1,429,089) for the financial year ended 31 December 2010, an increase of 24% compared with the financial year ended 31 December 2009.

The Company has also achieved an increase in profit before tax of RM5,175,359 (£1,041,394) for the financial year ended 31 December 2010 as compared to the amount of RM4,178,988 (£756,500) for the previous financial year.

## **FINANCIAL PERFORMANCE (continued)**

The biological assets are carried at fair value, which is calculated as the present value of the estate's operating cash flows over the next ten years, based on Directors' best estimates of future selling prices of fresh fruit bunches as shown in Note 8.

Due to the increase in profits, earnings per share has increased from 25.25 sen (4.57 pence) for the financial year ended 31 December 2009 to 30.03 sen (6.04 pence) for the year ended 31 December 2010.

## **FINANCIAL POSITION**

The Company has maintained a strong financial position as at 31 December 2010, with net assets of RM51,195,605 (£10,708,961) compared with RM48,841,757 (£8,876,598) at 31 December 2009. Cash and short term deposits totalled RM12,193,874 (£2,551,020) compared with RM11,197,760 (£2,035,956) of the previous financial year. The company has no bank borrowings.

## **REVIEW OF OPERATIONS**

The results from the operations for the financial year under review are satisfactory given the factors benefiting the Company.

Crude Palm Oil (CPO) prices was traded at RM2,517.50/tonne at the beginning of 2010, supported by positive sentiments related to higher crude oil prices and supply tightness of vegetable oils. However, prices declined towards the middle of the year, bottoming at RM2,454.50/tonne in July 2010 due to bearish sentiments prevailing in the market influenced by the decline in both crude oil prices as well as that of other vegetable oils. However, the price recovered in August 2010 and raised steadily to end the year at RM3,629.50/tonne influence by higher crude oil and other vegetable oil prices. The average CPO price in 2010 increased by 22.3% or RM500.58 to RM2,745.08 from RM2,244.50 in the previous year. Palm oil prices traded quite widely during the 2nd half of the year, with the highest monthly average CPO price recorded in December 2010 and the lowest attained in July 2010.\*

Replanting began in 2010 on 10.4 hectares of the Company's field planted with oil palms that were approximately 30 years old. The field has been fully cleared and new seedlings planted by the 2<sup>nd</sup> half of 2010. The effect on the revenue of the Company due to the scheduled replanting has been minimal as the field only contributed 193.13MT out of 12,835.50MT of FFB for the financial year ended 31 December 2009.

Further replanting has been scheduled for the trees that are more than 25 years old and the effect on the Company's revenue will be reflected in the coming quarterly reports of 2011. The Company acknowledges that replanting is essential in ensuring further growth to preserve shareholders' value.

(\* Source of CPO Prices : Malaysian Palm Oil Board)

## CURRENT YEAR'S PROSPECTS

The economy of the world is on a slow recovery and the prospects of the palm oil industry look bright with developing countries namely China, India and other Asian countries' great demand for edible oil.

Various measures were taken by the Company in 2010 to ensure the sustainability of the oil palms' production potential in the current year. Notwithstanding unpredictable factors such as change in weather and pest attack, crop will be expected to increase in the foreseeable future. The Company should see another profitable year ahead given the continued increase in CPO price, improved cost efficiency through proper planning and favourable weather which will be beneficial to an increase in productivity of FFB.

## DIVIDEND

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	RM	£
In respect of financial year ended 31 December 2010:		
Interim dividend of 9% and Special dividend of 3% per ordinary share of 10 pence each, less tax of 25%, paid on 4 June 2010	558,495	119,849
2 <sup>nd</sup> Interim dividend of 9% and Special centenary dividend of 9% per ordinary share of 10 pence each, tax exempt, paid on 15 December 2010	<u>1,185,071</u>	<u>239,699</u>
	<u>1,743,566</u>	<u>359,548</u>

The Board do not recommend a payment of final dividend for the current financial year.

## **APPRECIATION**

On behalf of the board, I would like to record our appreciation to the management and employees for their commitment, dedication and loyalty in achieving the satisfactory results in the financial year under review. I would also take this opportunity to thank our shareholders for their support.

I am also pleased to welcome the appointment of Madam Lim Hu Fang as an Independent Non-Executive Director, with effect from 29 October 2010. A brief profile of the directors can be found on page 3 to 5 of the Annual Report 2010 to be published. She will be submitting herself for re-appointment at the forthcoming annual general meeting.

I would like to thank Mr Jeraman @ Jayaraman a/l Narainan who has resigned with effect from 31 December 2010 and had served on the Board since 2005 for his invaluable service to the Company.

Finally, I would like to thank my colleagues on the board for their invaluable advice and contributions during the year.

JULIANA MANOHARI DEVADASON  
Chairman  
25 February 2011

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

DIRECTORS' REPORT

To be presented at the One Hundred and First Annual General Meeting (AGM) of the Shareholders.

The directors present their report and the audited financial statements for the financial year ended 31 December 2010.

**PRINCIPAL ACTIVITY**

The principal activity of the Company in the course of the financial year remained unchanged and consists of cultivation of oil palm.

**BUSINESS REVIEW**

A review of the results of the Company for the financial year and an indication of future developments are included in the Chairman's Statement. In summary, the financial results of the Company for the financial year under review are as follows:-

	<b>2010</b>		<b>2009</b>	
	<b>RM</b>	<b>£</b>	<b>RM</b>	<b>£</b>
Production - Oil Palm (FFB)			<u>12,279 tonnes</u>	<u>12,835 tonnes</u>
Profit for the financial year	<u>3,999,391</u>	<u>804,781</u>	<u>3,362,537</u>	<u>608,860</u>

An analysis of the turnover by activity is given in Note 2 to the financial statements. An analysis of profit before taxation by activity is given in Note 5 to the financial statements.

The key performance indicators are disclosed and analysed in the full audited financial statements to be published with appropriate discussion in the review of operations.

**PRINCIPAL RISK AND UNCERTAINTIES**

The principal risks and uncertainties of the Company's business are:

- Unexpected variations in crop, principally caused by unusual weather and pest infestation.
- Variations in commodity prices
- Input cost inflation, and
- Changes in the policy of the Malaysian government towards the plantation industry and towards foreign investment.

## **PRINCIPAL RISK AND UNCERTAINTIES (continued)**

The above risks and uncertainties are beyond the control of the Company. However, the following measures were taken to lessen the impact of these risks and uncertainties:

- Unusual variations in crops are mostly due to lower rainfall arising from El Nino effect and sudden pest outbreak i.e. infestation of rats, bagworms and rhinoceros beetles. Drains and water retention ponds have been constructed strategically around the estate to ensure sufficient supply of water to the trees in the event of drought brought on by the El Nino effect. As for pest control measures taken, this is mentioned in detail in the Corporate Governance statement under the title, Corporate Responsibility – Environmental Management.
- Variations in commodity prices are governed by market forces. Hence, to ensure stable revenue for the Company in the event of a fall in palm oil futures, measures have been taken to optimise the production level of the trees. In addition, the Company also places emphasis on producing quality FFB that will command a better Oil Extraction Rate (“OER”) from the mills, which in turn will affect the price of our FFB.
- The mitigation of input cost inflation is further explained under the title, Internal Control in the Corporate Governance statement.
- The Company is a member of the Malayan Agricultural Producers Association (“MAPA”), which keeps its members updated on the latest development of the Government of Malaysia’s requirement on the industry. MAPA also advises on how best to comply with the requirements in the best interest of the Company. The Company has been carrying out a plantation business in Malaysia for more than a hundred years. Hence, there are minimal effects on the Company in respect of the current Government policies on foreign investments.

## **FINANCIAL RISK**

Information on financial instruments and other risks is set out in Note 21 to the financial statements.

## **CORPORATE RESPONSIBILITY**

### **Employee Health and Safety**

The Company is committed to provide a safe and healthy working environment for its workforce through effective and stringent implementation of the Occupational Safety and Health Act (OSHA) in its operations. Appropriate training and guidance is given to the workforce on OSHA. External OSHA consultants are engaged to assist in effective development, implementation and continuous improvement in occupational safety and health in accordance with current best practices. Housing equipped with the necessary amenities such as pipe water, electricity and basic furnishing are provided to the estate staff and plantation workers. These facilities are regularly maintained to ensure the comfort and safety of our employees. Prayer facilities, temples and mosque are also provided to the staff and workers according to their faith.

## **CORPORATE RESPONSIBILITY (continued)**

### **Environmental Management**

The Company's estate was converted from former rubber plantation and not on virgin forest land in line with its practice on sustainable oil palm cultivation. The preservation of the natural biological system of its estate is given priority. Emphasis is given on the use of organic fertilisers ie. waste product from the palm oil mills such as empty fruit bunches and decanter cake. Pest control through natural means such as building of barn owl boxes to attract owls for rat control, planting of *Turnera Subulata* plants as a habitat for wasp which is a predator of bagworms and pheromone bait for rhinoceros beetles are also given priority to ensure minimum disruption to the natural environment. Pesticides and inorganic fertilizers are applied under stringent controls according to professional agronomist recommendations. The oil palm plantation also acts as a water catchment area as well as assists to prevent soil erosion through cover crop planted and provide oxygen to the air.

