

Annual Report 2007

No. 98

THE  
NARBOROUGH  
PLANTATIONS, plc



(Incorporated in England 1910 - Registration No. 109273)  
(Registered as a Foreign Company in Malaysia - No. 991416-W)

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NARBOROUGH  
PLANTATIONS, plc**

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Registered as a Foreign Company in Malaysia, No. 991416-W*

**Reports and Financial Statements**

**31 December 2007**

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Ninety-Eighth Annual General Meeting of THE NARBOROUGH PLANTATIONS, PUBLIC LIMITED COMPANY will be held at the registered office of the Company, 33A Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia, on Friday, 20 June 2008 at 10.30 am for the following purposes:-

- |  |                     |
|--|---------------------|
| 1. To receive and adopt the Directors' Report and financial statements for the year ended 31 December 2007.  | <b>Resolution 1</b> |
| 2. To approve the Directors' Remuneration Report for the year ended 31 December 2007.  | <b>Resolution 2</b> |
| 3. That Mr William John Huntsman having attained the age of seventy be re-appointed as a Director of the Company, to hold office until the next Annual General Meeting pursuant to Article 103 of the Company's Articles of Association.                           | <b>Resolution 3</b> |
| 4. To re-elect Mr Roslan Bin Hamir who retires as Director of the Company in accordance with Article 104 of the Company's Articles of Association.   | <b>Resolution 4</b> |
| 5. To re-appoint Messrs BDO Stoy Hayward LLP, United Kingdom as the auditors in accordance with the United Kingdom Companies Act, 1985 to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors. | <b>Resolution 5</b> |
| 6. To re-appoint Messrs BDO Binder, Malaysia as auditors in accordance with Section 336(5) of the Malaysian Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.        | <b>Resolution 6</b> |
| 7. To transact any other ordinary business of the Company.   | <b>Resolution 7</b> |

By Order of the Board,

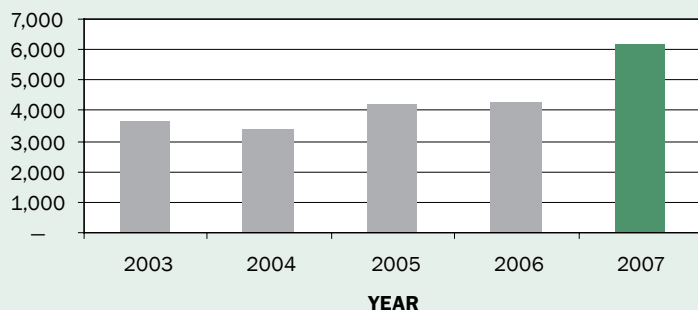
**ADRIAN TSEN KENG YAM**  
*Secretary*

Ipoh.  
Date: 30 April 2008

- Note:
- i) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not also be a member of the Company.
  - ii) This instrument appointing a proxy shall be in writing under the hand of the appointor or, if such appointor is a corporation, under its common seal or under the hand of an officer of the corporation duly authorised.
  - iii) This instrument appointing a proxy must be deposited at the Registered Office, 33A Jalan Tun Sambanthan, 30000 Ipoh, Perak, Malaysia not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.
  - iv) The Company has not entered into any contract in which the directors are interested.

# FIVE-YEAR HIGHLIGHTS

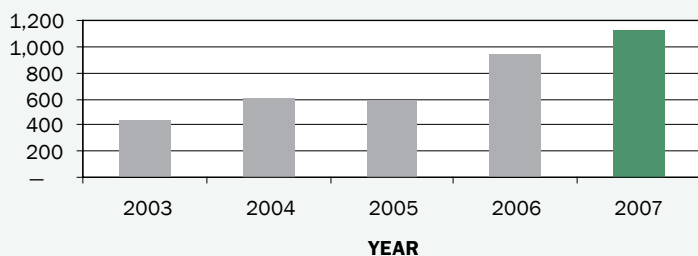
## SHAREHOLDERS' FUND



## Shareholders' Funds

| Year | £'000 |
|------|-------|
| 2003 | 3,657 |
| 2004 | 3,390 |
| 2005 | 4,185 |
| 2006 | 4,250 |
| 2007 | 6,185 |

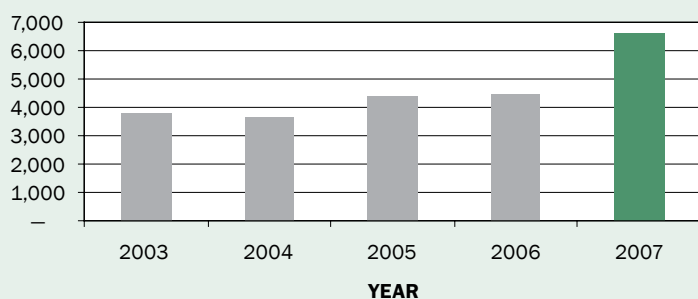
## TURNOVER



## Turnover

| Year | £'000 |
|------|-------|
| 2003 | 439   |
| 2004 | 611   |
| 2005 | 587   |
| 2006 | 939   |
| 2007 | 1,129 |

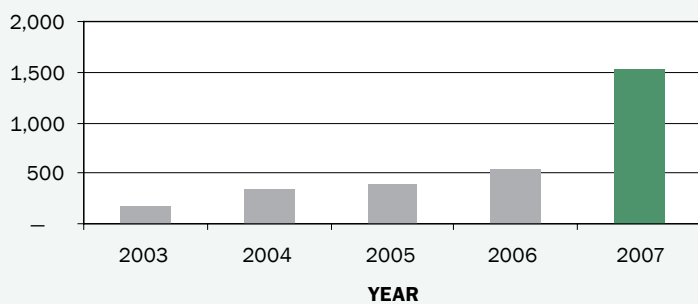
## TOTAL ASSETS



## Total Assets

| Year | £'000 |
|------|-------|
| 2003 | 3,820 |
| 2004 | 3,640 |
| 2005 | 4,396 |
| 2006 | 4,499 |
| 2007 | 6,573 |

## PROFIT BEFORE TAX



## Profit Before Tax

| Year | £'000 |
|------|-------|
| 2003 | 162   |
| 2004 | 339   |
| 2005 | 399   |
| 2006 | 549   |
| 2007 | 1,532 |

# CORPORATE INFORMATION

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## Domicile and Legal Form

A public company domiciled in Malaysia and listed on the London Stock Exchange in the United Kingdom.

## Authorised Capital

£1,500,000

Divided into 190,237 20% Cumulative Preference Shares of 10 pence each and 14,809,763 Ordinary Shares of 10 pence each.

## Issued Capital

£1,350,683

Divided into 190,237 20% Cumulative Preference Shares of 10 pence each and 13,316,590 Ordinary Shares of 10 pence each.

## Board of Directors

Juliana Manohari Devadason (Chairman)

William John Huntsman

Stephen William Huntsman (Redesignated as Non-Independent Non-Executive Director on 24.07.2007)

Roslan Bin Hamir (Senior Independent Director)

Jeraman @ Jayaraman A/L Narainan

Adrian Tsen Keng Yam (Alternate to William John Huntsman)

## Audit Committee

Roslan Bin Hamir

Juliana Manohari Devadason

Jeraman @ Jayaraman A/L Narainan

## Remuneration and Nomination Committee

Roslan Bin Hamir

William John Huntsman

Jeraman @ Jayaraman A/L Narainan

## Risk Management Committee

Stephen William Huntsman

Adrian Tsen Keng Yam

Neoh Keng Huei

## Secretary

Adrian Tsen Keng Yam

## CORPORATE INFORMATION (continued)

### Registered Office

33A Jalan Tun Sambanthan  
30000 Ipoh, Perak Darul Ridzuan, Malaysia  
Telephone: 006-05-2559015  
Fax: 006-05-2559016

### Principal Place of Business

Narborough Estate, 35600 Sungkai  
Perak Darul Ridzuan, Malaysia  
Telephone: 006-05-4386185  
Fax: 006-05-4386185

### London Registrars

SMITH & WILLIAMSON LTD  
Prospect House, 2 Athenaeum Road, Whetstone  
London N20 9YU  
Telephone: 0044-2084464371  
Fax: 0044-2084467606

### Malaysian Registrars

BUSINESS PROCESS OUTSOURCING SDN BHD  
33A Jalan Tun Sambanthan  
30000 Ipoh, Perak Darul Ridzuan, Malaysia  
Telephone: 006-05-2559015  
Fax: 006-05-2559016

### Auditors

BDO STOY HAYWARD LLP  
55 Baker Street, London W1U 7EU

### Bankers

NATIONAL WESTMINSTER BANK PLC  
21, Lombard Street, London EC3P 3AR

HSBC BANK PLC  
2, Market Place, Cirencester, Gloucestershire GL7 2NS

HSBC BANK MALAYSIA BERHAD  
138 Jalan Sultan Yussuf, 30000 Ipoh, Perak Darul Ridzuan, Malaysia

RHB BANK BERHAD  
18 & 19, Jalan Besar, 35600 Sungkai, Perak Darul Ridzuan, Malaysia

# PROFILE OF DIRECTORS

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## **JULIANA MANOHARI DEVADASON**

*Non-Independent Non-Executive Chairman*

Malaysian, age 58. She was appointed to the Board in 1987 and has been Chairman of the Board since 1 July 1995. She is a member of the Audit Committee of the Board. She is also the Chairman of the Board of Riverview Rubber Estates Berhad, a company listed on Bursa Malaysia Securities Berhad in Malaysia.

She holds a Bachelor of Arts (Honours) degree in Law and is a Barrister-at-Law, Grays Inn. She was a partner in the law firm of Messrs Maxwell, Kenion, Cowdy & Jones from 1984 to 2003. She had been in practice as an advocate and solicitor for 28 years.

## **WILLIAM JOHN HUNTSMAN**

*Non-Independent Non-Executive Director*

Malaysian, age 83. He was appointed to the Board in 1969 and was the Chairman of the Board until 30 June 1995. He is a member of the Remuneration and Nomination Committee of the Board. He is also a Director of Riverview Rubber Estates Berhad.

He was a senior partner of the law firm, Maxwell, Kenion, Cowdy & Jones having practised from 1953 to 1994. He had been in practice as an advocate and solicitor for 50 years, before retiring.

## **STEPHEN WILLIAM HUNTSMAN**

*Non-Independent Non-Executive Director*

Malaysian, age 50. He was first appointed to the Board on 1 August 2001 and redesignated as a Non-Independent Non-Executive Director on 24 July 2007. He is also a Non-Independent Non-Executive Director of Riverview Rubber Estates, Berhad.

He has a Master in Business Administration and is an Associate Member of the Chartered Institute of Secretaries. He joined Riverview Rubber Estates Berhad in 1997 as a Manager and was appointed as the Managing Director in August 2001. He was redesignated as a Non-Independent Non-Executive Director of Riverview Rubber Estate on 24 July 2007. He was previously employed by the Automobile Association as a Manager from 1986 to 1996 and Plessey Plc as a Manager from 1980 to 1986.

