AUDIT COMMITTEE

Report

During the financial year, the Audit Committee carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the internal auditors, external auditors and relevant members of management. The Audit Committee is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

MEMBERSHIP AND TERMS OF REFERENCE
OF THE AUDIT COMMITTEE

Membership

The Audit Committee shall be appointed by the Board of Directors from amongst the Non-Executive Directors and shall consist of not less than three (3) members, with a majority of them being Independent Directors. In determining independence, the Board will observe the Listing Requirements of Bursa Malaysia Securities Berhad.

Mr Pushpanathan A/L S. A. Kanagarayar, who is a member of the Institute of Chartered Accountants of Scotland, the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants, was appointed as the Chairman of the Audit Committee on 12 November 2012. He replaced Datuk Oh Chong Peng who ceased to be the Chairman on 24 August 2012.

The Board of Directors shall review the term of office and performance of the Audit Committee and each of its members at least once every three years.

Meetings and Minutes

Meetings shall be held at least four (4) times a year with the attendance of the Chief Financial Officer, Head of Internal Audit and senior representatives of the external auditors. Other Board members and senior management may attend the meetings upon the invitation of the Audit Committee. At least twice a year, the Audit Committee shall meet with the external auditors without the presence of Management. Both the internal and external auditors, too may request a meeting if they consider that one is necessary.

The Chairman of the Audit Committee engages on a continuous basis with senior management, Head of Internal Audit and the external auditors, in order to keep abreast of matters and issues affecting the Group. A quorum consists of two (2) members present and both of whom must be Independent Directors.

During the financial year, the Audit Committee convened four (4) meetings. Details of the Audit Committee members’ attendance are tabulated below:

<table>
<thead>
<tr>
<th>NAME</th>
<th>ATTENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pushpanathan A/L S. A. Kanagarayar</td>
<td>2/2</td>
</tr>
<tr>
<td>Independent Non-Executive Director (Chairman) (Appointed on 12 November 2012)</td>
<td></td>
</tr>
<tr>
<td>M. Ramachandran A/L V.D. Nair</td>
<td>4/4</td>
</tr>
<tr>
<td>Senior Independent Non-Executive Director</td>
<td></td>
</tr>
<tr>
<td>Dato’ Teh Kean Ming</td>
<td>4/4</td>
</tr>
<tr>
<td>Non-Executive Director</td>
<td></td>
</tr>
<tr>
<td>Datuk Oh Chong Peng</td>
<td>2/2</td>
</tr>
<tr>
<td>Independent Non-Executive Director (Chairman) (Ceased on 24 August 2012)</td>
<td></td>
</tr>
<tr>
<td>Khoo Khee Ming</td>
<td>2/2</td>
</tr>
<tr>
<td>Senior Independent Non-Executive Director (Ceased on 24 August 2012)</td>
<td></td>
</tr>
</tbody>
</table>
The Company Secretary acts as the secretary to the Audit Committee. Minutes of each meeting are distributed to each Board member and the Chairman of the Audit Committee reports on key issues discussed at each meeting to the Board.

**Authority and Duties**

The details of the terms of reference of the Audit Committee are available for reference at www.ijm.com/plantation.

**SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR**

During the year, the Audit Committee carried out the following activities:-

1.0 **Financial Reporting**

- Reviewed the quarterly financial results and announcements as well as the year end financial statements of the Group; and
- In the review of the annual audited financial statements, the Audit Committee discussed with management and the external auditors, amongst others, the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements.

2.0 **Internal Audit**

- Reviewed the annual audit plan proposed by the Internal Auditors to ensure the adequacy of the scope and coverage of work;
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of the overall Internal Audit function; and
- Reviewed the audit reports presented by the Internal Auditors on their findings and recommendations with respect to system and control weaknesses. The Audit Committee then considered those recommendations including the management’s responses, before proposing that control weaknesses be rectified and recommendations for improvements be implemented.

3.0 **External Audit**

- Reviewed the external auditors’ audit strategy, audit plan and scope of work for the year;
- Reviewed the findings of the external auditors’ reports, particularly the issues raised in their management letter and ensured where appropriate, that the necessary corrective action had been taken by management; and
- Reviewed and formulated the Company’s External Auditors Policy and undertook an annual assessment on the suitability and independence of the external auditors.

4.0 **Risk Management Committee**

- Reviewed the Risk Management Committee’s reports, assessed the adequacy and effectiveness of the risk management framework and the appropriateness of management’s responses to key risk areas and proposed recommendations for improvements to be implemented.

5.0 **Related Party Transactions**

- Reviewed the related party transactions that arose within the Group to ensure that the transactions are fair and reasonable to, and are not to the detriment of, the minority shareholders.
TRAINING
During the year, the Audit Committee members have attended conferences, seminars and training programmes. Details of these are available at www.ijm.com/plantation.

INTERNAL AUDIT FUNCTION
The Internal Audit function has been outsourced to the Internal Audit Department ("IAD") of IJM Corporation Berhad. The Board has chosen to outsource this audit function as the Board is of the opinion that the operations of the Group by itself cannot support an effective IAD in terms of availability of appropriate skills and resources, which a larger IAD through the IJM Corporation Berhad Group can provide. The Internal Audit fees charged to the Group for the financial year ended 31 March 2013 was RM 160,000.

The IAD is governed by the IJM Internal Audit Charter and takes into account global best practices and industry standards. The Head of Internal Audit reports directly to the Audit Committee and has direct access to the Chairman of the Audit Committee on all the internal control and audit issues.

The main role of the IAD is to provide the Audit Committee with independent and objective reports on the effectiveness of the system of internal controls within the Group, which are performed with impartiality, proficiency and due professional care. The Audit Committee discusses the internal audit reports to ensure recommendations from the reports are duly acted upon by management.

The IAD adopts a risk-based auditing approach, prioritising audit assignments based on the Group's business activity, risk management and past audit findings.

INTERNAL AUDIT ACTIVITIES FOR THE FINANCIAL YEAR
During the financial year, the IAD had completed and reported 21 audit assignments covering the operations in the estates, mills, head office in Malaysia and those in Indonesia. This included special audits conducted on the basis of special requests from the Board, Audit Committee, Senior Management or those arising from the Group’s Whistle Blower Programme.

The IAD also plays an active advisory role in the review and improvement of existing internal controls within the Group.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 10 July 2013.
INVESTOR in people

Targets on developing the people asset of the organisation towards esprit de corps of building 1-UIM team. Prominence is directed towards training for skill and competency enhancement, promotion of sports and cultural heritage and the provision of facilities for community living in the operations.