### **Corporate Contributions**

A Benevolent Fund setup by the Company in Year 2008 consists of approximately 0.5% of its yearly profit after tax for the purpose of contributing back to the community. The Company donated RM5,700 (£1,147) for the financial year ended 31 December 2010 from the said fund for educational, health and welfare purposes to the local welfare organizations and the less fortunate. As a responsible corporate citizen, the Company will strive to continue identifying more eligible candidates which can benefit from the Benevolent Fund.

## **SHARE CAPITAL**

The structure of the Company's capital and the rights and obligations, if any, attached to each class of shares at the end of the year, are disclosed in Notes 17 and 18 of the financial statements.

## **RESERVES AND PROVISIONS**

All movements to or from provisions are disclosed in Note 13 of the financial statements. The reserves during the year under review are disclosed in the Statement of Changes in Equity and Note 18 of the financial statements.

## **FIXED ASSETS AND PREPAID LEASE PAYMENTS**

The open market value of the Company's freehold land and buildings, biological assets and prepaid lease payments expressed by a firm of valuers was RM30,160,000 (£4,562,784) as at 31 December 2007. The book value of the freehold land and buildings, biological assets and prepaid lease payments as at 31 December 2010 was RM29,223,826 (£6,113,771). Please refer to Note 8 and 9 of the financial statements.

## **DIVIDENDS**

Dividends paid and proposed for the year are disclosed in Note 19 to the financial statements.

## **DIRECTORATE AND DIRECTORS' SHAREHOLDINGS**

In accordance with Article 36 of the Company's New Articles of Association, Madam Juliana Manohari Devadason retires by rotation at the forthcoming One Hundredth and One AGM and, being eligible, offers herself for re-election.

In accordance with Article 31.2 of the Company's New Articles of Association, Madam Lim Hu Fang who was appointed during the year retires at the forthcoming One Hundredth and One AGM and, being eligible offers herself for re-election.

Stephen William Huntsman, a director of the Company, is deemed interested in Riverview Rubber Estates Berhad, which held 6,632,340 shares of the Company, representing 49.8% of the issued and paid up share capital as at 31 December 2010.

There have been no changes in the above interests in the period up to the date of this report.

No directors had any interest either during or at the end of the year in any material contract or arrangement with the Company.

## **NON-EXECUTIVE DIRECTORS' FEES**

Pursuant to Article 44 of the Company's New Articles of Association, the Board recommends that the non-executive directors' fees encompassing the Chairman's emoluments and the other Directors' fees be £6,000 and £25,000 in aggregate respectively.

## **SUBSTANTIAL SHAREHOLDINGS**

At the date of this report, the only notice received by the Company regarding substantial beneficial shareholdings in its issued ordinary share capital were as follows:-

<b>Name of shareholder</b>	<b>No. of ordinary shares of 10p each</b>	<b>Percentage of issued ordinary share capital</b>
Riverview Rubber Estates Berhad	6,632,340	49.8%
Hamidah binti Abdul Rahman	3,466,260	26.0%

## **CORPORATE GOVERNANCE**

A report on corporate governance is set out on pages 15 to 19.

## **APPOINTMENT AND REPLACEMENT OF DIRECTORS**

The Company's rules on the appointment and replacement of directors are contained in its New Articles of Association.

## **AMENDMENT OF COMPANY'S ARTICLES OF ASSOCIATION**

Any amendment to the Company's Articles of Association can only be made after shareholders' approval at a General Meeting.

## **POWERS OF DIRECTORS**

The powers of directors, for example in relation to the issuing or buying back by the Company of its own shares, are contained in the Company's New Articles of Association.

## **AGREEMENTS**

- There are no agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.
- There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

## **SUPPLIER PAYMENT POLICY**

The Company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms (provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions). The Company does not follow any code or standard on payment practice.

Trade creditors of the Company at the year end amount to 24 days (2009: 47 days) of average suppliers for the financial period.

## **TAX RESIDENCE**

The Company is tax resident in Malaysia.

## **AUDITORS**

All of the current directors have taken the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of the information. The directors are not aware of any relevant information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

By Order of the Board,

JULIANA MANOHARI DEVADASON  
Chairman

## THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

### CORPORATE GOVERNANCE

The Board is satisfied that it has put in place a framework for corporate governance which is appropriate for the Company to enable the directors to discharge their responsibilities to protect and enhance shareholders' value and the long-term financial performance of the Company. The directors acknowledged the ultimate objective of the Combined Code ("the Code") on corporate governance and the Turnbull Guidance on Internal Control issued by the The Financial Reporting Council. The directors are satisfied that the Company has complied with all the provisions of the Code throughout the year.

### **THE BOARD**

The Board comprises four non-executive directors (two of whom are independent) and an executive director. Madam Lim Hu Fang was appointed as an Independent Non-Executive Director of the Company on 29 October 2010 to streamline the Board of Directors of Riverview Rubber Estates, Berhad (a substantial shareholder) and the Company. Mr Jeraman @ Jayaraman a/l Narainan who was also an Independent Non-Executive Director of the Company resigned on 31 December 2010. Other than Madam Juliana Manohari Devadason, Mr Stephen William Hunstman and Mr Adrian Tsen Keng Yam, the remaining two non-executive directors are considered by the Board to be independent. Both independent non-executive directors have a wide range of business interests beyond their position with the Company and the rest of the Board are satisfied that they have shown themselves to be fully independent. The audit, remuneration and nomination and risk management committees have written terms of reference.

The General Manager who had been appointed to oversee operations and executive functions retired on 31 December 2010. A Senior Manager was appointed on 10 January 2011 to take over his aforementioned job functions. There is clear segregation of responsibilities between the Chairman, who is a non-independent non-executive director, the Executive Director and the General Manager (Senior Manager) to ensure a balance of power and authority. The Executive Director and the General Manager (Senior Manager) is subject to the control of the Board of Directors. This is to ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

The Board meets at least four times a year to discuss the Company's affairs and all important business decisions are formally discussed and documented. The Board has reserved certain specific matters for its collective review and decision. These include approval of annual and interim results, approval of annual budget, declaration of dividends and authorisation of major transactions. The directors ensure that they have full and timely access to all relevant information to aid their decision making. The Board has access to the advice and services of the Company Secretary who is also the Executive Director is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In furtherance of its duties, it is also the norm for the Board to seek independent professional advice if necessary.

All the independent Non-Executive Directors met on their own during 2010. The Chairman met all the Non-Executive Directors twice in 2010 in the absence of the Executive Director.

The Chairman of the Audit Committee and the Remuneration and Nomination Committee, Mr Roslan Bin Hamir, is the Senior Independent Director of the Company.

## **THE BOARD (continued)**

There are no specific periods of appointment for the Non-Executive Directors to ensure stability and to maintain historical knowledge. However, the board will review the position of each director for the normal re-election under the Company's Articles of Association.

All the Directors are required to attend mandatory accreditation programmes organised by accredited professional bodies in Malaysia to ensure continuous professional development.

During the financial year ended 31 December 2010, the Board met six (6) times and the details of the meeting attendance by each director are as follows:

<b>Name of directors</b>	<b>Number of meetings held</b>	<b>Number of meetings attended</b>
Juliana Manohari Devadason	6	6
Adrian Tsen Keng Yam	6	6
Roslan Bin Hamir	6	6
Stephen William Huntsman	6	6
Lim Hu Fang (Appointed on 29.10.2010)	6	1
Jeraman @ Jayaraman A/L Narainan (Resigned on 31.12.2010)	6	5

Five of the directors (excluding Mr Jeraman @ Jayaraman A/L Narainan who resigned on 31 December 2010) retire by rotation in accordance with the Articles of Association of the Company. The General Manager had a one year rolling service contract with the Company and he retired on 31 December 2010. A Senior Manager on a one year rolling service contract was employed as a replacement on 10 January 2011.

## **BOARD COMMITTEES**

The Board is supported by the Audit Committee and Remuneration and Nomination Committee with written terms of reference which define their membership, authorities and responsibilities.

The Audit Committee, consisting of three non-executive directors who are Mr Roslan Bin Hamir (Chairman), Mr Stephen William Huntsman and Madam Lim Hu Fang (Appointed on 29.10.2010), the majority of whom are independent, meets at least four times a year. The Committee is responsible for reviewing a wide range of financial matters before their submission to the Board and monitoring the controls that are in force to ensure the integrity of the financial information reported to the shareholders.

The Audit Committee also reviews annually the terms of appointment of the auditors to ensure that an objective, professional and cost-effective relationship is maintained. During the financial period under review there was no non-audit fees paid by the Company to the external auditors.

The activities of the Audit Committee during the financial period under review are as follows:

1. Reviewed the quarterly and final results and recommend to the Board for approval prior to release to the London Stock Exchange;
2. Reviewed the scope and audit plan of the internal auditors;
3. Reviewed the scope and audit plan of the external auditors;
4. Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and management's responses thereto;
5. Reviewed the audited financial statements and annual report; and
6. Conducted informal high-level risk assessment and review of the business operations.