## **ROSLAN BIN HAMIR**

*Independent Non-Executive Director*

Malaysian, age 40. He was appointed to the Board on 7 August 2002. He is an ACCA graduate with Bachelor of Arts (Honours) in Accounting and Finance. He is the Chairman of both the Audit Committee and Remuneration and Nomination Committee of the Board.

He was previously with Ernst & Young Consultants Sdn Bhd in Malaysia as an auditor as well as a management consultant from 1993 until 1998 when he joined Kumpulan Fima Berhad, as Senior Vice President, Corporate Services. He was appointed to the Board of Kumpulan Fima Berhad on 11 October 2002. Currently, he is the Managing Director of Fima Corporation Berhad of which he was appointed to the Board on 8 December 1998. Kumpulan Fima Berhad and Fima Corporation Berhad are companies listed on Bursa Malaysia Securities Berhad.

## PROFILE OF DIRECTORS (continued)

### **JERAMAN @ JAYARAMAN A/L NARAINAN**

*Independent Non-Executive Director*

Malaysian, age 59. He was appointed to the Board on 1 January 2005. He is a member of the Audit Committee and Remuneration and Nomination Committee of the Board. He is also a Director of Riverview Rubber Estates Berhad.

He has a Master in Business Administration from The Kensington College and University and holds a Bachelor of Science (1<sup>st</sup> Class Honours) degree in Agriculture from Tamil Nadu Agricultural University in Coimbatore. He is also an Associate Member of The Incorporated Society of Planters. He was the Plantation Management Executive of National Land Finance Co-operative Society from 1972 to 1992. He joined Plantation Agency Sdn Berhad as Planting Adviser in 1993 and was appointed as Managing Director in 2001.

Presently he is a panel member of the Industrial Court representing the Employers (1<sup>st</sup> January 2007 to 31<sup>st</sup> December 2009), appointed by the Minister of Human Resources, Malaysia. He is also a Council member of the Malaysian Agricultural Producers Association (MAPA).

### **ADRIAN TSEN KENG YAM**

*Alternate Director to William John Huntsman*

Malaysian, age 58. He was appointed to the Board on 17 March 2006 as an alternate to Mr William John Huntsman. He is also Secretary to the Company.

He is a Fellow of the Institute of Chartered Accountants in England & Wales, a Chartered Accountant under the Malaysian Institute of Accountants and a Certified Public Accountant under the Malaysian Institute of Certified Public Accountants. He was a former partner of Arthur Andersen & Co from 1988 to June 2003.

He currently holds a Directorship in Talam Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad.

He has been appointed to the Board of Riverview Rubber Estates Berhad on 26 February 2007.

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Ninety-eighth Annual Report and Financial Statements of The Narborough Plantations, Public Limited Company for the financial year ended 31 December 2007.

## FINANCIAL PERFORMANCE

|   | <b>12 months<br/>to<br/>31.12.2007<br/>RM</b> | <b>12 months<br/>to<br/>31.12.2006<br/>RM</b> | <b>18 months<br/>to<br/>31.12.2006<br/>RM</b> | <b>12 months<br/>to<br/>31.12.2007<br/>£</b> | <b>12 months<br/>to<br/>31.12.2006<br/>£</b> | <b>18 months<br/>to<br/>31.12.2006<br/>£</b> |
|---|---|---|---|--|--|--|
| Revenue   | 7,768,861                                     | 4,506,801                                     | 6,508,113                                     | 1,129,195                                    | 650,332                                      | 939,122                                      |
| Cost of sales   | (1,897,879)                                   | (1,679,195)                                   | (2,503,405)                                   | (275,855)                                    | (242,308)                                    | (361,242)                                    |
| Gross profit  | 5,870,982                                     | 2,827,606                                     | 4,004,708                                     | 853,340                                      | 408,024                                      | 577,880                                      |
| Gain arising from<br>revaluation of<br>biological asset | 4,364,128                                     | -   | -   | 660,231                                      | -  | -  |
| Profit before tax                                       | 10,335,473                                    | 2,524,510                                     | 3,801,000                                     | 1,532,357                                    | 364,287                                      | 548,517                                      |
| Earnings per share                                      | 66.51 sen                                     | 13.41 sen                                     | 20.22 sen                                     | 9.89 p                                       | 1.93 p                                       | 2.92 p                                       |

For the financial year ended 31 December 2007, the Company registered a turnover of RM7,768,861 (£1,129,195), an increase of 72.4% compared with the financial period of 12 months for Year 2006. Operating profit was higher mainly due to the increase in commodity prices. The Company recorded a gain arising from revaluation of biological asset of RM4,364,128 (£660,231) based on the valuation carried out by independent valuers, Messrs Colliers, Jordan Lee & Jaafar Sdn. Bhd., Chartered Surveyors. The Company achieved a profit on ordinary activities before tax of RM10,335,473 (£1,532,357) for the current financial year as compared to the amount of RM2,524,510 (£364,287) for the previous 12 months financial period.

Earnings per share improved from 20.22 sen (2.92 pence) for the 18 months period ended 31 December 2006 to 66.51 sen (9.89 pence) for the year ended 31 December 2007.

## CHAIRMAN'S STATEMENT (continued)

### REVIEW OF OPERATIONS

The year witnessed an improvement in commodity price for palm oil. With the estate now fully matured, there was no replanting expenditure incurred.

This financial year saw a further increase in the price of crude palm oil (CPO). "The firmness in prices was influenced by the structural changes in the global oil and fats supply and demand and the increase in crude oil price. The average CPO price increased by 67.5% or RM1,020.00 to RM2,530.50 in 2007 against RM1,510.50 in the previous year. Prices were traded in a narrow range during the first three (3) months of 2007 and subsequently, higher for the remaining months of the year. The lowest and highest monthly average price recorded was in February and November of RM1,927.00 and RM2,965.00 respectively."\* The performance of the CPO prices was reflected in the related price of FFB. The crop production ratio has declined marginally by an average 0.31% in both established and newly matured fields as compared to the previous 12 months period. The decline was mainly seasonal in nature. Overall, the Company's operational profits, excluding gain arising from revaluation of biological assets, increased by 128.5% in the current financial year as compared to the 12 months period of the previous financial year.

(\* Source: Malaysian Palm Oil Board)

### CURRENT YEAR'S PROSPECTS

Crop will be expected to increase in the foreseeable future, as maturing plants have entered their prime production years. With no further replanting planned for the next few years, the plantation will enter a period of increasing production and falling costs. Given favourable weather, higher productivity, reasonable CPO price and cost efficiency, the Company should see another profitable year.

### DIVIDEND

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

An Interim Dividend of RM642,565 (2006: RM1,004,578) and a Special Dividend of RM771,077 (2006: NIL) for the year ended 31 December 2007 was paid on 15 January 2008.

### 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.

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

**JULIANA MANOHARI DEVADASON**

*Chairman*

28 March 2008

# DIRECTORS' REPORT

To be presented at the Ninety-eighth Annual General Meeting (AGM) of the Shareholders.

The directors present their report and the audited financial statements for the financial year ended 31 December 2007.

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

|   |                  |                      |
|---|------------------|----------------------|
| Production - Oil Palm (FFB)   |                  | <u>14,872 tonnes</u> |
|   | <b>RM</b>        | <b>£</b>             |
| Profit on ordinary activities after taxation for the financial year attributable to ordinary shareholders | <u>8,856,241</u> | <u>1,317,352</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 on page 62.

## PRINCIPAL RISK AND UNCERTAINTIES

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

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

## FINANCIAL RISK

Information on financial instruments and other risks is set out in Note 20 to the financial statements.

## DIRECTORS' REPORT (continued)

### 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 15 and 16 of the financial statements.

### RESERVES AND PROVISIONS

All movements to or from provisions and reserves during the year under review are disclosed in Note 13 and Note 17 respectively to the financial statements.

### FIXED ASSETS

The open market value of the Company's landed properties expressed by a firm of valuers was RM30,160,000 (£4,562,784) as at 31 December 2007. Please refer to Note 8 of the financial statements.

### DIRECTORATE AND DIRECTORS' SHAREHOLDINGS

The present directors of the Company together with brief biographical details are listed on pages 6 to 7.

In accordance with Article 103 of the Company's Articles of Association, Mr William John Huntsman having attained the age of 70 years, retires at the forthcoming Ninety-eighth AGM. Mr William John Huntsman, being eligible, offers himself for re-election.

In accordance with Article 104 of the Company's Articles of Association, Encik Roslan Bin Hamir retires by rotation at the forthcoming Ninety-eighth AGM and, being eligible, offers himself for re-election.

Details of the directors' shareholdings in the Company at the end of the year are as follows:-

|                          | On 31.12.2007          |                | On 31.12.2006          |                |
|--------------------------|------------------------|----------------|------------------------|----------------|
|                          | No. of ordinary shares |                | No. of ordinary shares |                |
|                          | Beneficial             | Non-Beneficial | Beneficial             | Non-Beneficial |
| William John Huntsman    | 4,178,374              | 1,250          | 4,178,374              | 1,250          |
| Stephen William Huntsman | 4,178,374              | -              | 4,178,374              | -              |

The interests disclosed for Mr William John Huntsman and Mr Stephen William Huntsman are held by Riverview Rubber Estates Berhad of which they are the controlling shareholders.

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.

## DIRECTORS' REPORT (continued)

### PROPOSED NON-EXECUTIVE DIRECTORS' FEES

Pursuant to Article 91 of the 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 £20,617.24 in aggregate respectively.

### SUBSTANTIAL SHAREHOLDINGS

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

| Name of shareholder             | No. of ordinary shares of 10p each | Percentage of issued ordinary share capital |
|---------------------------------|------------------------------------|---|
| 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 14 to 17.

### APPOINTMENT AND REPLACEMENT OF DIRECTORS

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

## **DIRECTORS' REPORT** (continued)

### **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 15 days (2006: 15 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.

By Order of the Board,

**JULIANA MANOHARI DEVADASON**

*Chairman*

# 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 guidance for directors on Internal Control issued by the The Financial Reporting Council. The directors are satisfied that the Company has complied with the Code during the year.

## THE BOARD

The Board comprises five non-executive directors (two of whom are independent) and an alternative director. The Managing Director has been redesignated as Non-Independent Non-Executive Director with effect from 24 July 2007. A General Manager has been appointed to oversee operations and executive functions. There is clear segregation of responsibilities between the Chairman, who is a non-independent non-executive director, and the General Manager to ensure a balance of power and authority. The General 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 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.

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

During the financial year ended 31 December 2007, the Board met five (5) 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                                      | 5                              | 5                                  |
| Stephen William Huntsman  | 5                              | 5                                  |
| William John Huntsman   | 5                              | 2                                  |
| Roslan Bin Hamir  | 5                              | 5                                  |
| Jeraman @ Jayaraman A/L Narainan                                | 5                              | 4                                  |
| Adrian Tsen Keng Yam<br>(Alternate to Mr William John Huntsman) | 5                              | 5                                  |

Five of the directors retire by rotation at intervals of no more than three years in accordance with the Articles of Association of the Company. The remaining director, over seventy years old, retires annually. The General Manager has a one year rolling service contract with the Company.

