ON BEHALF OF THE BOARD OF DIRECTORS OF IJM PLANTATIONS BERHAD, it is a great honour for me to be accorded this opportunity to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 March 2016.

TAN SRI DATO’ WONG SEE WAH
Independent Non-Executive Chairman
The Group employed a myriad of best management practices across its supply chain while continued to pursue various social environmental initiatives ranging from conservation, biodiversity enhancement, sports, health, education, cultural heritage, volunteerism and engaging with relevant stakeholders in a wide range of collaborations.

The Group remains steadfast in its commitment to sustainable development. Continued focus on productivity and innovations, care for the environment, its’ people and surrounding communities had enabled the Group to achieve its vision and to realise a balanced mix between growth and sustainability. The four pillars of ‘Nurturing Sustainability’ remain the cornerstones in the pursuit of a holistic and phased approach, balancing the needs of People and Planet with economic Profitability or Prosperity. The Group seeks to operate within a mantra that contributes to minimise environmental damages, a better society and delivers sustainable business whilst balancing the interests of a diverse range of relevant stakeholders.

INDUSTRY REVIEW

The financial year ended 31 March 2016 saw the Group operating in a very difficult and challenging market. The steep fall in energy prices to a historical low level, good harvest of competing oilseeds, introduction of an Indonesian palm oil levy in July 2015, high stock of palm oil and sluggish global demand placed tremendous pressure on palm oil prices. In Malaysia, the implementation of the Goods and Services Tax (“GST”) in April 2015 had also put a damper on domestic margins. In addition, the strongest El Niño ‘dry’ weather phenomenon not seen in the past two decades had adversely affected crop production. Although concerns of supply disruption and biodiesel mandates had enabled the palm oil prices to make a relatively strong recovery towards the end of the year, it was far from sufficient to compensate for the drop in production.

GROUP PERFORMANCE

For the reporting year, more planted areas from the Group’s Indonesian operations had attained maturity. This resulted in a significant increase in its’ areas under crop production, an increase by 19% to reach 48,172 hectares (2015: 40,530 hectares). However, total revenue was adversely affected by the earlier highlighted factors which resulted in lower palm oil prices and lower crop production. With this, the Group ended the year with revenue of RM557.61 million, a decline by 16% from RM667.67 million achieved in prior year.

The Group’s Malaysian operations recorded a lower fresh fruits bunches (“FFB”) production of 480,591 mt (2015: 589,384 mt) against the backdrop of the dry weather and on-going replanting programme. The Indonesian operations with more areas attaining maturity, delivered a commendable increase of 35% to achieve 367,468 mt (2015: 273,071 mt) of FFB production.
By geographical segment, the Group’s Malaysian operations recorded lower FFB production of 480,591 mt (2015: 589,384 mt) against the backdrop of the dry weather and on-going replanting programme. Notwithstanding this, the Group’s Indonesian operations with more areas attaining maturity and young palms gradually moving into prime age managed to deliver a commendable increase of 35% to achieve 367,468 mt (2015: 273,071 mt) of FFB production.

The average crude palm oil (“CPO”) price achieved in the Malaysian and Indonesian operations was RM2,142 per mt (2015: RM2,289 per mt) and RM1,899 per mt (2015: RM2,140 per mt) respectively, a decline of 6% and 11% from the previous year. The new levy of USD50 per mt of CPO implemented by the Indonesian authority had resulted in the steeper drop in the average price achieved in the Indonesian operations.

The lower crop production and also lower prices of commodities had adversely impacted the Group’s profit before tax, to end the financial year at RM50.41 million (2015: RM89.41 million). Due to this unfavourable situation at the end of the financial year and the expectation that the dry weather will continue to impact crop production in near term, the Group derecognised higher portion of its deferred tax assets arising from a unutilised tax losses in Indonesia which has an expiry date in the near term. As a result, a high unrealised tax expense has been recorded for the year and the Group’s profit after tax was lower at RM22.04 million (2015: RM82.30 million). Accordingly, basic earnings per share attributable to shareholders was 2.75 sen (2015: 10.74 sen). Notwithstanding this, the net tangible assets per share was higher at RM1.84 (2015: RM1.83) as at 31 March 2016.
CORPORATE DEVELOPMENT