## **BOARD COMMITTEES (continued)**

The Remuneration and Nomination Committee, which consist of three non-executive directors, is responsible for determining performance related remuneration packages for executive director and senior management. The Committee keeps under review the composition of the Board, a profile of the required skills, attributes and experience and makes recommendations to the Board concerning new appointments and re-appointment of all directors.

The Directors' Remuneration Report is set out on pages 19 to 23 of the full audited financial statements.

The details of meeting attendance of the Audit Committee and the Remuneration and Nomination Committee during the financial year ended 31 December 2010 are as follows:-

<b>Audit Committee</b>	<b>Number of meetings held</b>	<b>Number of meetings attended</b>
Roslan Bin Hamir	4	4
Stephen William Huntsman	4	4
Lim Hu Fang (Appointed on 29.10.2010)	4	1
Jeraman @ Jayaraman A/L Narainan (Resigned on 31.12.2010)	4	3

<b>Remuneration and Nomination Committee</b>	<b>Number of meetings held in relation to the financial year ended 31 December 2010</b>	<b>Number of meetings attended</b>
Roslan Bin Hamir	2	2
Stephen William Huntsman	2	2
Lim Hu Fang (Appointed on 29.10.2010)	2	1
Jeraman @ Jayaraman A/L Narainan (Resigned on 31.12.2010)	2	1

## **INTERNAL CONTROL**

The Turnbull Guidance has been followed in applying Section C.2 of the Code for the Company's Internal Control. The directors acknowledge that they have overall responsibility for the Company's system of internal control and for reviewing its effectiveness in safeguarding shareholders' investment and the Company's assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed. However, such a system is designed to manage and control risk rather than to eliminate them, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is committed in maintaining a system of internal control with the following key elements.

## **INTERNAL CONTROL (continued)**

### **Organisation**

The Company has a defined organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company's objectives. The Board presides over an organisational structure that is decentralised, but with defined lines of responsibility and specific delegation of authority.

### **Risk Management**

The directors are responsible for identifying and evaluating key risks applicable to the business. These risks have been and are being assessed on a continual basis, as they are associated with a variety of internal or external factors. The Risk Management Committee, comprising a Director, the Company Secretary, the Senior Manager and the Manager with the Senior Manager as a replacement to the General Manager who retired on 31 December 2010, has been formed to assist the directors in identifying and evaluating key risks applicable to the business. Issues are periodically reviewed and discussed in order to form a basis for determining how the risks should be managed and thereon report to the Board.

### **Information and Communication**

The directors undertake periodical strategic reviews, which include consideration of long term objectives and evaluation of business alternatives. The management prepares annual budget and monthly management accounts for submission to the Board for approval. The Board meets regularly to evaluate the performance of the operations and gauge against approved budgets.

Through these mechanisms, the Company's performance is continually monitored, risks identified in a timely manner, their financial implications assessed and corrective actions agreed and implemented.

### **Control Procedures**

The Company has adequate control procedures designed to ensure complete and accurate accounting for transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, review by the directors and management, and external audit to the extent necessary to arrive at their audit opinion.

### **Monitoring and Corrective Action**

The Board regularly reviews the overall operations of the Company. The Audit Committee is tasked to review the assurance procedures to obtain the level of assurance required and reports to the Board.

During the financial year, the Internal Audit function has been outsourced to a professional audit firm. The Audit Committee has reviewed the internal audit programme before commencement of the internal audit. After completion of the internal audit, the results were presented to the Audit Committee for discussion as to whether or not appropriate action is to be taken. In addition, a non-executive director conducts regular field and office inspections and submits to the Board his written reports on the effectiveness and control procedures of estate operations. The Audit Committee and the Board also reviewed the plantation visit reports submitted by the independent Planting Advisor, whose main duties are to assess the operations and condition of the estates at least twice a year. The Audit Committee is of the opinion that the internal audit activities are adequately covered.

In respect of the period under review, the directors are not aware of any material internal control aspects of any significant problems which need to be disclosed in this report.

## **RELATIONS WITH SHAREHOLDERS**

The directors maintain a policy of keeping all our shareholders, irrespective of size, informed about the Company's policies and progresses as the directors value a constructive relationship with our investors. Communication with shareholders is given high priority. The Annual Report together with Notice of Annual General Meeting are sent to shareholders well in advance. Quarterly and final results are duly announced on the London Stock Exchange website and the Company's own website at [www.narboroughplantations.com](http://www.narboroughplantations.com) upon approval from the Board. The Company's announcements and financial reports are also available for public inspection on the National Storage Mechanism located at [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do). Shareholders' participation is most welcomed at the Annual General Meeting.

## **GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report. The financial position of the Company, its cash flows and liquidity position is shown in the financial statements and notes to financial statements. In addition note 21 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources together with a yearly renewable contract with a major oil mill. Suppliers of fertilizers and transporters are selected through open tender to control cost of operations. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## **ACCOUNTABILITY AND AUDIT**

The directors are ultimately responsible for keeping proper accounting records of the Company. The directors' statement of responsibility in respect of the financial statements is set out below.

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006. The directors have chosen to prepare financial statements for the company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful presentation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors confirm to the best of their knowledge:

- the Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- the directors' report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

Financial statements are published on the Company's website – [www.narboroughplantations.com](http://www.narboroughplantations.com) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The report of the auditors can be found on pages 26 and 28 of the full audited financial statements.

This statement is made in accordance with the resolution of the Board of Directors dated 25 February 2011 and authorised for issue on 25 February 2011

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

**Continuing operations**

		31.12.2010		31.12.2009	
	NOTE	RM	£	RM	£
<b>Revenue</b>	2	7,102,574	1,429,089	5,638,523	1,019,624
Cost of sales		<u>(2,045,951)</u>	<u>(411,660)</u>	<u>(2,061,529)</u>	<u>(372,790)</u>
<b>Gross profit</b>		5,056,623	1,017,429	3,576,994	646,834
Gain arising on revaluation of biological assets		13,112	2,743	74,346	13,517
Other operating income		26,131	5,258	90,939	16,445
Administrative expenses		(698,595)	(140,562)	(683,082)	(123,523)
Foreign exchange (loss)/gain		(404,866)	(81,462)	276,090	49,926
Replanting expenditure		<u>(78,976)</u>	<u>(15,891)</u>	-	-
<b>Operating profit</b>		3,913,429	787,515	3,335,287	603,199
Share of profit of associate after tax		1,036,629	208,577	668,851	121,609
Gain from disposal of property, plant and equipment		44,999	9,054	-	-
Property, plant and equipment written off		(1,224)	(256)	-	-
Finance income	3	200,337	40,309	196,301	35,497
Finance costs	4	<u>(18,811)</u>	<u>(3,805)</u>	<u>(21,451)</u>	<u>(3,805)</u>
<b>Profit before tax</b>	5	5,175,359	1,041,394	4,178,988	756,500
Tax expense	6	<u>(1,175,968)</u>	<u>(236,613)</u>	<u>(816,451)</u>	<u>(147,640)</u>
<b>Profit for the financial year</b>		<u>3,999,391</u>	<u>804,781</u>	<u>3,362,537</u>	<u>608,860</u>
<b>Profit for the financial year attributable to:</b>					
- Owners of the parent		<u>3,999,391</u>	<u>804,781</u>	<u>3,362,537</u>	<u>608,860</u>
<b>Earnings per share - basic and diluted (sen/pence)</b>	7	<u>30.03 sen</u>	<u>6.04 pence</u>	<u>25.25 sen</u>	<u>4.57 pence</u>

*The accompanying notes form an integral part of this income statement.*

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		31.12.2010		31.12.2009	
	NOTE	RM	£	RM	£
<b>Profit for the financial year</b>		3,999,391	804,781	3,362,537	608,860
<b>Other comprehensive income</b>					
Net (deficit)/surplus arising on translation of statement of financial position items at beginning of period and results of the financial year to financial year-end exchange rate					
- revaluation reserve		-	571,194	-	(379,166)
- capital reserve		-	67,020	-	(47,862)
- foreign exchange reserve		-	136,281	-	(90,475)
- general reserve		-	23,955	-	(15,904)
- retained earnings		-	568,173	-	(330,780)
Reversal of deferred taxation to revaluation reserve due to changes in tax rate		-	-	2,354	428
Share of associates' other comprehensive income					
- Capital reserves		98,023	20,507	(185,214)	(33,675)
<b>Total other comprehensive income</b>		98,023	1,387,130	(182,860)	(897,434)
<b>Total comprehensive income for the financial year</b>		4,097,414	2,191,911	3,179,677	(288,574)
<b>Total comprehensive income attributable to:</b>					
- Owners of the parent		4,097,414	2,191,911	3,179,677	(288,574)

*The accompanying notes form an integral part of this statement of comprehensive income.*