**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), Mdm Juliana Manohari Devadason and Mr Jeraman @ Jayaraman A/L Narainan, majority of whom are independent, meets at least twice 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 external auditors;
3. Reviewed the audited financial statements and annual report; and
4. Conducted informal high-level risk assessment and review of the business operations.

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 18 to 21.

The details of meeting attendance of the Audit Committee and the Remuneration and Nomination Committee during the financial year ended 31 December 2007 are as follows:-

| <b>Audit Committee</b>                       | <b>Number of meetings held</b>  | <b>Number of meetings attended</b> |
|--|---|------------------------------------|
| Roslan Bin Hamir                             | 4   | 4                                  |
| Juliana Manohari Devadason                   | 4   | 4                                  |
| Jeraman @ Jayaraman A/L Narainan             | 4   | 4                                  |
| <b>Remuneration and Nomination Committee</b> |   |                                    |
|  | <b>Number of meetings held in relation to the financial year ended 31 December 2007</b> | <b>Number of meetings attended</b> |
| Roslan Bin Hamir                             | 1   | 1                                  |
| William John Huntsman                        | 1   | 1                                  |
| Jeraman @ Jayaraman A/L Narainan             | 1   | 1                                  |

### 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:

#### 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 and the General Manager, 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.

## CORPORATE GOVERNANCE (continued)

### INTERNAL CONTROL (continued)

#### 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 review the plantation visit reports submitted by the independent Visiting Agent 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 and interim financial results are sent to shareholders well in advance. Shareholders' participation is most welcomed at the Annual General Meeting.

### GOING CONCERN

The directors having made the necessary inquiries are satisfied that the Company has adequate resources to continue its operations for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

### 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 on page 22.

# **DIRECTORS' REMUNERATION REPORT**

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The Board presents its Directors' Remuneration Report for the year ended 31 December 2007 to the shareholders. This Report covers both Executive and Non-executive Directors.

A resolution will be put to the shareholders at the forthcoming Annual General Meeting on 20 June 2008 inviting them to consider and approve this Report.

## **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee ("the Committee") comprises entirely of non-executive directors, namely Mr Roslan Bin Hamir (Chairman), Mr William John Huntsman and Mr Jeraman @ Jayaraman A/L Narainan. The Committee operates within agreed terms of reference and in respect of directors' remuneration, is responsible for making recommendations to the Board on the performance related packages for the executive director and senior management as well as non-executive directors.

The Committee meets as required and seeks professional advice, as necessary from inside and outside the Company.

In its consideration of directors' remuneration matters for the financial period under review, the following persons provided advice or services to the Committee.

- Internal support was provided by the Company Secretary; and
- Thomson Financial was responsible for preparing Total Shareholder Return (TSR) calculations for the purpose of this Report. Thomson Financial did not provide any other advice or services to the Company.

## **Compliance**

The directors are satisfied that as far as practical the Company has complied with the provision of the Combined Code and Revised Combined Code relating to Directors' Remuneration throughout the year.

## **Remuneration Policy**

The remuneration of all directors, including the Chairman is determined by the Board as a whole, on the recommendation of the Committee. The decision of the Board on directors' remuneration is taken in relation to the size and operation of the Company.

In ensuring continuing improvement in the performance of the Company, the overall remuneration policy is aimed at attracting, retaining and motivating high calibre management. Consistent with this policy, the component parts of the remuneration package are designed to link rewards to individual and corporate performance in the case of executive director. For non-executive directors, the fee levels are intended to commensurate with the experience and level of responsibilities of the non-executive directors concerned. This policy is currently to be applied in subsequent years.

## **DIRECTORS' REMUNERATION REPORT** (continued)

### **UNAUDITED INFORMATION**

#### **Elements of Remuneration**

The directors' remuneration comprises directors' basic salary, bonus, fee and benefits in kind.

#### **Non-executive directors' fees**

All non-executive directors received a director's fee of RM39,660 (£6,000) each except Mr Stephen William Huntsman whose director's fee of RM17,300 (£2,617.24) is pro rated to a period of 159 days from the date he was redesignated from Managing Director to Non-Independent Non-Executive Director on 24 July 2007 to 31 December 2007 in keeping with other listed companies of similar size and organisation.

#### **Executive directors' Service Contract**

Mr Stephen William Huntsman, the managing director and the sole executive director of the Company, had a one-year rolling service contract with the Company from 1 July 2006 to 30 June 2007 with a notice period of three months from either parties or a corresponding payment in lieu thereof. During the financial year his service contract has not been renewed in accordance with terms stated in the service contract and he has been redesignated as a Non-Independent Non-Executive Director. There are no termination payments under the service contract.

Mr Stephen William Huntsman's basic salary under the contract in Ringgit Malaysia is RM30,000, equivalent to £4,360. For the financial year ended 31 December 2007, there was no performance based remuneration paid out to Mr Stephen William Huntsman other than a discretionary bonus of RM19,000 (£2,762) paid to him.

The Company does not have any pension scheme for directors. However, as required by law in Malaysia, the remuneration of Mr Stephen William Huntsman includes the Company's contribution of RM7,350 (£1,068) to a statutory provident fund.

#### **Benefits in kind**

Each director is provided with partial medical benefits. Mdm Juliana Manohari Devadason, as the Chairman of the Company is provided with a company car, the benefit arising from the use of the car amounted to RM6,500 (£983).

#### **Other emoluments**

All directors serve the Company by appointment in which they have given their consent to act in the capacity as director with the approval of the shareholders; they do not have any service contracts. It is the policy of the Company that all directors do not participate in incentive or pension schemes.

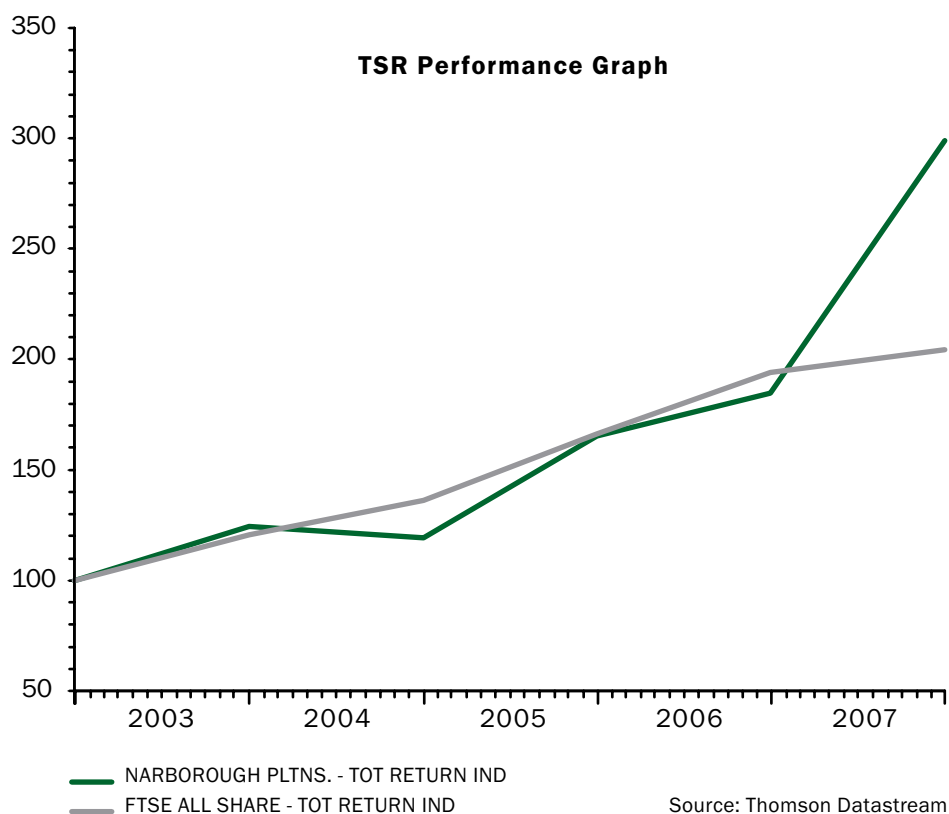
## DIRECTORS' REMUNERATION REPORT (continued)

### Total Shareholder Return

The Directors' Remuneration Report Regulation 2002 requires disclosure of Total Shareholder Return ("TSR"), which is defined as the growth in share value and declared dividend income during the determined period.

### Performance Graph

This performance graph set out below illustrate the Company's TSR performance over the preceding five years, 2003 to 2007, compared with that of the FTSE All Share Index and has been prepared in accordance with the Regulations. This index was chosen as it represents the performance of the market in general.



### AUDITED INFORMATION

The following part provides details of the remuneration and share interests of all the Directors for the year ended 31 December 2007. The numerical components of these disclosures have been audited in accordance with Schedule 7A of the UK Companies, Act 1985.

## DIRECTORS' REMUNERATION REPORT (continued)

### Directors' Individual Remuneration

The details of the remuneration of each director of the Company during the financial year are as follows:

|                                  | Salary/<br>Bonus/Fee<br>£ | Benefits<br>in Kind<br>£ | Total<br>2007<br>(12 months)<br>£ | Total<br>2006<br>(18 months)<br>£ |
|----------------------------------|---------------------------|--------------------------|-----------------------------------|-----------------------------------|
| <b>Executive</b>                 |                           |                          |                                   |                                   |
| Stephen William Huntsman*        | 8,190                     | -                        | 8,190                             | *12,943                           |
| <b>Non-executive</b>             |                           |                          |                                   |                                   |
| Juliana Manohari Devadason       | 6,000                     | 983                      | 6,983                             | 9,938                             |
| William John Huntsman            | 6,000                     | -                        | 6,000                             | 9,000                             |
| Roslan Bin Hamir                 | 6,000                     | -                        | 6,000                             | 9,000                             |
| Jeraman @ Jayaraman A/L Narainan | 6,000                     | -                        | 6,000                             | 9,000                             |
| Stephen William Huntsman**       | 2,617                     | -                        | 2,617                             | -                                 |
|                                  | 26,617                    | 983                      | 27,600                            | 36,938                            |
| Grand total                      | 34,807                    | 983                      | 35,790                            | 49,881                            |

\* The payment was made in Ringgit Malaysia and translated at the equivalent of RM1 = 14.53 pence (2006: RM1 = 14.43 pence). He has been redesignated as a Non-Executive Non-Independent Director on 24 July 2007.

\*\* Mr Stephen William Huntsman received his director's fee on a pro-rata basis on his term as a Non-Executive Non-Independent Director in 2007 of 159 days.

During the financial year under review or the prior period, there was no:

- incentive payment;
- payment in respect of qualifying services by way of expenses allowance that was chargeable to UK income tax;
- compensation in respect of loss of office or in connection with termination of qualifying services;
- share option scheme;
- awards under long-term schemes held by directors; and
- pension scheme.

The Directors' Remuneration Report was approved by the Board of Directors and signed on its behalf by:

**Roslan Bin Hamir**

*Chairman*

Remuneration & Nomination Committee

28 March 2008

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. 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 and then apply them consistently;
- 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 report of the auditors can be found on pages 23 and 24.