On 21 November 2014, a wholly-owned subsidiary of the Company, Gunaria Sdn Bhd ("Gunaria"), had entered into a Conditional Share Subscription Agreement ("CSSA") with KL-Kepong Plantation Holdings Sdn Bhd ("KLKP"), a wholly-owned subsidiary of Kuala Lumpur Kepong Berhad, and two (2) existing shareholders for subscription of 25,600 new shares of IDR1,000,000 each in PT Perindustrian Sawit Sinergi ("PT PSS") for a total cash consideration of IDR25,600,000,000 (approximately RM6,900,000) ("the Proposed Subscription"). Pursuant to the CSSA, the shareholding ratio of Gunaria, KLKP and the existing shareholders will be 32:63:5. PT PSS will be a joint venture vehicle for the parties to establish an integrated palm oil refinery complex, kernel crushing plant, sale of refined or processed palm oil products or its derivatives. On 20 November 2015, all parties to the agreement had agreed to extend the expiry date of the CSSA up to 21 November 2016. At the date of this report, the Proposed Subscription is pending completion.

DIVIDEND

The Group is committed to the payment of annual dividends. The quantum of dividends will be determined after taking into account, inter alia, the level of available funds, the amount of retained earnings, capital expenditure commitments and other investment planning requirements. The adopted policy is deemed as a balanced approach between rewarding shareholders and maintaining reserves for future growth.

In respect of the financial year ended 31 March 2015, a single-tier interim dividend of 6 sen per share was paid on 7 July 2015 totaling RM52.83 million.

In view of the Group’s strong balance sheet and financial position, it continues to reward its’ shareholders in this challenging time. The Directors declared a single tier interim dividend on 26 May 2016, amounting to 5 sen per share. The single tier interim dividend was paid on 13 July 2016 to every member who was entitled to receive the dividend as at 5.00 p.m. on 24 June 2016. The Directors do not recommend the payment of any final dividend for the financial year ended 31 March 2016.

CORPORATE GOVERNANCE

To strengthen the accountability of the Board and management of the Group and to promote long-term shareholder interest and public trust, the Group remains committed to good corporate governance. Some guiding principles of this commitment are set out in the Statement on Corporate Governance (pages 34 to 48 of the Annual Report) and Statement on Risk Management and Internal Control (pages 54 to 57 of the Annual Report). The Company, its subsidiaries, Directors and Management were not sanctioned and had no material penalties imposed by any relevant regulatory bodies during the year.

Detailed reporting and discussion of the Group’s social environmental stewardship and communication of initiatives and impacts are covered in the Statement and Report on Corporate Responsibility and Sustainability (pages 58 to 95 of the Annual Report).

As testimony for the Group’s commitment, IJM Plantations Berhad was named Malaysia’s Best Managed Company 2015-Small Cap by Asiamoney in September 2015. The Group was presented with the following accolade – “It has superb disclosure and has great management, with vision and consistency” (Asiamoney, 2015). We are proud to be presented with the award by Asiamoney and we reckon the importance to provide accurate information regarding our business activities and financial performance on a timely manner to the shareholders and investors. In addition, the Group was also recognised as one of the top merit awardee for corporate governance disclosures by Minority Shareholder Watchdog Group ("MSWG"). The Group was ranked by MSWG in December 2015 to be among the top 10 companies with good disclosures from a total of 870 companies in Malaysia under the MSWG-ASEAN Corporate Governance Transparency Index – The Malaysian Chapter.

“It has superb disclosure and has great management, with vision and consistency.”

(Asiamoney, 2015)
RELATED PARTY TRANSACTIONS

Related party transactions of the Group for the financial year are disclosed in Note 31 to the Financial Statements. Except for those disclosed in Note 31 to the Financial Statements, there were no material contracts of the Group involving Directors and major shareholders during the reporting period.