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010

	NOTE	31.12.2010		31.12.2009	
		RM	£	RM	£
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	14,752,286	3,086,252	14,642,648	2,662,300
Biological assets	8	14,560,463	3,046,122	14,547,351	2,644,973
Prepaid lease payments	9	70,455	14,740	96,875	17,614
Investment in associate	10	9,838,646	2,058,294	8,703,994	1,582,544
Total non-current assets		39,221,850	8,205,408	37,990,868	6,907,431
<b>Current assets</b>					
Inventories		13,124	2,745	13,056	2,374
Trade and other receivables	11	614,423	128,540	324,903	59,073
Cash and cash equivalents	12	12,193,874	2,551,020	11,197,760	2,035,956
Current tax assets		-	-	45,728	8,314
Total current assets		12,821,421	2,682,305	11,581,447	2,105,717
<b>Total assets</b>		<b>52,043,271</b>	<b>10,887,713</b>	<b>49,572,315</b>	<b>9,013,148</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Provision for retirement benefits	13	(30,763)	(6,436)	(27,356)	(4,974)
Deferred tax liabilities	14	(42,874)	(8,969)	(32,572)	(5,922)
Cumulative preference shares	15	(84,163)	(19,024)	(84,163)	(19,024)
Total non-current liabilities		(157,800)	(34,429)	(144,091)	(29,920)
<b>Current liabilities</b>					
Trade and other payables	16	(455,061)	(95,201)	(586,467)	(106,630)
Current tax liabilities		(234,805)	(49,122)	-	-
Total current liabilities		(689,866)	(144,323)	(586,467)	(106,630)
<b>Total liabilities</b>		<b>(847,666)</b>	<b>(178,752)</b>	<b>(730,558)</b>	<b>(136,550)</b>
<b>TOTAL NET ASSETS</b>		<b>51,195,605</b>	<b>10,708,961</b>	<b>48,841,757</b>	<b>8,876,598</b>

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010 (continued)

		31.12.2010		31.12.2009	
	NOTE	RM	£	RM	£
<b>Issued capital and reserves attributable to equity holders of the Company</b>	18				
Share capital	17	4,891,969	1,331,659	4,891,969	1,331,659
Other reserves		24,276,431	4,769,100	24,178,408	3,950,143
Retained earnings		22,027,205	4,608,202	19,771,380	3,594,796
<b>TOTAL EQUITY</b>		<u>51,195,605</u>	<u>10,708,961</u>	<u>48,841,757</u>	<u>8,876,598</u>

The financial statements were approved and authorised for issue by the Board of Directors on 25 February 2010 and were signed on its behalf by:

JULIANA MANOHARI DEVADASON  
**Chairman**

*The accompanying notes form an integral part of this statement of financial position.*

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	<b>Share capital RM</b>	<b>Revaluation reserve net of attributable deferred tax RM</b>	<b>Capital reserve RM</b>	<b>General reserve RM</b>	<b>Retained earnings RM</b>	<b>Total RM</b>
At 1 January 2009	4,891,969	20,854,166	2,632,404	874,698	17,782,069	47,035,306
Dividends (Note 19)	-	-	-	-	(1,373,226)	(1,373,226)
<i><b>Total comprehensive income</b></i>	-	2,354	(185,214)	-	3,362,537	3,179,677
At 31 December 2009	4,891,969	20,856,520	2,447,190	874,698	19,771,380	48,841,757
Dividends (Note 19)	-	-	-	-	(1,743,566)	(1,743,566)
<i><b>Total comprehensive income</b></i>	-	-	98,023	-	3,999,391	4,097,414
At 31 December 2010	4,891,969	20,856,520	2,545,213	874,698	22,027,205	51,195,605

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	<b>Share capital £</b>	<b>Revaluation reserve net of attributable deferred tax £</b>	<b>Capital reserve £</b>	<b>Foreign exchange reserve £</b>	<b>General reserve £</b>	<b>Retained earnings £</b>	<b>Total £</b>
At 1 January 2009	1,331,659	4,170,833	526,481	(355,457)	174,940	3,556,414	9,404,870
Dividends (Note 19)	-	-	-	-	-	(239,698)	(239,698)
<i><b>Total comprehensive income</b></i>	-	(378,738)	(81,537)	(90,475)	(15,904)	278,080	(288,574)
At 31 December 2009	1,331,659	3,792,095	444,944	(445,932)	159,036	3,594,796	8,876,598
Dividends (Note 19)	-	-	-	-	-	(359,548)	(359,548)
<i><b>Total comprehensive income</b></i>	-	571,194	87,527	136,281	23,955	1,372,954	2,191,911
At 31 December 2010	1,331,659	4,363,289	532,471	(309,651)	182,991	4,608,202	10,708,961

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	31.12.2010		31.12.2009	
	RM	£	RM	£
<b>Operating activities</b>				
Profit before tax	5,175,359	1,041,394	4,178,988	756,500
Adjustments for:				
Amortisation of prepaid lease payment	26,420	5,316	18,750	3,391
Depreciation of property, plant and equipment	59,701	12,012	45,014	8,140
Provision for retirement benefits	3,407	713	2,166	392
Property, plant and equipment written off	1,224	256	-	-
Gain arising on revaluation of biological assets	(13,112)	(2,743)	(74,346)	(13,517)
Gain on disposal of property, plant and equipment	(44,999)	(9,054)	-	-
Share of profit of associate after tax	(1,036,629)	(208,577)	(668,851)	(121,609)
Finance income	(200,337)	(40,309)	(196,301)	(35,497)
Finance costs	18,811	3,805	21,451	3,805
<b>Operating cash flow before changes in working capital</b>	3,989,845	802,813	3,326,871	601,605
(Increase)/Decrease in inventories	(68)	(14)	(5,912)	(1,075)
(Increase)/Decrease in trade and other receivables	(289,520)	(60,569)	(51,328)	(9,332)
Increase/(Decrease) in trade and other payables	(131,406)	(27,491)	84,162	15,302
Retirement benefits paid	-	-	(3,833)	(697)
<b>Cash generated from operations</b>	3,568,851	714,739	3,349,960	605,803
Tax paid	(885,133)	(178,095)	(466,663)	(84,387)
<b>Net cash flow from operating activities</b>	2,683,718	536,644	2,883,297	521,416
<b>Investing activities</b>				
Purchases of property, plant and equipment	(170,564)	(35,683)	(2,599)	(473)
Proceeds from disposal of property, plant and equipment	45,000	9,054	-	-
Interest received	200,337	40,309	196,301	35,497
<b>Net cash flow from investing activities</b>	74,773	13,680	193,702	35,024

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

	31.12.2010		31.12.2009	
	RM	£	RM	£
<b>Financing activities</b>				
Dividends paid on ordinary shares	(1,743,566)	(359,548)	(1,373,226)	(239,698)
Dividends paid on cumulative preference shares	(18,811)	(3,805)	(21,451)	(3,805)
<b>Net cash flow used in financing activities</b>	<u>(1,762,377)</u>	<u>(363,353)</u>	<u>(1,394,677)</u>	<u>(243,503)</u>
<b>Increase in cash and cash equivalents</b>	996,114	186,971	1,682,322	312,937
<b>Effects of exchange rate changes</b>	-	328,093	-	(180,068)
<b>Cash and cash equivalents at beginning of financial year</b>	<u>11,197,760</u>	<u>2,035,956</u>	<u>9,515,438</u>	<u>1,903,087</u>
<b>Cash and cash equivalents at end of financial year (Note 12)</b>	<u><u>12,193,874</u></u>	<u><u>2,551,020</u></u>	<u><u>11,197,760</u></u>	<u><u>2,035,956</u></u>

THE NARBOROUGH PLANTATIONS, plc (109273)

(Incorporated in England and Wales)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Entity management to exercise judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 2 to the financial statements.

#### (a) *New standards, interpretations and amendments effective from 1 January 2010*

The following new standards, interpretations and amendments, are effective for the first time in these financial statements but none have had a material effect on the financial statements:

- ***Revised IFRS 3 'Business combinations'***: Much of the basic approach to business combination accounting required under the previous version of IFRS 3 'Business combinations' has been retained in this revised version of the standard. However, in some respects the revised standard may result in very significant changes to the account treatments previously adopted, including: The requirement to write off all acquisition costs to profit or loss instead of including them in the cost of investment (which will have a consequent effect on the value of goodwill recognised); the requirement to recognize an intangible asset even if it cannot be reliably measured; and, an option to gross up the balance sheet for goodwill attributable to non-controlling interests (known formerly as 'minor interests') on a combination-by-combination basis. There are also some significant changes in the disclosure requirements of the revised standard. Contingent consideration in an IFRS 3 (R) business combination will also now fall within the scope of IAS 39 and be measured initially and subsequently at fair value with re-measurement differences being recognised in profit and loss. Changes in the value of contingent consideration in a business combination falling with the scope of the old IFRS 3 continue to be treated as adjustments to goodwill.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.1 Basis of accounting (continued)

#### (a) *New standards, interpretations and amendments effective from 1 January 2010 (continued)*

- *Amendment to IAS 39 Financial Instrument: Recognition and Measurement: Eligible Hedged Items*
- *IFRIC 17 Distributions of Non-cash Assets to Owners*
- *Revised IFRS 1 First-time Adoption of international Financial Reporting Standards*
- *IFRIC 18 Transfer of Assets from Customers*
- *Improvements to IFRSs (2009)*
- *Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)*
- *Additional Exemptions for First-time Adopters (Amendments to IFRS 1)*
- *Amendments to IAS 32 Classification of Rights Issues*
- *Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*
- *Revised IAS 24 Related Party Disclosures*
- *Amendments to IAS 27 Consolidated and Separate Financial Statements:* This amendment affects in particular the treatment of non-wholly-owned subsidiaries. Transactions which increase or decrease the Company's interest in a subsidiary without altering control will no longer give rise to changes in the carrying value of the subsidiary's assets or liabilities (including its associated goodwill) and will not give rise to a gain or loss. Any difference between the consideration paid or received and the adjustment to the carrying value of the non-controlling interest will be recognised directly in equity. In addition, total comprehensive income must now be attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. Previously, unfunded losses in such subsidiaries would be attributed entirely to the Company.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.1 Basis of accounting (continued)

(a) *New standards, interpretations and amendments effective from 1 January 2010 (continued)*

- ***Amendments to IAS 27 Consolidated and Separate Financial Statements: (continued)***

The Amendment does not require the restatement of previous transactions and has had no effect on the current financial year.