This statement is made in accordance with the resolution of the Board of Directors dated 28 March 2008.

# INDEPENDENT AUDITORS' REPORT

## To The Shareholders Of The Narborough Plantations, plc

We have audited the Company financial statements (the "financial statements") of The Narborough Plantations plc for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Total Recognised Income and Expenses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. Additionally we report to you whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statement on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the five year highlights, the Chairman's Statement, the Directors' Report, the Corporate Governance report and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## INDEPENDENT AUDITORS' REPORT (continued)

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

### **BDO STOY HAYWARD LLP**

*Chartered Accountants and Registered Auditors*

55 Baker Street  
London W1U 7EU

28 March 2008

# INCOME STATEMENT

For The Financial Year Ended 31 December 2007

## Continuing operations

|  | NOTE | 12 months to 31.12.2007 |           | Restated<br>18 months to 31.12.2006 |           |
|--|------|-------------------------|-----------|-------------------------------------|-----------|
|  |      | RM                      | £         | RM                                  | £         |
| <b>Revenue</b>                                     | 2    | 7,768,861               | 1,129,195 | 6,508,113                           | 939,122   |
| Cost of sales                                      |      | (1,897,879)             | (275,855) | (2,503,405)                         | (361,242) |
| <b>Gross profit</b>                                |      | 5,870,982               | 853,340   | 4,004,708                           | 577,880   |
| Gain arising from revaluation of biological assets |      | 4,364,128               | 660,231   | -                                   | -         |
| Other operating income                             |      | 28,627                  | 4,161     | 6,800                               | 981       |
| Administrative expenses                            |      | (673,054)               | (97,828)  | (715,219)                           | (103,206) |
| Exchange (loss)/profit                             |      | (174,928)               | (25,426)  | 26,897                              | 3,881     |
| <b>Operating profit</b>                            |      | 9,415,755               | 1,394,478 | 3,323,186                           | 479,536   |
| Share of profit of associate after tax             |      | 725,549                 | 109,765   | 289,489                             | 41,773    |
| Finance income                                     | 3    | 212,528                 | 30,891    | 226,437                             | 32,675    |
| Finance costs                                      | 4    | (18,359)                | (2,777)   | (38,112)                            | (5,467)   |
| <b>Profit before tax</b>                           | 5    | 10,335,473              | 1,532,357 | 3,801,000                           | 548,517   |
| Tax expense  | 6    | (1,479,232)             | (215,005) | (1,108,315)                         | (159,930) |
| <b>Profit for the financial year/period</b>        |      | 8,856,241               | 1,317,352 | 2,692,685                           | 388,587   |
| <b>Earnings per share</b>                          |      |                         |           |                                     |           |
| - basic and diluted (sen/pence)                    | 7    | 66.51 sen               | 9.89 p    | 20.22 sen                           | 2.92 p    |

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

# STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSES

For The Financial Year Ended 31 December 2007

|  |      | 12 months to 31.12.2007 |                  | 18 months to 31.12.2006 |                |
|--|------|-------------------------|------------------|-------------------------|----------------|
|  | NOTE | RM                      | £                | RM                      | £              |
| Profit for the financial year/period   | 17   | 8,856,241               | 1,317,352        | 2,692,685               | 388,587        |
| Revaluation gains from revaluation of property, plant and equipment  | 17   | 4,115,740               | 622,654          | -                       | -              |
| Reversal of deferred tax liabilities provided on prior years' revaluation surplus, due to exemption from real property gains tax |      | 905,909                 | 137,051          | -                       | -              |
| <b>Total recognised income and expenses for the year/period</b>  |      | <b>13,877,890</b>       | <b>2,077,057</b> | <b>2,692,685</b>        | <b>388,587</b> |

*The accompanying notes form an integral part of this statement of total recognised income and expenses.*

# BALANCE SHEET

As At 31 December 2007

|   | NOTE | 31.12.2007         |                  | Restated 31.12.2006 |                  |
|---|------|--------------------|------------------|---------------------|------------------|
|   |      | RM                 | £                | RM                  | £                |
| <b>ASSETS</b>   |      |                    |                  |                     |                  |
| <b>Non-current assets</b>   |      |                    |                  |                     |                  |
| Property, plant and equipment   | 8    | 16,177,006         | 2,447,353        | 12,144,771          | 1,752,493        |
| Biological assets   | 8    | 14,225,020         | 2,152,045        | 9,860,892           | 1,422,928        |
| Prepaid lease payments  | 9    | 134,375            | 20,329           | 153,125             | 22,096           |
| Investment in associate   | 10   | 4,231,214          | 640,123          | 3,548,589           | 512,062          |
| Total non-current assets  |      | 34,767,615         | 5,259,850        | 25,707,377          | 3,709,579        |
| <b>Current assets</b>   |      |                    |                  |                     |                  |
| Inventories   |      | 8,134              | 1,231            | 7,394               | 1,067            |
| Trade and other receivables   | 11   | 580,961            | 87,891           | 411,983             | 59,449           |
| Short term deposits   |      | 7,575,741          | 1,146,103        | 4,493,483           | 648,410          |
| Cash and bank balances  |      | 516,683            | 78,167           | 558,061             | 80,528           |
| Total current assets  |      | 8,681,519          | 1,313,392        | 5,470,921           | 789,454          |
| <b>Total assets</b>   |      | <b>43,449,134</b>  | <b>6,573,242</b> | <b>31,178,298</b>   | <b>4,499,033</b> |
| <b>LIABILITIES</b>  |      |                    |                  |                     |                  |
| <b>Current liabilities</b>  |      |                    |                  |                     |                  |
| Trade and other payables  | 12   | (1,943,428)        | (294,013)        | (485,171)           | (70,010)         |
| Tax liabilities   |      | (318,900)          | (48,245)         | (31,750)            | (4,581)          |
| Total current liabilities   |      | (2,262,328)        | (342,258)        | (516,921)           | (74,591)         |
| <b>Non-current liabilities</b>  |      |                    |                  |                     |                  |
| Provision for retirement benefits   | 13   | (26,444)           | (4,001)          | (24,058)            | (3,472)          |
| Deferred tax liabilities  | 14   | (148,548)          | (22,473)         | (1,054,457)         | (152,158)        |
| Cumulative preference shares  | 15   | (84,163)           | (19,024)         | (84,163)            | (19,024)         |
| Total non-current liabilities   |      | (259,155)          | (45,498)         | (1,162,678)         | (174,654)        |
| <b>Total liabilities</b>  |      | <b>(2,521,483)</b> | <b>(387,756)</b> | <b>(1,679,599)</b>  | <b>(249,245)</b> |
| <b>TOTAL NET ASSETS</b>   |      | <b>40,927,651</b>  | <b>6,185,486</b> | <b>29,498,699</b>   | <b>4,249,788</b> |
| <b>Capital and reserves attributable to equity holders of the Company</b> |      |                    |                  |                     |                  |
| Share capital   | 16   | 4,891,969          | 1,331,659        | 4,891,969           | 1,331,659        |
| Other reserves  | 17   | 22,313,966         | 2,777,925        | 17,292,317          | 2,004,640        |
| Retained profits  | 17   | 13,721,716         | 2,075,902        | 7,314,413           | 913,489          |
| <b>TOTAL EQUITY</b>   |      | <b>40,927,651</b>  | <b>6,185,486</b> | <b>29,498,699</b>   | <b>4,249,788</b> |

These financial statements were approved by the Board of Directors and authorised for issue on 28 March 2008, and were signed on its behalf by:

**JULIANA MANOHARI DEVADASON**  
Chairman

*The accompanying notes form an integral part of this balance sheet.*

# CASH FLOW STATEMENT

For The Financial Year Ended 31 December 2007

|   | 12 months to 31.12.2007 |                  | 18 months to 31.12.2006 |                |
|---|-------------------------|------------------|-------------------------|----------------|
|   | RM                      | £                | RM                      | £              |
| <b>Operating activities</b>   |                         |                  |                         |                |
| Profit before tax   | 10,335,473              | 1,532,357        | 3,801,000               | 548,517        |
| Adjustments for:  |                         |                  |                         |                |
| Amortisation of prepaid lease payment                                       | 18,750                  | 2,725            | 28,125                  | 4,058          |
| Depreciation of property, plant and equipment                               | 88,789                  | 12,906           | 133,399                 | 19,250         |
| Provision for retirement benefits   | 2,386                   | 361              | 1,113                   | 161            |
| Exchange adjustment   | -                       | 263,160          | -                       | (6,144)        |
| Gain arising on revaluation of biological assets                            | (4,364,128)             | (660,231)        | -                       | -              |
| Gain on disposal of property, plant and equipment                           | -                       | -                | (300)                   | (43)           |
| Share of profit of associate after tax                                      | (725,549)               | (109,765)        | (289,489)               | (41,773)       |
| Finance income  | (212,528)               | (30,891)         | (226,437)               | (32,675)       |
| Finance costs   | 18,359                  | 2,777            | 38,112                  | 5,467          |
| <b>Operating cash flow before changes in working capital and provisions</b> | <b>5,161,552</b>        | <b>1,013,399</b> | <b>3,485,523</b>        | <b>496,818</b> |
| Decrease/(Increase) in trade and other receivables                          | (168,978)               | (25,564)         | (56,738)                | (8,187)        |
| Decrease in inventories   | (740)                   | (112)            | 9,626                   | 1,389          |
| (Decrease)/Increase in trade and other payables                             | 44,615                  | 6,749            | 142,206                 | 20,520         |
| <b>Cash generated from operations</b>                                       | <b>5,036,449</b>        | <b>994,472</b>   | <b>3,580,617</b>        | <b>510,540</b> |
| Tax paid  | (1,192,082)             | (173,268)        | (821,800)               | (118,586)      |
| Retirement benefit paid   | -                       | -                | (4,134)                 | (597)          |
| <b>Net cash flow from operating activities</b>                              | <b>3,844,367</b>        | <b>821,204</b>   | <b>2,754,683</b>        | <b>391,357</b> |
| <b>Investing activities</b>   |                         |                  |                         |                |
| Repayment from affiliated company   | 42,924                  | 6,494            | 167,795                 | 24,213         |
| Purchases of property, plant and equipment                                  | (5,284)                 | (799)            | (10,549)                | (1,522)        |
| Proceeds from disposal of property, plant and equipment                     | -                       | -                | 300                     | 43             |
| Interest received   | 212,528                 | 30,891           | 226,437                 | 32,675         |
| <b>Net cash flow from investing activities</b>                              | <b>250,168</b>          | <b>36,586</b>    | <b>383,983</b>          | <b>55,409</b>  |

## CASH FLOW STATEMENT (continued)

|  | 12 months to 31.12.2007 |                  | 18 months to 31.12.2006 |                  |
|--|-------------------------|------------------|-------------------------|------------------|
|  | RM                      | £                | RM                      | £                |
| <b>Financing activities</b>  |                         |                  |                         |                  |
| Dividends paid on equity shares  | (1,035,296)             | (359,681)        | (1,992,616)             | (286,393)        |
| Dividends paid on preference shares                                    | (18,359)                | (2,777)          | (38,112)                | (5,467)          |
| <b>Net cash flow used in financing activities</b>                      | <b>(1,053,655)</b>      | <b>(362,458)</b> | <b>(2,030,728)</b>      | <b>(291,860)</b> |
| <b>Increase in cash and cash equivalents</b>                           | <b>3,040,880</b>        | <b>495,332</b>   | <b>1,107,938</b>        | <b>154,906</b>   |
| <b>Cash and cash equivalents at beginning of financial year/period</b> | <b>5,051,544</b>        | <b>728,938</b>   | <b>3,943,606</b>        | <b>574,032</b>   |
| <b>Cash and cash equivalents at end of financial year/period</b>       | <b>8,092,424</b>        | <b>1,224,270</b> | <b>5,051,544</b>        | <b>728,938</b>   |
| Comprising:  |                         |                  |                         |                  |
| Cash and bank balances   | 516,683                 | 78,167           | 558,061                 | 80,528           |
| Short term deposits  | 7,575,741               | 1,146,103        | 4,493,483               | 648,410          |
|  | <b>8,092,424</b>        | <b>1,224,270</b> | <b>5,051,544</b>        | <b>728,938</b>   |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC) issued by the International Accounting Standards Board (IASB) as adopted by the EU and with those parts of the Companies Act, 1985 applicable to companies preparing their accounts under IFRS.

