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

The Audit Committee is appointed by the Board of Directors from amongst the Non-Executive Directors and consists of not less than three (3) members, with a majority of them being Independent Directors.

The Chairman of the Audit Committee, Mr Pushpanathan a/l S A Kanagarayar is a member of the Institute of Chartered Accountants of Scotland, the Malaysian Institute of Certified Public Accountants (“MICPA”) and the Malaysian Institute of Accountants (“MIA”). The other members of the Audit Committee are Mr M. Ramachandran A/L V.D. Nair and Dato’ Teh Kean Ming. Dato’ Teh Kean Ming resigned as a Non-Executive Director with effect from 5 April 2015, and accordingly, he ceased to be a member of the Audit Committee on 5 April 2015. Dato’ Soam Heng Choon was appointed as a Non-Executive Director and Audit Committee member on 6 April 2015.

MEETINGS AND MINUTES

Four (4) meetings were held during the financial year with the attendance of the Chief Executive Officer, Chief Financial Officer, Head of IJM Internal Audit, senior representatives of the external auditors and the Company Secretary. The Audit Committee had also met with the external auditors twice without the presence of Management during the financial year.

A quorum consists of two (2) members present and both of whom must be independent Directors. Other Board members and Senior Management may attend meetings upon the invitation of the Audit Committee. Both the internal and external auditors, too, may request a meeting if they consider that one is necessary.

During the financial year, the Chairman of the Audit Committee had engaged 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.
Details of the Audit Committee members’ attendance are tabled below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Meetings Attended</th>
</tr>
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<tbody>
<tr>
<td>Pushpanathan A/L S. A. Kanagarayar</td>
<td>Independent Non-Executive Director (Chairman)</td>
<td>4/4</td>
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<tr>
<td>M. Ramachandran A/L V.D. Nair</td>
<td>Senior Independent Non-Executive Director</td>
<td>4/4</td>
</tr>
<tr>
<td>Dato’ Teh Kean Ming</td>
<td>Non-Executive Director</td>
<td>4/4</td>
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</tbody>
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The Company Secretary acts as the secretary to the Audit Committee. Minutes of each meeting are distributed electronically 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.

**REVIEW OF THE AUDIT COMMITTEE**

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board of Directors for the financial year ended 31 March 2015. The Audit Committee was assessed based on four (4) key areas, namely effectiveness and quality, internal and external audit, risk management and internal control and financial reporting, to determine whether the Audit Committee had carried out its duties in accordance with its terms of reference.

**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 recommend them for approval by the Board;
- In the review of the quarterly financial results and 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 results and statements; and
- Confirmed with Management and the external auditors that the Company’s and Group’s financial statements have been prepared in compliance with applicable Financial Reporting Standards.
2.0 Internal Audit
- Reviewed and approved 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, organisation structure, resource requirements (adequacy and suitability) for the year and assessed the performance of the overall Internal Audit function;
- 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 those control weaknesses be rectified and recommendations for improvements be implemented; and
- Reviewed and approved revisions to the Company’s Internal Audit Charter.

3.0 External Audit
- Reviewed and endorsed 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 ensure where appropriate, that the necessary corrective actions had been taken by Management;
- Undertook an annual assessment on the suitability and independence of the external auditors based on quality of service, sufficiency of resources, communication and interaction, independence, objectivity and professional scepticism, pursuant to the Company’s and Group’s External Auditors Policy;
- Obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
- Recommend the proposed audit fee and reappointment of the external auditors, for Board’s approval.

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 endure that the transactions are fair and reasonable to, and 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 large IAD through IJM Corporation Berhad can provide. The IAD reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plan. The Internal Audit fees charged to the Group for the financial year ended 31 March 2015 was RM160,000 (2014: RM160,000).

The IAD is governed by the Company’s 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 receives quarterly reports from the Head of Internal Audit on the results of the internal audit activities performed. The Audit Committee discusses the internal audit reports to ensure recommendations from the reports are duly acted upon by Management. IAD continuously monitors the implementation of the audit recommendations through periodic follow up.

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 23 audit assignments covering the operations in the estates, mills, head office in Malaysia and those in Indonesia. This includes, where applicable, 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 13 July 2015.