None of the other new standards, interpretations and amendments effective for the first time from 1 January 2010, have had a material effect on the financial statements.

(b) *Standards, amendments and interpretations to published standards not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods and which the Company has decided not to adopt early. These are:

- ***Improvement to IFRSs (2010)\****
- ***Amendment to IFRS 7 Disclosures : Transfers of Financial Assets\****
- ***IFRS 9 Financial Instruments\****
- ***Amendment to IFRIC 14 IAS 19 Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***
- ***Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12)\****

\* Not endorsed by the EU as at the date of approval of these financial statement.

The directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Company's financial statements, other than increasing disclosure, in the period of initial adoption and subsequent periods.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.2 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation, which is the fair value at the date of revaluation, less accumulated depreciation and impairment losses, if any.

The freehold estate and residential land were revalued in 2007. These are revalued at regular intervals of at least once in every five (5) years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued properties materially differ from the market values.

The surplus arising from such valuations is credited to shareholders' equity as a revaluation reserve and any subsequent deficit is charged against the surplus until it reduces the carrying value to its depreciated historic cost. In all other cases, the deficit will be charged to the income statement.

For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus should be recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to shareholders' equity.

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the revaluation reserve related to the asset, if any, is transferred directly to retained earnings.

The freehold estate land is not depreciated. Depreciation of other property, plant and equipment are provided on a straight line basis at rates calculated to write off their cost over the following estimated useful lives.

Buildings	5%
Vehicles	15% - 20%
Machinery	10% - 20%
Fixtures, fittings and electrical installation	10%
Furniture and equipment	10%
Information technology equipment	25%

At each reporting date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 1.7 to the financial statements on impairment of non-financial assets).

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.3 Leases

#### 1.3.1 Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land are classified as operating or finance leases in the same way as leases of other assets.

#### 1.3.2 Operating lease

All leases that do not transfer substantially all the risks and the rewards are classified as operating leases.

#### 1.3.3 Lease of land

The lump-sum upfront payments made to acquire the interest in the leasehold land represent prepaid lease payments and are amortised on a straight-line basis over the remaining lease period of approximately two (2) years.

### 1.4 Biological assets

Biological assets are stated at fair value less estimated point of sale costs. The movement in fair value of biological assets is charged or credited to the income statement for the relevant period.

### 1.5 New planting, replanting expenditure and deferred nursery expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised under plantation development expenditure and is not amortised.

Replanting expenditure is charged to the income statement in the financial year in which the expenditure is incurred.

Deferred nursery expenditure is capitalised under plantation development expenditure at cost and charged to the income statement on replanting of crops.

### 1.6 Associate

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Investment in associate is accounted using the equity method of accounting. Under the equity method, the investment in associate is carried in the statement of financial position at cost adjusted for post-acquisition changes in the Company's share of net assets of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of such changes. The Company's share of post-acquisition profits and losses is recognised in the income statement, except that losses in excess of the Company's investment in the associate are not recognised unless there is an obligation to make good those losses.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.6 Associate (continued)

Profits and losses arising on transactions between the Company and its associate are recognised only to the extent of unrelated investors' interests in the associate. The Company's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Company's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

### 1.7 Impairment of non-financial assets

The carrying amounts of the Company's assets, other than biological assets, inventories, deferred tax asset and financial assets (other than investment in associate), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset.

The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement.

Reversals of an impairment loss are recognised as income immediately in the income statement if the original impairment had been recognised there. Reversal of an impairment loss previously recognised directly against revaluation reserve is treated as a revaluation increase and credited to the revaluation reserve account of the same asset.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.8 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

### 1.9 Retirement benefits

The Company has no pension plans other than its mandatory contribution to provident funds approved by the Malaysian government (as stated in Note 1.16.2 below) and provision for lump sum payments of retirement benefits to staff and workers upon their retirement. The provision for lump sum payments is based on the collective agreements between the Malaysian Agricultural Producers Association (MAPA) and All Malaysia Estate Staff Union (AMESU) and National Union of Plantation Workers (NUPW) respectively. The Company's obligation is limited to the agreed terms.

### 1.10 Taxation

#### 1.10.1 Current tax expense

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### 1.10.2 Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity such as revaluations, in which case the deferred tax is also dealt with in equity.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.11 Foreign currencies

#### 1.11.1 Functional and presentation currency

The financial statements are measured in Ringgit Malaysia (RM), which is the functional currency, being the currency of the primary economic environment in which the Company operates. The financial statements are presented in both RM and Pound Sterling. The statement of financial position is translated to Pound Sterling for presentation purpose at an exchange rate of RM1 = 20.92p (2009: RM1 = 18.18p) whereas the income statement is translated at an average exchange rate of RM1 = 20.12p (2009: RM1 = 18.08p).

#### 1.11.2 Transactions during the financial year

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the reporting date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange rate differences are taken to the income statement.

#### 1.11.3 Translation into sterling at financial year end

The principal exchange rates for every unit of foreign currency ruling at reporting date used is as follows:

	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
Pound Sterling	<u>4.78</u>	<u>5.50</u>

The opening balances of reserves (excluding the exchange translation reserve and revaluation reserve) at the financial year end are translated from Ringgit Malaysia into Pound Sterling at the rate of exchange at 31 December 2010 of RM1 = 20.92p (2009: RM1 = 18.18p). The Ringgit Malaysia equivalent of the share capital has been translated at the equivalent of RM1 = 27.14p. Exchange differences on translation are dealt with through the foreign exchange reserve.

### 1.12 Revenue

#### (i) Sale of goods

Revenue from sale of fresh fruit bunches (FFB) is recognised in the income statement when delivery has taken place and transfer of risks and rewards have been completed.

#### (ii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.13 Use of estimates

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported assets and liabilities and reported revenue and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The main areas in which estimates are used are fair value of biological assets and deferred tax. Assumptions regarding the valuation of biological assets are set out in Note 8 to the financial statements. Details regarding deferred tax are set out in Note 14 to the financial statements.

### 1.14 Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is recognised when paid. In the case of final dividends, this is recognised when approved by the shareholders at the General Meeting.

### 1.15 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares including convertible notes and share options granted to employees, if any.

### 1.16 Employee benefits

#### 1.16.1 Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statement in the period in which the associated services are rendered by the employees.

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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.16 Employee benefits (continued)

#### 1.16.2 Defined contribution plan

The Company makes contributions to a statutory provident fund and recognises the contributions payable:

- (i) after deducting contributions already paid as a liability; and
- (ii) as an expense in the financial year in which employees render their services.

#### 1.17 Cumulative preference shares

The cumulative preference shares are recorded at the amount of proceeds received, net of transaction costs.

The cumulative preference shares are classified as non-current liabilities in the statement of financial position and the preferential dividends are recognised as finance costs in profit or loss in the period in which they are incurred.

#### 1.18 Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as fair value through profit or loss, available-for-sale and held to maturity. The Company's accounting policy for loans and receivables is as follows:

##### ***Loans and receivables:***

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. Receivables are initially measured at fair value and subsequently at amortised cost less provision for any impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.18 Financial assets (continued)

#### *Loans and receivables (continued):*

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

### 1.19 Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company has not classified any of its financial liabilities as fair value through profit or loss. The Company's accounting policy for other financial liabilities is as follows:

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially measured at fair value and subsequently at amortised cost.
- Bank borrowings, if any, are initially recognised at the amount received net of transaction costs. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position.

### 1.20 Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The cumulative preference shares include a contractual obligation on the Company to deliver cash in the form of the annual preference dividend and, in the absence of any other terms that would indicate an equity element, have been classified wholly as a financial liability.

The Company's ordinary shares are classified as equity instruments.

For the purposes of the disclosures given in Note 21 to the financial statements, the Company considers its capital to comprise its ordinary share capital, accumulated retained earnings and its cumulative preference shares which are classified as a financial liability in the statement of financial position. Neither the foreign exchange reserve nor the revaluation reserve is considered as capital. There have been no changes in what the Company considers to be capital since the previous financial year.