During the financial year, the Company has adopted IFRS 7 Financial Instruments which contains provisions relating to the disclosure of the significance of financial instruments, the risk exposures arising therefrom and the approach taken in managing those risks, replacing the existing provisions of IAS 32.

Prior to 1 January 2007, the Company has classified its short term leasehold land as finance lease and had recognised the prepaid lease payments as property within its property, plant and equipment.

During the financial year, the Company has treated such a lease as an operating lease in accordance with IAS 17 Leases. Accordingly, the unamortised carrying amount of the short term leasehold land has been classified as prepaid lease payments separately.

*Standards, amendments and interpretations to published standards effective in 2007 but which are not relevant to the Company.*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are currently not relevant to the Company's operations:

*IFRIC 7 Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies*

*IFRIC 8 Scope of IFRS 2*

*IFRIC 9 Reassessment of Embedded Derivatives*

*IFRIC 10 Interim Financial Reporting and Impairment*

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

1.1 Basis of accounting (continued)

*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 2008 or later periods and which the Company has decided not to adopt early. These are:

*IFRS 8 Operating Segments*

*IAS 23 Borrowing Costs (revised)\**

*IFRIC 11, IFRS 2 Group and Treasury Share Transactions*

*IFRIC 12 Service Concession Arrangements\**

*IFRIC 13 Customer Loyalty Programmes\**

*IFRIC 14, IAS 1 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction\**

*Revised IFRS 3 Business Combination and complementary Amendments to IAS 27 'Consolidated and separate financial statements'*

*Amendment to IFRS 2 Share-based payments: vesting conditions and cancellations\**

*IAS 1 Presentation of Financial Statements (Amendment)\**

*IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)\**

*IAS 32 Financial Instruments: Presentation (Amendment)\**

\* 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.

Except as noted above, the following principal accounting policies have been applied consistently in the preparation of these financial statements:

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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 during the financial year. These are revalued at regular intervals of at least once in every five 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 such surplus to the extent that the decrease offsets any increase. 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 profits.

The freehold estate and residential land are 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%        |
| Machinery                                      | 10% - 20% |
| Fixtures, fittings and electrical installation | 10%       |
| Furniture and equipment                        | 10%       |
| Information technology equipment               | 25%       |
| Vehicles                                       | 15% - 20% |

Depreciation of property, plant and equipment commences when it is available for use and does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

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 Prepaid lease payments

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 11 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 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. Associates are initially recognised in the balance sheet at cost. 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.

Profits and losses arising on transactions between the Company and its associates 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 premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and subject to impairment in the same way as goodwill arising on a business combination.

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**1.7 Impairment of non-financial assets**

The carrying amounts of the Company's assets, other than inventories, deferred tax asset and financial assets (other than investment in associate), are reviewed at each balance sheet 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.

**1.8 Inventories**

Inventories are stated at the lower of cost (determined on a weighted average basis) and net realisable value.

**1.9 Receivables**

Receivables are carried at anticipated realisable value. Known bad debts are written off and allowance is made for debt considered to be doubtful of collection.

**1.10 Payables**

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.11 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 1.19.2 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.

#### 1.12 Taxation

##### 1.12.1 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

##### 1.12.2 Deferred tax

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

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

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. 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.

#### 1.13 Foreign Currencies

##### 1.13.1 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 balance sheet is translated to Pound Sterling for presentation purpose at an exchange rate of RM1 = 15.13p (2006: RM1 = 14.43p) whereas the income statement is translated at an average exchange rate of RM1 = 14.53p (2006: RM1 = 14.86p).

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

1.13 Foreign Currencies (continued)

1.13.2 Foreign Currency Transactions

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 balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange rate differences are taken to the income statement.

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

|                | <b>2007</b> | <b>2006</b> |
|----------------|-------------|-------------|
|                | <b>RM</b>   | <b>RM</b>   |
| Pound Sterling | <u>6.61</u> | <u>6.93</u> |

The opening balances of reserves (excluding the exchange translation reserve and revaluation reserve) at the year end are translated from Ringgit Malaysia into Pound Sterling at the rate of exchange at 31 December 2007 of RM1 = 15.13p (2006: RM1 = 14.43p). 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 exchange translation reserve.

1.14 Revenue

(i) Sale of goods

Revenue from sale of oil palm (fresh fruit bunches) 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.

1.15 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.16 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.

#### 1.17 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 when approved by the shareholders at the Annual General Meeting.

#### 1.18 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.

#### 1.19 Employee Benefits

##### 1.19.1 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)**

1.19 Employee Benefits (continued)

1.19.2 Defined contribution plans

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.

1.20 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 balance sheet and the preferential dividends are recognised as finance costs in profit or loss in the period in which they are incurred.

1.21 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's accounting policy for each category is as follows:

**Fair value through profit or loss:**

This category comprises only in-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement. The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

**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. They are carried at cost less any provision for impairment.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.22 Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

##### **Financial liabilities:**

Financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised 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 balance sheet.

##### **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 20, 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 balance sheet. 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 period.

The Company is not subject to any externally imposed capital requirements.

### 2. REVENUE

Revenue represents amounts delivered in respect of the sale of goods. The analysis of revenue by activity is as follows:-

|                | <b>12 months to 31.12.2007</b> |           | <b>18 months to 31.12.2006</b> |          |
|----------------|--------------------------------|-----------|--------------------------------|----------|
|                | <b>RM</b>                      | <b>£</b>  | <b>RM</b>                      | <b>£</b> |
| Oil palm (FFB) | 7,768,861                      | 1,129,195 | 6,508,113                      | 939,122  |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3. FINANCE INCOME

|                                   | 12 months to 31.12.2007 |        | 18 months to 31.12.2006 |        |
|-----------------------------------|-------------------------|--------|-------------------------|--------|
|                                   | RM                      | £      | RM                      | £      |
| Interest from short term deposits | 212,528                 | 30,891 | 226,437                 | 32,675 |

### 4. FINANCE COSTS

Finance costs represent dividends on cumulative preference shares as follows:

|   | 12 months to 31.12.2007 |       | 18 months to 31.12.2006 |       |
|---|-------------------------|-------|-------------------------|-------|
|   | RM                      | £     | RM                      | £     |
| Interim: 20% less 27% tax<br>(2006: 30% less 28% tax) | 18,359                  | 2,777 | 28,702                  | 4,109 |
| Final: Nil (2006: 10% less 28% tax)                   | -                       | -     | 9,410                   | 1,358 |
|   | 18,359                  | 2,777 | 38,112                  | 5,467 |

### 5. PROFIT BEFORE TAX

|  | 12 months to 31.12.2007 |         | Restated<br>18 months to 31.12.2006 |         |
|--|-------------------------|---------|-------------------------------------|---------|
|  | RM                      | £       | RM                                  | £       |
| Profit before tax is arrived at after charging:- |                         |         |                                     |         |
| Directors' fees                                  | 175,940                 | 26,617  | 249,480                             | 36,000  |
| Depreciation on property, plant and equipment    | 88,789                  | 15,631  | 133,399                             | 19,250  |
| Amortisation of prepaid lease payments           | 18,750                  | 2,725   | 28,125                              | 4,058   |
| Exchange loss                                    | 174,928                 | 25,650  | 8,759                               | 1,264   |
| Auditors' remuneration                           | 111,650                 | 16,228  | 70,000                              | 10,101  |
| Provision for retirement benefits                | 2,386                   | 347     | 1,113                               | 161     |
| Staff costs (Note 19)                            | 775,930                 | 112,781 | 1,054,084                           | 152,105 |
| and crediting:-                                  |                         |         |                                     |         |
| Profit on disposal of tangible fixed assets      | -                       | -       | 300                                 | 43      |
| Exchange gain                                    | -                       | -       | 35,656                              | 5,145   |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. TAX EXPENSE

|   | <b>12 months to 31.12.2007</b> |                | <b>18 months to 31.12.2006</b> |                |
|---|--------------------------------|----------------|--------------------------------|----------------|
|   | <b>RM</b>                      | <b>£</b>       | <b>RM</b>                      | <b>£</b>       |
| Malaysian income tax:                         |                                |                |                                |                |
| - current year                                | 1,471,291                      | 213,851        | 1,004,982                      | 145,019        |
| - under provision in prior year               | 7,941                          | 1,154          | -                              | -              |
| Deferred tax for the year/period<br>(Note 14) | -                              | -              | 103,333                        | 14,911         |
|   | <u>1,479,232</u>               | <u>215,005</u> | <u>1,108,315</u>               | <u>159,930</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:-

|  | <b>% of Profit Before Taxation</b> |                                    |
|--|------------------------------------|------------------------------------|
|  | <b>12 months to<br/>31.12.2007</b> | <b>18 months to<br/>31.12.2006</b> |
| Malaysian income tax rate  | 27.0                               | 28.0                               |
| Increase/(Decrease) resulting from:                                |                                    |                                    |
| Non allowable expenses   | 1.0                                | 1.8                                |
| Non taxable income   | (12.6)                             | (1.5)                              |
| Deferred tax asset not recognised                                  | -                                  | 3.5                                |
| Crystallisation of deferred tax liabilities on revaluation reserve | -                                  | (0.2)                              |
| Effective tax rate   | <u>15.4</u>                        | <u>31.6</u>                        |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstandings calculated as follows:

|  | 12 months to 31.12.2007 |           | 18 months to 31.12.2006 |            |
|--|-------------------------|-----------|-------------------------|------------|
|  | RM                      | £         | RM                      | £          |
| Profit for the financial year/period attributable to ordinary shareholders | 8,856,241               | 1,317,352 | 2,692,685               | 388,587    |
| Weighted average number of ordinary shares of 10p each                     |                         |           | 13,316,590              | 13,316,590 |
| Basic and diluted earnings per share (sen)                                 |                         |           | 66.51 sen               | 20.22 sen  |
| Basic and diluted earnings per share (pence)                               |                         |           | 9.89p                   | 2.92p      |