1-IJM FAMILY

The Group’s human capital remains the main driving force behind its growth and operational success. The Group’s mission, vision and core values of ‘I-PETRIC-Q’ – integrity, passion, efficiency, teamwork, respect for diversity, innovation, customer focus and quality have also been shared with all employees with the objective to strive for higher performance and making the organisation a better place to work. The Group remained focused with its High Performance Culture programme, embracing diversity and inclusion and living out the core values. Investing in our people which include attracting and developing ways to retain talent continued to be pursued throughout the year. Employees’ engagement through town-hall meetings and other platforms continued to be held emphasising the principle of ‘shared destiny’ and embracing the corporate core values.
The Group today has a pool of talented leaders and continue to provide employment opportunities to a workforce of approximately 10,000 people across the operations. The emphasis on quality, occupational safety and health remain a focus aspect for our people, where the imperative is to ensure a safe working environment for all employees. The Group also continued with its initiatives of upgrading the living quarters, complete with adequate amenities which include electricity and water, medical care, crèche, learning centres, recreational and sports facilities. This has elevated the sense of belonging, *esprit de corps* and motivating our people to strive for higher performance. Joint Consultative Committees (“JCC”) are established in all operating units and represented by all levels of employees. JCC play an important role in providing a platform for dialogue and engagement contributing towards enhancing harmony and family spirit at the work place.

Building on organisational capabilities is key to deliver the present and future strategic objectives as well as to accelerate the development of the Gen-Y talent to sustain the leadership pipeline in the Group. Employees have been the backbone of the operations and represent our most prized asset. Therefore, to help in the development of our employees, we continue to focus in providing both formal programme and on-the-job trainings to enhance employee competencies, to equip them with key skills and to support their career development goals and targets. The Group continued with the long term incentive plan involving employees share option scheme and grant plan to reward performers and retaining talent under the current competitive environment.

**PROSPECT**

The year ahead is anticipated to remain challenging to the Group due to uncertainties in the business environment as major headwinds and downside risks on the global front have yet to dissipate while global growth forecasts have been revised downwards. Commodity dependent economies, like Malaysia will be adversely affected by rising borrowing costs and debt servicing charges associated with the strengthening of the US dollar potentially leading to interest rate hikes and volatile foreign exchange rates. In addition, the continuous volatility in the financial markets coupled with the slump in crude petroleum prices, would keep the commodity markets cautious in near term.

However, the Group continues to believe that the long term prospect for palm oil is attractive because the long-term supply-demand dynamics remain strong and will tangibly be driven by a growing global population that is expected to reach over 8 billion by 2025. Rising affluence and better living standards will also serve as a catalyst in the growing demand for versatile and healthier palm oil.

To capitalise on the long term prospects, the Group will continue to focus its’ effort on intensifying the increase in yields and milling activities in its Indonesian operations while returning to high yields in its Malaysian operations. An important ‘feel-good’ factor remains, as the relatively young age profile of the Group’s plantation will put it in a favourable position to capture long term growth.

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*Signboard on preservation of reserves*

*ISPO audit in process*
CHAIRMAN’S STATEMENT

The Group’s is expecting higher FFB production growth in the coming year as more areas in the Indonesian operations attain maturity and additional young palms move into prime age. Notwithstanding this, the significant increase in young mature areas in Indonesia will continue to undergo ‘growing pains’. This is because of their start-up crop yields which will incur full plantation maintenance and overhead costs amid growing pressures in the cost of production. Barring any unexpected adverse volatility in CPO prices, foreign exchange rates and adverse drop in production, the Group expects to achieve a satisfactory performance for the coming financial year.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to the management team and all the employees for their unwavering and dedicated service, commitment and contribution to the Group particularly during this challenging period. The leadership and all the employees have been instrumental in delivering performance. The Group is certainly poised to achieve many more milestones and we shall look forward to our journey ahead together.

I would also like to express my appreciation to the Board, whose members are very engaging and remain steadfastly dedicated to bring the Group to greater heights. With similar commitment, entrepreneurial mind-set, strong teamwork, passion and perseverance as exhibited in the past, I am confident that we can shoulder the load together amid the challenges and continue to achieve common goals of higher performance, as we unlock the potential of the Group’s enlarged land-bank and prepare it for an upturn in the business cycle of palm oil.

On behalf of the Group, I wish to take this opportunity to place on record our heartiest appreciation to Mr. Velayuthan A/L Tan Kim Song who retired as Chief Executive Officer (Indonesia) on 31 December 2015 for his dedication and contribution to the Group. Mr. Purushothaman A/L Kumaran was appointed as Chief Executive Officer for the Indonesian operations on 1 January 2016. I would also like to thank Mr. Joseph Tek Choon Yee for his stewardship as the Managing Director in navigating the Group through another year.

At the same time, I would like to extend my heartfelt gratitude to all our shareholders, customers, contractors, business partners and all other relevant stakeholders for the continued support and faith in the Group.