## 2. REVENUE

Revenue represents amounts delivered in respect of the sale of fresh fruit bunches (FFB). The analysis of revenue by activity is as follows:-

	31.12.2010		31.12.2009	
	RM	£	RM	£
Fresh fruit bunches (FFB)	<u>7,102,574</u>	<u>1,429,089</u>	<u>5,638,523</u>	<u>1,019,624</u>

## 3. FINANCE INCOME

	31.12.2010		31.12.2009	
	RM	£	RM	£
Interest from short term deposits	<u>200,337</u>	<u>40,309</u>	<u>196,301</u>	<u>35,497</u>

## 4. FINANCE COSTS

Finance costs represent dividends on cumulative preference shares as follows:

	31.12.2010		31.12.2009	
	RM	£	RM	£
Interim: Single tier 20% (2009: 20% single tier)	<u>18,811</u>	<u>3,805</u>	<u>21,451</u>	<u>3,805</u>

## 5. PROFIT BEFORE TAX

	31.12.2010		31.12.2009	
	RM	£	RM	£
Profit before tax is arrived at after charging:-				
Amortisation of prepaid lease payments	26,420	5,316	18,750	3,391
Auditors' remuneration - audit services	90,285	18,166	101,625	18,377
Directors' remuneration - fees	148,180	31,000	165,000	30,000
Depreciation on property, plant and equipment	59,701	12,012	45,014	8,140
Foreign exchange loss	413,363	83,172	-	-
Windfall tax levy	97,981	19,714	7,179	1,298
Property, plant and equipment written off	1,224	256	-	-
Staff costs (Note 20)	<u>873,617</u>	<u>175,806</u>	<u>869,969</u>	<u>157,318</u>

**5. PROFIT BEFORE TAX (continued)**

	31.12.2010		31.12.2009	
	RM	£	RM	£
and crediting:-				
Foreign exchange gain	8,497	1,710	276,090	49,926
Gain on disposal of property, plant and equipment	44,999	9,054	-	-
	<u>44,999</u>	<u>9,054</u>	<u>-</u>	<u>-</u>

**6. TAX EXPENSE**

	31.12.2010		31.12.2009	
	RM	£	RM	£
Malaysian income tax:				
- current financial year	1,184,805	238,391	847,483	153,252
- overprovision in prior years	(19,139)	(3,850)	(7,561)	(1,368)
Deferred tax for the financial year (Note 14)	10,302	2,072	(23,471)	(4,244)
	<u>1,175,968</u>	<u>236,613</u>	<u>816,451</u>	<u>147,640</u>

The tax residence of the Company is in Malaysia.

A reconciliation of the Malaysian income tax rate to the effective tax rate of the Company is as follows:-

	% of Profit Before Taxation	
	31.12.2010	31.12.2009
Malaysian income tax rate	25.0	25.0
(Decrease)/Increase resulting from:		
Non allowable expenses	3.4	1.5
Non taxable income	(5.1)	(6.0)
Crystallisation of deferred tax liabilities on revaluation reserves	(0.2)	(0.2)
	<u>23.1</u>	<u>20.3</u>
Over provision in prior year	(0.5)	(0.8)
Effective tax rate	<u>22.6</u>	<u>19.5</u>

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	31.12.2010		31.12.2009	
	RM	£	RM	£
Profit for the financial year attributable to ordinary shareholders	<u>3,999,391</u>	<u>804,781</u>	<u>3,362,537</u>	<u>608,860</u>
			<b>31.12.2010</b>	<b>31.12.2009</b>
Weighted average number of ordinary shares of 10p each			<u>13,316,590</u>	<u>13,316,590</u>
Basic and diluted earnings per share (sen)			<u>30.03 sen</u>	<u>25.25 sen</u>
Basic and diluted earnings per share (pence)			<u>6.04 pence</u>	<u>4.57 pence</u>

## 8. BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT

2010	LAND AND <---- BUILDINGS ----> Freehold residential land, buildings and estate building				Vehicles, machinery and field equipment	Total £	Total RM
	Freehold estate land £	Freehold residential land, buildings and estate building £	Biological assets £	£			
<b>At Cost or Valuation</b>							
At 1 January 2010	2,631,815	60,537	2,644,973	90,344	5,427,669	29,852,175	
Additions	-	410	-	35,273	35,683	170,564	
Revaluation	-	-	2,743	-	2,743	13,112	
Disposals	-	-	-	(24,747)	(24,747)	(118,289)	
Written off	-	-	-	(293)	(293)	(1,399)	
Exchange differences	396,423	9,118	398,406	13,609	817,556	-	
At 31 December 2010	<u>3,028,238</u>	<u>70,065</u>	<u>3,046,122</u>	<u>114,186</u>	<u>6,258,611</u>	<u>29,916,163</u>	
Representing items at:							
Cost	-	70,065	-	114,186	184,251	880,720	
Valuation	<u>3,028,238</u>	-	<u>3,046,122</u>	-	<u>6,074,360</u>	<u>29,035,443</u>	
	<u>3,028,238</u>	<u>70,065</u>	<u>3,046,122</u>	<u>114,186</u>	<u>6,258,611</u>	<u>29,916,163</u>	

**8. BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)**

2010	LAND AND <--- BUILDINGS ---> Freehold residential land, buildings and estate building				Biological assets	Vehicles, machinery and field equipment	Total	Total RM
	Freehold estate land £	£	£	£				
<b>Accumulated depreciation</b>								
At 1 January 2010	-	37,138	-	83,258	120,396	662,176		
Charge for the financial year	-	2,561	-	9,451	12,012	59,701		
Disposals	-	-	-	(24,746)	(24,746)	(118,288)		
Written off	-	-	-	(37)	(37)	(175)		
Exchange differences	-	5,695	-	12,917	18,612	-		
At 31 December 2010	-	45,394	-	80,843	126,237	603,414		

2009	LAND AND <--- BUILDINGS ---> Freehold residential land, buildings and estate building				Biological assets	Vehicles, machinery and field equipment	Total	Total RM
	Freehold estate land £	£	£	£				
<b>At Cost or Valuation</b>								
At 1 January 2009	2,894,996	66,590	2,894,601	98,859	5,955,046	29,775,230		
Additions	-	-	-	473	473	2,599		
Revaluation	-	-	13,517	-	13,517	74,346		
Disposal	-	-	-	-	-	-		
Exchange differences	(263,181)	(6,053)	(263,145)	(8,988)	(541,367)	-		
At 31 December 2009	2,631,815	60,537	2,644,973	90,344	5,427,669	29,852,175		
Representing items at:								
Cost	-	60,537	-	90,344	150,881	829,844		
Valuation	2,631,815	-	2,644,973	-	5,276,788	29,022,331		
	2,631,815	60,537	2,644,973	90,344	5,427,669	29,852,175		

**8. BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)**

	LAND AND <---- BUILDINGS ---->				Total £	Total RM
	Freehold estate land £	Freehold residential land, buildings and estate building £	Biological assets £	Vehicles, machinery and field equipment £		
<b>2009</b>						
<b>Accumulated depreciation</b>						
At 1 January 2009	-	37,761	-	85,671	123,432	617,162
Charge for the financial year	-	2,794	-	5,346	8,140	45,014
Disposal	-	-	-	-	-	-
Exchange differences	-	(3,417)	-	(7,759)	(11,176)	-
At 31 December 2009	-	37,138	-	83,258	120,396	662,176

	LAND AND <---- BUILDINGS ---->				Total £	Total RM
	Freehold estate land £	Freehold residential land, buildings and estate building £	Biological assets £	Vehicles, machinery and field equipment £		
<b>Carrying amount</b>						
At 31 December 2010	3,028,238	24,671	3,046,122	33,343	6,132,374	29,312,749
At 31 December 2009	2,631,815	23,399	2,644,973	7,086	5,307,273	29,189,999
At 31 December 2008	2,894,996	28,829	2,894,601	13,188	5,831,614	29,158,068

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amount would have been included in the financial statements of the Company as follows:

	£	RM
Freehold estate land, including biological assets - cost and carrying amount		
At 31 December 2010	<u>764,837</u>	<u>3,655,920</u>
At 31 December 2009	<u>664,713</u>	<u>3,655,920</u>
At 31 December 2008	<u>731,184</u>	<u>3,655,920</u>

## 8. BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

The Company's properties were revalued as follows:-

The freehold estate and the freehold residential land and building were revalued in November 2007 using the Comparison Method. Recent transactions and asking prices of similar properties in the locality were analysed for comparison purposes, adjusted for differences in characteristics to arrive at the market value.

These valuations were carried out by independent valuers, Messrs Colliers, Jordan Lee & Jaafar Sdn. Bhd., Chartered Surveyors, in accordance with the appraisal and valuation manual of The Members' Institution of Surveyors, Malaysia.