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

| 2007                        | ← LAND AND BUILDINGS →  |   |                           |   | Total<br>£ | Total<br>RM |
|-----------------------------|-------------------------|---|---------------------------|---|------------|-------------|
|                             | Freehold<br>estate<br>£ | Freehold<br>residential<br>land,<br>building<br>and estate<br>building<br>£ | Biological<br>assets<br>£ | Vehicles,<br>machinery<br>and field<br>equipment<br>£ |            |             |
| <b>At Cost or Valuation</b> |                         |   |                           |   |            |             |
| At 1 January 2007           | 1,535,225               | 220,573   | 1,422,928                 | 68,210  | 3,246,936  | 22,501,261  |
| Additions                   | -                       | -   | -                         | 799   | 799        | 5,284       |
| Revaluation                 | 580,313                 | 38,290  | 660,231                   | -   | 1,278,834  | 8,453,100   |
| Disposal                    | -                       | -   | -                         | -   | -          | -           |
| Exchange difference         | 74,323                  | 8,210   | 68,886                    | 5,771   | 157,190    | -           |
| At 31 December 2007         | 2,189,861               | 267,073   | 2,152,045                 | 74,780  | 4,683,759  | 30,959,645  |
| Representing items at:      |                         |   |                           |   |            |             |
| Cost                        | -                       | 66,983  | -                         | 74,780  | 141,763    | 937,050     |
| Valuation                   | 2,189,861               | 200,090   | 2,152,045                 | -   | 4,541,996  | 30,022,595  |
|                             | 2,189,861               | 267,073   | 2,152,045                 | 74,780  | 4,683,759  | 30,959,645  |

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

| 2007                            | ← LAND AND BUILDINGS →  |   |                           |   | Total<br>£ | Total<br>RM |
|---------------------------------|-------------------------|---|---------------------------|---|------------|-------------|
|                                 | Freehold<br>estate<br>£ | Freehold<br>residential<br>land,<br>building<br>and estate<br>building<br>£ | Biological<br>assets<br>£ | Vehicles,<br>machinery<br>and field<br>equipment<br>£ |            |             |
| <b>Accumulated Depreciation</b> |                         |   |                           |   |            |             |
| At 1 January 2007               | -                       | 27,335  | -                         | 44,180  | 71,515     | 495,598     |
| Charge for the year             | -                       | 3,237   | -                         | 9,669   | 12,906     | 88,789      |
| Revaluation                     | -                       | (4,050)   | -                         | -   | (4,050)    | (26,768)    |
| Disposal                        | -                       | -   | -                         | -   | -          | -           |
| Exchange difference             | -                       | (313)   | -                         | 4,303   | 3,990      | -           |
| At 31 December 2007             | -                       | 26,209  | -                         | 58,152  | 84,361     | 557,619     |

| 2006 (Restated)             | ← LAND AND BUILDINGS →  |   |                           |   | Total<br>£ | Total<br>RM |
|-----------------------------|-------------------------|---|---------------------------|---|------------|-------------|
|                             | Freehold<br>estate<br>£ | Freehold<br>residential<br>land,<br>building<br>and estate<br>building<br>£ | Biological<br>assets<br>£ | Vehicles,<br>machinery<br>and field<br>equipment<br>£ |            |             |
| <b>At Cost or Valuation</b> |                         |   |                           |   |            |             |
| At 1 July 2005              | 1,548,634               | 221,128   | 1,435,355                 | 68,805  | 3,273,922  | 22,491,842  |
| Additions                   | -                       | 1,522   | -                         | -   | 1,522      | 10,549      |
| Disposal                    | -                       | (163)   | -                         | -   | (163)      | (1,130)     |
| Exchange difference         | (13,409)                | (1,914)   | (12,427)                  | (595)   | (28,345)   | -           |
| At 31 December 2006         | 1,535,225               | 220,573   | 1,422,928                 | 68,210  | 3,246,936  | 22,501,261  |
| Representing items at:      |                         |   |                           |   |            |             |
| Cost                        | -                       | 47,413  | -                         | 68,210  | 115,623    | 801,261     |
| Valuation                   | 1,535,225               | 173,160   | 1,422,928                 | -   | 3,131,313  | 21,700,000  |
|                             | 1,535,225               | 220,573   | 1,422,928                 | 68,210  | 3,246,936  | 22,501,261  |

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

| 2006 (Restated)                 | ← LAND AND BUILDINGS →  |   |                           |   | Total<br>£ | Total<br>RM |
|---------------------------------|-------------------------|---|---------------------------|---|------------|-------------|
|                                 | Freehold<br>estate<br>£ | Freehold<br>residential<br>land,<br>building<br>and estate<br>building<br>£ | Biological<br>assets<br>£ | Vehicles,<br>machinery<br>and field<br>equipment<br>£ |            |             |
| <b>Accumulated Depreciation</b> |                         |   |                           |   |            |             |
| At 1 July 2005                  | -                       | 22,481  | -                         | 30,405  | 52,886     | 363,329     |
| Charge for the period           | -                       | 5,212   | -                         | 14,038  | 19,250     | 133,399     |
| Disposal                        | -                       | (163)   | -                         | -   | (163)      | (1,130)     |
| Exchange difference             | -                       | (195)   | -                         | (263)   | (458)      | -           |
| At 31 December 2006             | -                       | 27,335  | -                         | 44,180  | 71,515     | 495,598     |

| Net Book Value      | ← LAND AND BUILDINGS →  |   |                           |   | Total<br>£ | Total<br>RM |
|---------------------|-------------------------|---|---------------------------|---|------------|-------------|
|                     | Freehold<br>estate<br>£ | Freehold<br>residential<br>land,<br>building<br>and estate<br>building<br>£ | Biological<br>assets<br>£ | Vehicles,<br>machinery<br>and field<br>equipment<br>£ |            |             |
| At 31 December 2007 | 2,189,861               | 240,864   | 2,152,045                 | 16,628  | 4,599,398  | 30,402,026  |
| At 31 December 2006 | 1,535,225               | 193,238   | 1,422,928                 | 24,030  | 3,175,421  | 22,005,663  |

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

|  | £       | RM        |
|--|---------|-----------|
| Freehold estate land - cost and net book value |         |           |
| At 31 December 2007                            | 553,089 | 3,655,920 |
| At 31 December 2006                            | 527,550 | 3,655,920 |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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 are 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 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 RM1,850/mt (2006: RM1,200/mt) and average discount rate of 13.40% (2006: 11%) based on the Company's Return on Capital Employed.

### 9. PREPAID LEASE PAYMENT

#### 2007

|                                 | Prepaid lease payment |               |
|---------------------------------|-----------------------|---------------|
|                                 | RM                    | £             |
| <b>Cost</b>                     |                       |               |
| At 1 January 2007               | 200,000               | 28,860        |
| Exchange difference             | -                     | 1,397         |
| At 31 December 2007             | <u>200,000</u>        | <u>30,257</u> |
| <b>Accumulated Amortisation</b> |                       |               |
| At 1 January 2007               | 46,875                | 6,764         |
| Charge for the period           | 18,750                | 2,725         |
| Exchange difference             | -                     | 439           |
| At 31 December 2007             | <u>65,625</u>         | <u>9,928</u>  |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. PREPAID LEASE PAYMENT (continued)

| 2006 (Restated)                 | Prepaid lease payment |               |
|---------------------------------|-----------------------|---------------|
|                                 | RM                    | £             |
| <b>Cost</b>                     |                       |               |
| At 1 January 2006               | 200,000               | 29,112        |
| Exchange difference             | -                     | (252)         |
| At 31 December 2006             | <u>200,000</u>        | <u>28,860</u> |
| <b>Accumulated Amortisation</b> |                       |               |
| At 1 January 2006               | 18,750                | 2,729         |
| Charge for the period           | 28,125                | 4,058         |
| Exchange difference             | -                     | (23)          |
| At 31 December 2006             | <u>46,875</u>         | <u>6,764</u>  |
| <b>Net Book Value</b>           |                       |               |
| At 31 December 2007             | <u>134,375</u>        | <u>20,329</u> |
| At 31 December 2006             | <u>153,125</u>        | <u>22,096</u> |

### 10. INVESTMENT IN ASSOCIATE

|   | Equity<br>accounted<br>investment<br>RM | Loan<br>RM | 2007<br>RM       | 2006<br>RM       |
|---|---|------------|------------------|------------------|
| <b>Investment in associate (Unlisted)</b> |   |            |                  |                  |
| At 1 January 2007/1 July 2005             | 3,505,665                               | -          | 3,505,665        | 3,216,176        |
| Associate results for the year            | 725,549                                 | -          | 725,549          | 289,489          |
| At 31 December 2007/2006                  | <u>4,231,214</u>                        | <u>-</u>   | <u>4,231,214</u> | <u>3,505,665</u> |
| <b>Other investment (Unlisted)</b>        |   |            |                  |                  |
| At 1 January 2007/1 July 2005             | -                                       | 42,924     | 42,924           | 210,719          |
| Repayment                                 | -                                       | (42,924)   | (42,924)         | (167,795)        |
| At 31 December 2007/2006                  | <u>-</u>                                | <u>-</u>   | <u>-</u>         | <u>42,924</u>    |
| Total investments                         | <u>4,231,214</u>                        | <u>-</u>   | <u>4,231,214</u> | <u>3,548,589</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. INVESTMENT IN ASSOCIATE (continued)

|   | Equity<br>accounted<br>investment<br>£ | Loan<br>£ | 2007<br>£      | 2006<br>£      |
|---|--|-----------|----------------|----------------|
| <b>Investment in associate (Unlisted)</b> |  |           |                |                |
| At 1 January 2007/ 1 July 2005            | 505,868                                | -         | 505,868        | 468,148        |
| Associate results for the year            | 109,765                                | -         | 109,765        | 41,773         |
| Exchange adjustments                      | 24,490                                 | -         | 24,490         | (4,053)        |
| At 31 December 2007/2006                  | <u>640,123</u>                         | <u>-</u>  | <u>640,123</u> | <u>505,868</u> |
| <b>Other investment (Unlisted)</b>        |  |           |                |                |
| At 1 January 2007/1 July 2005             | -                                      | 6,194     | 6,194          | 30,672         |
| Repayment                                 | -                                      | (6,494)   | (6,494)        | (24,213)       |
| Exchange adjustments                      | -                                      | 300       | 300            | (265)          |
| At 31 December 2007/2006                  | <u>-</u>                               | <u>-</u>  | <u>-</u>       | <u>6,194</u>   |
| Total investment                          | <u>640,123</u>                         | <u>-</u>  | <u>640,123</u> | <u>512,062</u> |

Other investment represents loan granted to the associate, which is interest free and repayable on demand.