Biological assets comprise oil palm and are stated at fair value less estimated point of sale costs. The fair value is calculated as the present value of the estate's operating cash flows over the next ten (10) years, based on Directors' best estimates of future selling prices of fresh fruit bunches. The major assumptions underlying the calculation were an assumed average CPO selling price of RM2,150/MT (2009: RM2,150/MT) and average discount rate of 13.81% (2009: 16.75%) based on the Company's Return on Capital Employed.

## 9. PREPAID LEASE PAYMENTS

2010	Prepaid lease payments	
	RM	£
<b>Cost/Valuation</b>		
At 1 January 2010	200,000	36,364
Exchange difference	-	5,477
	<hr/>	<hr/>
At 31 December 2010	<u>200,000</u>	<u>41,841</u>
<b>Accumulated amortisation</b>		
At 1 January 2010	103,125	18,750
Charge for the year	26,420	5,316
Exchange difference	-	3,035
	<hr/>	<hr/>
At 31 December 2010	<u>129,545</u>	<u>27,101</u>

**9. PREPAID LEASE PAYMENTS (continued)**

**2009**

	<b>Prepaid lease payments</b>	
<b>Cost/Valuation</b>	<b>RM</b>	<b>£</b>
At 1 January 2009	200,000	40,000
Exchange difference	-	(3,636)
	<u>200,000</u>	<u>36,364</u>
At 31 December 2009	<u><u>200,000</u></u>	<u><u>36,364</u></u>
<b>Accumulated amortisation</b>		
At 1 January 2009	84,375	16,875
Charge for the year	18,750	3,391
Exchange difference	-	(1,516)
	<u>103,125</u>	<u>18,750</u>
At 31 December 2009	<u><u>103,125</u></u>	<u><u>18,750</u></u>

	<b>Prepaid lease payments</b>	
<b>Carrying amount</b>	<b>RM</b>	<b>£</b>
At 31 December 2010	<u>70,455</u>	<u>14,740</u>
At 31 December 2009	<u><u>96,875</u></u>	<u><u>17,614</u></u>

**10. INVESTMENT IN ASSOCIATE**

	<b>2010</b>	<b>2009</b>
<b>Investment in associate (Unquoted)</b>	<b>RM</b>	<b>RM</b>
At cost	118,301	118,301
Share of reserves of associate	9,720,345	8,585,693
	<u>9,838,646</u>	<u>8,703,994</u>

	<b>2010</b>	<b>2009</b>
<b>Investment in associate (Unquoted)</b>	<b>£</b>	<b>£</b>
At cost		
At 1 January 2010/2009	21,509	23,661
Exchange differences	3,240	(2,152)
	<u>24,749</u>	<u>21,509</u>
At 31 December 2010/2009	24,749	21,509
Share of reserves of associate	1,798,410	1,708,345
Exchange differences	235,135	(147,310)
	<u>2,058,294</u>	<u>1,582,544</u>

## 10. INVESTMENT IN ASSOCIATE (continued)

The Company holds 33⅓% (2009: 33⅓%) of the issued ordinary share capital of Rivaknar Holdings Sdn. Bhd., a company incorporated in Malaysia, whose principal activity is an investment holding company. The financial year end of its associate, Rivaknar Holdings Sdn. Bhd. is 31 December and has issued ordinary share capital of 355,200 shares of RM1 each.

Aggregated amounts relating to the associate are as follows:-

	31.12.2010		31.12.2009	
	RM	£	RM	£
Non-current assets	26,196,294	5,479,585	16,809,462	3,056,266
Current assets	12,457,471	2,606,165	9,518,060	1,730,556
Total assets	<u>38,653,765</u>	<u>8,085,751</u>	<u>26,327,522</u>	<u>4,786,822</u>
Current liabilities	9,137,685	1,911,650	207,614	37,748
Non-current liabilities	3,880	812	10,345	1,881
Total liabilities	<u>9,141,565</u>	<u>1,912,462</u>	<u>217,959</u>	<u>39,629</u>
Revenue	<u>4,506,948</u>	<u>942,876</u>	<u>3,875,283</u>	<u>704,597</u>
Profit before tax	3,868,302	809,268	2,615,423	475,531
Tax expense	<u>(758,414)</u>	<u>(158,664)</u>	<u>(608,871)</u>	<u>(110,704)</u>
Profit after tax	<u>3,109,888</u>	<u>650,604</u>	<u>2,006,552</u>	<u>364,827</u>

## 11. TRADE AND OTHER RECEIVABLES

	2010		2009	
	RM	£	RM	£
Trade receivables	584,681	122,318	281,820	51,240
Other receivables	13,096	2,740	24,686	4,488
Deposits	5,424	1,135	7,274	1,323
Prepayments	11,222	2,347	11,123	2,022
	<u>614,423</u>	<u>128,540</u>	<u>324,903</u>	<u>59,073</u>

The carrying amount of trade and other receivables approximate to their fair value.

## 12. NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	31.12.2010		31.12.2009	
	RM	£	RM	£
Comprising:				
Cash and bank balances	393,141	82,247	428,636	77,934
Short term deposits	11,800,733	2,468,773	10,769,124	1,958,022
	<u>12,193,874</u>	<u>2,551,020</u>	<u>11,197,760</u>	<u>2,035,956</u>

## 13. PROVISION FOR RETIREMENT BENEFITS

	2010		2009	
	RM	£	RM	£
At 1 January 2010/2009	27,356	4,974	29,023	5,805
Exchange differences	-	749	-	(526)
Provision for the financial year	3,407	713	2,166	392
Payments	-	-	(3,833)	(697)
At 31 December 2010/2009	<u>30,763</u>	<u>6,436</u>	<u>27,356</u>	<u>4,974</u>

## 14. DEFERRED TAX LIABILITIES

	2010		2009	
	RM	£	RM	£
At 1 January 2010/2009	32,572	5,922	58,397	11,679
Deferred tax arising from excess of capital allowance over corresponding depreciation	18,153	3,652	(15,997)	(2,893)
Crystallisation of deferred tax arising from revaluation surplus	(7,851)	(1,580)	(7,474)	(1,351)
Recognised in income statement (Note 6)	10,302	2,072	(23,471)	(4,244)
Effect of changes in tax rate on deferred tax	-	-	(2,354)	(428)
Exchange differences	-	975	-	(1,085)
At 31 December 2010/2009	<u>42,874</u>	<u>8,969</u>	<u>32,572</u>	<u>5,922</u>

#### 14. DEFERRED TAX LIABILITIES (continued)

The components of deferred tax liabilities as at the end of the financial year comprise the tax effect of:

	2010		2009	
	RM	£	RM	£
<b>Deferred tax liabilities</b>				
Excess of capital allowances over corresponding depreciation	<u>42,874</u>	<u>8,696</u>	<u>32,572</u>	<u>5,922</u>

#### 15. CUMULATIVE PREFERENCES SHARES

	2010		2009	
	RM	£	RM	£
Authorised: 20% cumulative preference shares of 10p each	<u>84,163</u>	<u>19,024</u>	<u>84,163</u>	<u>19,024</u>
Issued and fully paid up: 20% cumulative preference shares of 10p each	<u>84,163</u>	<u>19,024</u>	<u>84,163</u>	<u>19,024</u>

The cumulative preference shares have the following rights attached to them:

- (a) The right to a fixed cumulative preference dividend of 20% per annum.
- (b) Entitle to the following in preference to holders of ordinary shares when the Company is wound up:-
  - (i) repayment of the capital paid up on such shares;
  - (ii) a premium of 10 pence per share; and
  - (iii) a sum equivalent to all arrears and accruals of the said fixed preferential dividend but not entitle to any further right to participate in the profit or assets of the Company.
- (c) Have the right to vote in each of the following circumstances:-
  - (i) When the dividend or part of the dividend on the shares is in arrears for more than 6 months;
  - (ii) On a proposal to reduce the Company's share capital;
  - (iii) On a proposal to wound up the Company; and
  - (iv) On a proposal that effect rights attached to the share.

## 16. TRADE AND OTHER PAYABLES

	2010		2009	
	RM	£	RM	£
Trade payables	19,246	4,026	47,086	8,561
Other payables	109,117	22,828	57,001	10,364
Accruals	326,698	68,347	482,380	87,705
	<u>455,061</u>	<u>95,201</u>	<u>586,467</u>	<u>106,630</u>

The carrying amount of trade and other payable approximates to their fair value.

## 17. SHARE CAPITAL

	2010		2009	
	RM	£	RM	£
Authorised: 14,809,763 ordinary shares of 10p each	<u>5,926,562</u>	<u>1,480,976</u>	<u>5,926,562</u>	<u>1,480,976</u>
Issued and fully paid up: 13,316,590 ordinary shares of 10p each	<u>4,891,969</u>	<u>1,331,659</u>	<u>4,891,969</u>	<u>1,331,659</u>

## 18. RESERVES

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Revaluation	Gains and losses arising on the revaluation of the estate.
Foreign exchange	Gains and losses arising on translating the Company's financial statements from Ringgit Malaysia to Pound Sterling.
Retained earnings	Cumulative net gains and losses recognised in the income statement less distributions made.
Capital	Share of exchange fluctuation reserve and surplus on revaluation of property in associate.
General	Share of profit on sale of estate land and mining lease of associate.

## 19. DIVIDENDS ON EQUITY SHARES

	31.12.2010		31.12.2009	
	RM	£	RM	£
<b>Dividends on equity shares:</b>				
Ordinary dividends:				
Interim: 9% less 25% tax (2009: 7% less 25% tax)	418,872	89,887	406,886	69,912
2nd Interim: 9% single tier (2009: 7% less 25% tax)	592,535	119,850	394,162	69,912
Special: 3% less 25% tax (2009: 5% less 25% tax)	139,623	29,962	290,633	49,937
2nd Special: 9% single tier (2009: 5% less 25% tax)	<u>592,536</u>	<u>119,849</u>	<u>281,545</u>	<u>49,937</u>
	<u>1,743,566</u>	<u>359,548</u>	<u>1,373,226</u>	<u>239,698</u>

The directors do not recommend the payment of any final dividend for the current financial year.

## 20. STAFF COSTS

The number of employees (including directors) employed by the Company was as follows:-

	31.12.2010 No.	31.12.2009 No.
Management	8	7
Administration	4	4
Field workers	<u>47</u>	<u>48</u>
Total number of employees	<u>59</u>	<u>59</u>

The breakdown of the aggregate staff costs is as follows:-

	31.12.2010		31.12.2009	
	RM	£	RM	£
Wages and salaries	823,047	165,603	828,638	149,844
Contributions to a defined contribution plan	42,840	8,620	35,182	6,362
Social security costs	4,323	870	3,983	720
Retirement benefits	<u>3,407</u>	<u>713</u>	<u>2,166</u>	<u>392</u>
	<u>873,617</u>	<u>175,806</u>	<u>869,969</u>	<u>157,318</u>

## 20. STAFF COSTS (continued)

### Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. In addition to the remuneration of the Executive Director disclosed, the remuneration of key management personnel during the financial year comprised the remuneration of the General Manager as follows:

	31.12.2010		31.12.2009	
	RM	£	RM	£
Salary and bonus	82,740	16,648	70,920	12,825
Contributions to defined contribution plan	<u>4,563</u>	<u>918</u>	<u>2,604</u>	<u>471</u>
	<u><u>87,303</u></u>	<u><u>17,566</u></u>	<u><u>73,524</u></u>	<u><u>13,296</u></u>

The information required by the UK Companies Act 2006 and the listing rules of the Financial Services Authority is contained in the Directors' Report on Remuneration

## 21. FINANCIAL INSTRUMENTS

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

### Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Cumulative preference shares

All financial assets are designated as loans and receivables and all financial liabilities are measured at amortised cost, as shown in the table below:

**21. FINANCIAL INSTRUMENTS (continued)**

**Principal financial instruments (continued)**

	2010		2009		2010		2009	
	RM	£	RM	£	RM	£	RM	£
<b>Current financial assets</b>								
Trade and other receivables	603,201	126,193	313,780	57,051	-	-	-	-
Cash and cash equivalents	12,193,874	2,551,020	11,197,760	2,035,956	-	-	-	-
<b>Current financial liabilities</b>								
Trade and other payables	-	-	-	-	455,061	95,201	586,467	106,630
<b>Non-current financial liability</b>								
Cumulative preference shares	-	-	-	-	84,163	19,024	84,163	19,024
<b>Total</b>	<u>12,797,075</u>	<u>2,677,213</u>	<u>11,511,540</u>	<u>2,093,007</u>	<u>539,224</u>	<u>114,225</u>	<u>670,630</u>	<u>125,654</u>

## 21. FINANCIAL INSTRUMENTS (continued)

### Fair value

There is no material difference between the book values and fair values of the Company's financial assets and liabilities as at 31 December 2010 and 2009 due to their short term maturity.

### General objectives, policies and procedures

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

### Interest rate risk

The Company's only exposure to interest rate fluctuation is short term placements with financial institutions that attract interest income. However, the fluctuation in interest rates, if any, is not expected to have a material impact on the financial performance of the Company. The effective interest rate of deposits at the reporting date was 1.7% per annum (2009: 1.8% per annum).

The interest profile of the Company's financial assets and financial liabilities are as follows:-

	2010		2009	
	RM	£	RM	£
<b>Financial assets</b>				
<u>Fixed rate</u>				
Short term deposits	<u>11,800,733</u>	<u>2,468,773</u>	<u>10,769,124</u>	<u>1,958,023</u>
<u>Floating rate</u>				
Cash and bank balances	<u>393,141</u>	<u>82,247</u>	<u>428,636</u>	<u>77,934</u>
<u>Interest free</u>				
Trade and other receivables	<u>603,201</u>	<u>126,193</u>	<u>313,780</u>	<u>57,051</u>
<b>Financial liabilities</b>				
<u>Fixed rate</u>				
Cumulative preference shares	<u>84,163</u>	<u>19,024</u>	<u>84,163</u>	<u>19,024</u>
<u>Interest free</u>				
Trade and other payables	<u>455,061</u>	<u>95,201</u>	<u>586,467</u>	<u>106,630</u>

## **21. FINANCIAL INSTRUMENTS (continued)**

### **Credit risk**

Credit risk arises principally from the Company's trade receivable.

The Company has only one customer and is on credit terms. To mitigate the credit risk arising, the Company requires the customer to place advances, representing a certain percentage of the total sales to the customer. This customer has a maximum credit limit and the Company seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the management.

As such, the maximum exposure to credit risk in the event that the counterparty fails to perform its obligation as at the end of the financial year in relation to trade receivables is the carrying amount of trade receivables as stated in the statement of financial position as at the end of the financial year.

In respect of the short term deposits and cash and bank balances placed with major financial institutions in Malaysia, Singapore and United Kingdom, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

### **Liquidity risk**

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy in respect of liquidity is to ensure sufficient cash resources are maintained to meet short-term liabilities. The Company's liquidity risk is minimal as it maintains adequate funds to meet its obligations as and when they fall due.

The Company is financed through equity and cumulative preference shares.

The only significant financial asset the Company has is cash at bank. Cash is held either on current or on short term deposits at both fixed and floating rates of interest determined by the relevant banks' prevailing base rate. Part of the cash at bank is held in Pound Sterling accounts.

### **Currency risk**

The Company is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than Ringgit Malaysia. The Company's policy is to limit its exposure to currency risk by settlement of its foreign currency transactions denominated in Pound Sterling by using the funds from its bank accounts maintained in Pound Sterling.

The table below shows the Company's currency exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the financial assets and financial liabilities of the Company that are not denominated in the functional currency of the Company.

## 21. FINANCIAL INSTRUMENTS (continued)

### Currency risk (continued)

As at 31 December 2010, these exposures were as follows:

#### Foreign currency financial assets

	RM	£
Pound Sterling	<u>2,600,733</u>	<u>544,086</u>

The above foreign currency exposures arise from the Company's cash maintained in Pound Sterling bank accounts.

### Capital

As described in Note 1.20 to the financial statements, the Company considers its capital to comprise its ordinary share capital, accumulated retained earnings and its cumulative preference shares which are classified as a financial liability in the statement of financial position.

In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions and through the payment of annual preference dividends to its preference shareholders. In order to achieve this objective, the Company seeks to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, the Company considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no other significant changes to the Company's capital management objectives, policies and processes in the year nor has there been any change in what the Company considers to be its capital.

The total amount of capital is as follows:

	2010		2009	
	RM	£	RM	£
Ordinary share capital	4,891,969	1,331,659	4,891,969	1,331,659
Retained earnings	22,027,205	4,608,202	19,771,380	3,594,796
Cumulative preference shares	<u>84,163</u>	<u>19,024</u>	<u>84,163</u>	<u>19,024</u>
	<u>27,003,337</u>	<u>5,958,885</u>	<u>24,747,512</u>	<u>4,945,479</u>

## 22. RELATED PARTY TRANSACTIONS

Details of Directors remuneration are given in the Remuneration Report and Notes 5 and 20 to the financial statements. Other related party transactions are as follows:

Party	Related party relationship	Type of transaction	Transaction amount		Amount owing (to)/by			
			31.12.2010	31.12.2009	2010	2009		
			RM	£	RM	£		
Riverview Rubber Estates Berhad	A company with significant influence over the Company	Interest-free advances Received	48,910	9,841	50,576	9,146	-	-
CG Plantations Sdn. Bhd.	Associate	Empty fruit bunches subsidy received on behalf from mill	-	-	52,852	9,557	-	-

## **23. SEGMENT INFORMATION**

The Company operates in the agricultural segment in Malaysia. All its fresh fruit bunches are sold in Malaysia to a single customer. Since the Company operates in a single business and geographic segment, no segmental analysis has been presented.

Financial information is presented to management in accordance with the measurement principles of IFRS. There are no adjustments or eliminations made in preparing the Company's financial statements from the reportable segment revenues, profit or loss, assets and liabilities.

## **24. STATUTORY DISCLOSURE**

The annual report and financial statements for the year ended 31 December 2010 were approved by the Board of Directors on 25 February 2011 along with this final result announcement. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2010 and 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.