The Company holds 33 1/3% (2006: 33 1/3%) of the issued ordinary share capital of Rivaknar Holdings Sdn. Bhd., a company incorporated in Malaysia, whose principal activity was an investment holding company. Rivaknar Holdings Sdn. Bhd. has issued ordinary share capital of 355,200 shares of RM1 each.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. INVESTMENT IN ASSOCIATE (continued)

Aggregated amounts relating to the associate are as follows:-

|                          | 12 months to 31.12.2007 |                  | 18 months to 31.12.2006 |                  |
|--------------------------|-------------------------|------------------|-------------------------|------------------|
|                          | RM                      | £                | RM                      | £                |
| Non current assets       | 12,659,633              | 1,915,224        | 9,720,055               | 1,402,605        |
| Current assets           | 1,454,501               | 220,046          | 1,071,812               | 154,663          |
| <b>Total assets</b>      | <b>14,114,134</b>       | <b>2,135,270</b> | <b>10,791,867</b>       | <b>1,557,268</b> |
| Current liabilities      | 6,459,050               | 977,163          | 3,840,501               | 554,185          |
| Non current liabilities  | 436,491                 | 66,035           | 519,752                 | 75,000           |
| <b>Total liabilities</b> | <b>6,895,541</b>        | <b>1,043,198</b> | <b>4,360,253</b>        | <b>629,185</b>   |
| Revenue                  | 1,702,574               | 257,575          | 1,567,581               | 226,202          |
| Profit before tax        | 907,106                 | 137,232          | 756,954                 | 109,228          |
| Tax expense              | (181,557)               | (27,467)         | (467,465)               | (67,455)         |
| <b>Profit after tax</b>  | <b>725,549</b>          | <b>109,765</b>   | <b>289,489</b>          | <b>41,773</b>    |

### 11. TRADE AND OTHER RECEIVABLES

|                   | 2007           |               | 2006           |               |
|-------------------|----------------|---------------|----------------|---------------|
|                   | RM             | £             | RM             | £             |
| Trade receivables | 519,851        | 78,646        | 332,593        | 47,993        |
| Other receivables | 32,279         | 4,883         | 47,110         | 6,798         |
| Deposits          | 12,009         | 1,817         | 16,942         | 2,445         |
| Prepayments       | 16,822         | 2,545         | 15,338         | 2,213         |
| <b>Total</b>      | <b>580,961</b> | <b>87,891</b> | <b>411,983</b> | <b>59,449</b> |

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. TRADE AND OTHER PAYABLES

|                  | 2007             |                | 2006           |               |
|------------------|------------------|----------------|----------------|---------------|
|                  | RM               | £              | RM             | £             |
| Trade payables   | 12,534           | 1,896          | 21,508         | 3,103         |
| Other payables   | 54,570           | 8,256          | 18,106         | 2,613         |
| Accruals         | 462,681          | 69,997         | 445,557        | 64,294        |
| Dividend payable | 1,413,643        | 213,864        | -              | -             |
|                  | <u>1,943,428</u> | <u>294,013</u> | <u>485,171</u> | <u>70,010</u> |

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

### 13. PROVISION FOR RETIREMENT BENEFITS

|                               | 2007          |              | 2006          |              |
|-------------------------------|---------------|--------------|---------------|--------------|
|                               | RM            | £            | RM            | £            |
| At 1 January 2007/1 July 2005 | 24,058        | 3,472        | 27,079        | 3,941        |
| Exchange adjustments          | -             | 168          | -             | (33)         |
| Provision for the year/period | 2,386         | 361          | 3,845         | 555          |
| Provision written back        | -             | -            | (2,732)       | (394)        |
| Payment                       | -             | -            | (4,134)       | (597)        |
| At 31 December 2007/2006      | <u>26,444</u> | <u>4,001</u> | <u>24,058</u> | <u>3,472</u> |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14. DEFERRED TAX LIABILITIES

|   | 2007           |               | 2006             |                |
|---|----------------|---------------|------------------|----------------|
|   | RM             | £             | RM               | £              |
| At 1 January 2007/ 1 July 2005  | 1,054,457      | 152,158       | 951,124          | 138,446        |
| Deferred tax arising from excess of capital allowances over corresponding depreciation  | -              | -             | 110,008          | 15,874         |
| Crystallisation of deferred tax arising from revaluation surplus  | -              | -             | (6,675)          | (963)          |
| Recognised in income statement (Note 6)   | -              | -             | 103,333          | 14,911         |
| Reversal to revaluation reserve deferred tax provided on prior years' revaluation surplus due to exemption from real property gains tax | (905,909)      | (137,051)     | -                | -              |
| Exchange adjustment   | -              | 7,366         | -                | (1,199)        |
| At 31 December 2007/2006  | <u>148,548</u> | <u>22,473</u> | <u>1,054,457</u> | <u>152,158</u> |

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

|  | 2007           |               | 2006             |                |
|--|----------------|---------------|------------------|----------------|
|  | RM             | £             | RM               | £              |
| <b>Deferred tax liabilities</b>                              |                |               |                  |                |
| Excess of capital allowances over corresponding depreciation | 148,548        | 22,473        | 110,008          | 15,874         |
| Revaluation reserve  | -              | -             | 944,449          | 136,284        |
|  | <u>148,548</u> | <u>22,473</u> | <u>1,054,457</u> | <u>152,158</u> |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. CUMULATIVE PREFERENCES SHARES

|   | 2007   |        | 2006   |        |
|---|--------|--------|--------|--------|
|   | RM     | £      | RM     | £      |
| Authorised:                                     |        |        |        |        |
| 20% cumulative preference shares<br>of 10p each | 84,163 | 19,024 | 84,163 | 19,024 |
| Issued and fully paid up:                       |        |        |        |        |
| 20% cumulative preference shares<br>of 10p each | 84,163 | 19,024 | 84,163 | 19,024 |

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. SHARE CAPITAL

|                             | 2007      |           | 2006      |           |
|-----------------------------|-----------|-----------|-----------|-----------|
|                             | RM        | £         | RM        | £         |
| Authorised:                 |           |           |           |           |
| Ordinary shares of 10p each | 5,926,562 | 1,480,976 | 5,926,562 | 1,480,976 |
| Issued and fully paid up:   |           |           |           |           |
| Ordinary shares of 10p each | 4,891,969 | 1,331,659 | 4,891,969 | 1,331,659 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. SHARE CAPITAL AND RESERVES

|  | Share capital<br>RM | Revaluation<br>reserve net of<br>attributable<br>deferred<br>tax (Non-<br>distributable)<br>RM | Retained profit<br>(Distributable)<br>RM | Total<br>RM |
|--|---------------------|--|--|-------------|
| At 1 July 2005   | 4,891,969           | 17,292,317   | 6,614,344                                | 28,798,630  |
| Total recognised income and expenses<br>for the period | -                   | -  | 2,692,685                                | 2,692,685   |
| Dividends (Note 18)                                    | -                   | -  | (1,992,616)                              | (1,992,616) |
| At 31 December 2006                                    | 4,891,969           | 17,292,317   | 7,314,413                                | 29,498,699  |
| Total recognised income and expenses<br>for the year   | -                   | 5,021,649  | 8,856,241                                | 13,877,890  |
| Dividends (Note 18)                                    | -                   | -  | (2,448,938)                              | (2,448,938) |
| At 31 December 2007                                    | 4,891,969           | 22,313,966   | 13,721,716                               | 40,927,651  |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. SHARE CAPITAL AND RESERVES (continued)

|   | Share capital<br>£ | Foreign<br>exchange<br>reserve (Non-<br>distributable)<br>£ | Revaluation<br>reserve net of<br>attributable<br>deferred<br>tax (Non-<br>distributable)<br>£ | Retained profits<br>(Distributable)<br>£ | Total<br>£ |
|---|--------------------|---|---|--|------------|
| At 1 July 2005  | 1,331,659          | (483,419)   | 2,517,076   | 819,851                                  | 4,185,167  |
| Net deficit arising on translation of balance sheet items at beginning of period and result of the period to period-end exchange rate       | -                  | (7,225)   | (21,792)  | (8,556)                                  | (37,573)   |
| Total recognised income and expenses for the period   | -                  | -   | -   | 388,587                                  | 388,587    |
| Dividends (Note 18)   | -                  | -   | -   | (286,393)                                | (286,393)  |
| At 31 December 2006   | 1,331,659          | (490,644)   | 2,495,284   | 913,489                                  | 4,249,788  |
| Net surplus/(deficit) arising on translation of balance sheet items at beginning of period and result of the year to year-end exchange rate | -                  | (107,220)   | 120,800   | 204,742                                  | 218,322    |
| Total recognised income and expenses for the year   | -                  | -   | 759,705   | 1,317,352                                | 2,077,057  |
| Dividends (Note 18)   | -                  | -   | -   | (359,681)                                | (359,681)  |
| At 31 December 2007   | 1,331,659          | (597,864)   | 3,375,789   | 2,075,902                                | 6,185,486  |

The following describes the nature and purpose of each reserve above:

| Reserve          | Description and purpose   |
|------------------|---|
| Revaluation      | Gains and losses arising on the revaluation of the estates.   |
| Foreign exchange | Gains and losses arising on translating the Company's financial statements from Ringgit Malaysia to Pound Sterling. |
| Retained profits | Cumulative net gains and losses recognised in the income statement.   |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. DIVIDENDS ON EQUITY SHARES

|   | 12 months to 31.12.2007 |                | 18 months to 31.12.2006 |                |
|---|-------------------------|----------------|-------------------------|----------------|
|   | RM                      | £              | RM                      | £              |
| <b>Dividends on equity shares:</b>                    |                         |                |                         |                |
| Ordinary dividends:                                   |                         |                |                         |                |
| Interim: 10% less 27% tax<br>(2006: 15% less 28% tax) | 642,565                 | 97,211         | 1,004,578               | 143,819        |
| Special: 12% less 27% tax                             | 771,077                 | 116,653        | -                       | -              |
| Final: 10% less 27% tax<br>(2006: 10% less 28% tax)   | 690,198                 | 97,211         | 658,692                 | 95,049         |
| Special: 5% less 27% tax<br>(2006: 5% less 28% tax)   | 345,098                 | 48,606         | 329,346                 | 47,525         |
|   | <b>2,448,938</b>        | <b>359,681</b> | <b>1,992,616</b>        | <b>286,393</b> |

As proposed in the previous financial year, a final dividend of 10% less tax amounted to RM690,198 and a special dividend of 5% less tax amounted to RM345,098 for the financial year ended 31 December 2006 were approved by the shareholders at the Annual General Meeting held on 21 June 2007. These dividends were paid on 27 July 2007.

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

### 19. STAFF COSTS

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

|   | 12 months to 31.12.2007 |                | 18 months to 31.12.2006 |                |
|---|-------------------------|----------------|-------------------------|----------------|
|   | RM                      | £              | RM                      | £              |
| Wages and salaries                            | 741,944                 | 107,841        | 1,005,341               | 145,071        |
| Contributions to defined contribution<br>plan | 28,424                  | 4,131          | 43,168                  | 6,229          |
| Social security costs                         | 3,176                   | 462            | 4,462                   | 644            |
| Retirement benefits                           | 2,386                   | 347            | 1,113                   | 161            |
|   | <b>775,930</b>          | <b>112,781</b> | <b>1,054,084</b>        | <b>152,105</b> |

**19. 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. The executive director was considered to be the key management personnel until the expiration of his service contract on 30 June 2007. Since then, the Acting General Manager has assumed the role of key management personnel under the supervision of the Board of Directors.

|  | <b>12 months to 31.12.2007</b> |              | <b>18 months to 31.12.2006</b> |               |
|--|--------------------------------|--------------|--------------------------------|---------------|
|  | <b>RM</b>                      | <b>£</b>     | <b>RM</b>                      | <b>£</b>      |
| Salary and bonus                           | 49,000                         | 7,122        | 78,000                         | 11,255        |
| Contributions to defined contribution plan | 7,350                          | 1,068        | 11,700                         | 1,688         |
|  | <b>56,350</b>                  | <b>8,190</b> | <b>89,700</b>                  | <b>12,943</b> |

The information required by the Companies Act and the listing rules of the financial services authorities is contained in the Directors' Report on Remuneration, pages 18 to 21, of which the information on page 20 has been audited.

**20. 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:

20. FINANCIAL INSTRUMENTS (continued)

Principal financial instruments (continued)

|  | 2007             |                  | 2006             |                | 2007             |                | 2006           |               |
|--|------------------|------------------|------------------|----------------|------------------|----------------|----------------|---------------|
|  | RM               | £                | RM               | £              | RM               | £              | RM             | £             |
| <b>Current financial assets</b>        |                  |                  |                  |                |                  |                |                |               |
| Trade and other receivables            | 564,139          | 85,346           | 396,645          | 57,236         | -                | -              | -              | -             |
| Cash and cash equivalents              | 8,092,424        | 1,224,270        | 5,051,544        | 80,528         | -                | -              | -              | -             |
| <b>Current financial liabilities</b>   |                  |                  |                  |                |                  |                |                |               |
| Trade and other payables               | -                | -                | -                | -              | 1,943,428        | 294,013        | 485,171        | 70,010        |
| <b>Non-current financial liability</b> |                  |                  |                  |                |                  |                |                |               |
| Cumulative preference shares           | -                | -                | -                | -              | 84,163           | 19,024         | 84,163         | 19,024        |
| <b>Total</b>                           | <b>8,656,563</b> | <b>1,309,616</b> | <b>5,448,189</b> | <b>137,764</b> | <b>2,027,591</b> | <b>313,037</b> | <b>569,334</b> | <b>89,034</b> |

**20. 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 2007 and 2006 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 balance sheet date was 3.2% (2006: 3.2%).

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

|                              | 2007      |           | 2006      |         |
|------------------------------|-----------|-----------|-----------|---------|
|                              | RM        | £         | RM        | £       |
| <b>Financial Assets</b>      |           |           |           |         |
| <u>Fixed rate</u>            |           |           |           |         |
| Short term deposits          | 7,575,741 | 1,146,103 | 4,493,483 | 648,410 |
| <u>Floating rate</u>         |           |           |           |         |
| Cash and bank balances       | 516,683   | 78,167    | 558,061   | 80,528  |
| <u>Interest free</u>         |           |           |           |         |
| Trade and other receivables  | 564,139   | 85,346    | 396,645   | 57,236  |
| <b>Financial Liabilities</b> |           |           |           |         |
| <u>Fixed rate</u>            |           |           |           |         |
| Cumulative preference shares | 84,163    | 19,024    | 84,163    | 19,024  |
| <u>Interest free</u>         |           |           |           |         |
| Trade and other payables     | 1,943,428 | 294,013   | 485,171   | 70,010  |

**20. FINANCIAL INSTRUMENTS (continued)**

**Credit Risk**

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

Although the Company has only one customer, the credit risk is considered minimal as the customer is usually prompt in making payments.

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 balance sheet as at the end of the financial year.

**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 has no bank borrowings.

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.

**20. FINANCIAL INSTRUMENTS (continued)**

**Currency Risk (continued)**

As at 31 December 2007, these exposures were as follows:

**Net foreign currency financial assets**

|                | Financial assets |         | Financial liabilities |         |
|----------------|------------------|---------|-----------------------|---------|
|                | RM               | £       | RM                    | £       |
| Pound Sterling | 3,668,501        | 554,993 | 3,445,088             | 497,126 |

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

**Capital**

As described in Note 1.22, 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 balance sheet.

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:

|                              | 2007       |           | 2006       |           |
|------------------------------|------------|-----------|------------|-----------|
|                              | RM         | £         | RM         | £         |
| Ordinary share capital       | 4,891,969  | 1,331,659 | 4,891,969  | 1,331,659 |
| Retained earnings            | 13,721,716 | 2,075,902 | 7,314,413  | 913,489   |
| Cumulative preference shares | 84,163     | 19,024    | 84,163     | 19,024    |
|                              | 18,697,848 | 3,426,585 | 12,290,545 | 2,264,172 |

**21. RELATED PARTY TRANSACTIONS**

Details of Directors remuneration are given in the Remuneration Report on pages 18 to 21 and Notes 5 and 19. Other related party transactions are as follows:

| Party                           | Related party relationship                            | Type of transaction                          | Transaction amount      |         |                         |        | Amount owing (to)/by |       |   |
|---------------------------------|---|--|-------------------------|---------|-------------------------|--------|----------------------|-------|---|
|                                 |   |  | 12 months to 31.12.2007 |         | 18 months to 31.12.2006 |        | 2006                 |       |   |
|                                 |   |  | RM                      | £       | RM                      | £      | RM                   | £     |   |
| Riverview Rubber Estates Berhad | A company with significant influence over the Company | Interest-free advances received              | 87,780                  | 12,759  | 118,218                 | 17,208 | -                    | -     | - |
| Rivaknar Holdings Sdn. Bhd.     | Associate   | (Loan repayment)/ Interest-free loan granted | (42,924)                | (6,494) | -                       | -      | 42,924               | 6,194 | - |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### **22. SEGMENT INFORMATION**

The Company operates in the agricultural segment in Malaysia. All its oil palm is produced and sold in Malaysia. The relevant financial information has been appropriately presented in these financial statements.

### **23. ULTIMATE CONTROLLING SHAREHOLDER**

At 31 December 2007, Riverview Rubber Estates Berhad, a company incorporated in Malaysia, held 6,632,340 (2006: 6,632,340) shares of the Company, representing 49.8% (2006: 49.8%) of the issued share capital of the Company. Mr William John Huntsman and Mr Stephen William Huntsman, directors of the Company, have advised the Company that they are the controlling shareholders of Riverview Rubber Estates Berhad.

# PLANTATION STATISTICS

|   | Financial Year Ended |                             |        |                 |       |
|---|----------------------|-----------------------------|--------|-----------------|-------|
|   | 31 Dec<br>2007       | 31 Dec<br>2006<br>18 months | 2005   | 30 June<br>2004 | 2003  |
| <b>Oil Palm</b>                           |                      |                             |        |                 |       |
| Average area in production (hectares)     | 555                  | 555                         | 555    | 522             | 460   |
| Crop (tonnes FFB)                         | 14,872               | 21,965                      | 13,775 | 12,396          | 9,527 |
| Yield per hectare (tonnes FFB)            | 27                   | 40                          | 25     | 24              | 21    |
| Average price realised (RM per tonne FFB) | 522                  | 296                         | 293    | 339             | 289   |
| Operating profit per mature hectare (RM)  | 9,102                | 5,942                       | 3,535  | 4,228           | 2,411 |

## Area Statement At 31 December

|                         |     |     |     |     |     |
|-------------------------|-----|-----|-----|-----|-----|
| Oil palm                |     |     |     |     |     |
| - mature                | 555 | 555 | 555 | 555 | 489 |
| - immature              | -   | -   | -   | -   | -   |
| <hr/>                   |     |     |     |     |     |
| Total planted hectarage | 555 | 555 | 555 | 555 | 555 |
| Estate building sites   | 4   | 4   | 4   | 4   | 5   |
| Reserve land and swamps | 5   | 5   | 5   | 5   | 5   |
| <hr/>                   |     |     |     |     |     |
| Total area (hectares)   | 564 | 564 | 564 | 564 | 565 |

The Company's estate is located in the State of Perak Darul Ridzuan.

# FORM OF PROXY

# THE NARBOROUGH PLANTATIONS, plc

98th AGM

Incorporated in England 1910, Registration No. 109273  
Registered as a Foreign Company in Malaysia, No. 991416-W

I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being a member / members of The Narborough Plantations, Public Limited Company, hereby appoint  
\_\_\_\_\_  
of \_\_\_\_\_  
or failing him / her \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy to vote for me / us on my / our behalf at the Ninety-eighth Annual General Meeting of the Company, to be held at the Registered Office of the Company, 33A Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Friday, 20 June 2008 at 10.30 a.m.

Please indicate with an "X" in the appropriate space opposite each resolution how you wish your votes to be cast; in the absence of any specific directions, your proxy will vote as he thinks fit.

| No. | Resolutions   | For | Against | Withheld |
|-----|---|-----|---------|----------|
| 1.  | To receive and adopt the Directors' Report and financial statements for the year ended 31 December 2007.  |     |         |          |
| 2.  | To approve the Directors' Remuneration Report for the year ended 31 December 2007.  |     |         |          |
| 3.  | That Mr William John Huntsman having attained the age of seventy be re-appointed as a Director of the Company, to hold office until the next Annual General Meeting pursuant to Article 103 of the Company's Articles of Association.                           |     |         |          |
| 4.  | To re-elect Mr Roslan Bin Hamir who retires as Director of the Company in accordance with Article 104 of the Company's Articles of Association.   |     |         |          |
| 5.  | To re-appoint Messrs BDO Stoy Hayward LLP, United Kingdom as the auditors in accordance with the United Kingdom Companies Act, 1985 to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors. |     |         |          |
| 6.  | To re-appoint Messrs BDO Binder, Malaysia as auditors in accordance with Section 336(5) of the Malaysian Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.        |     |         |          |
| 7.  | To transact any other ordinary business of the Company.   |     |         |          |

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008.

Signature \_\_\_\_\_

|                    |  |
|--------------------|--|
| No. of shares held |  |
|--------------------|--|

Note:

- i) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. Such proxy need not be a member of the Company.
- ii) The instrument of appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, under its common seal or the hand of its attorney duly authorised.
- iii) The instrument appointing a proxy must be deposited at the Registered Office at 33A Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan, Malaysia not less than forty eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
- iv) The Company has not entered into any contract in which the directors are interested.

**STAMP**

THE SECRETARY

**THE NARBOROUGH PLANTATIONS, PUBLIC LIMITED COMPANY (991416-W)**

33A Jalan Tun Sambanthan

30000 Ipoh

Perak Darul Ridzuan

Malaysia

**Registered Office**

33A Jalan Tun Sambanthan  
30000 Ipoh, Perak Darul Ridzuan, Malaysia