

# **BATU KAWAN BERHAD**

(6292-U)  
(Incorporated in Malaysia)

**Interim Financial Report  
For the year ended 30 September 2013**

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**Condensed Consolidated Income Statement**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		Year ended 30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	99,652	86,707	362,025	336,541
Operating expenses	(87,344)	(77,245)	(314,422)	(292,455)
Other operating income	19,365	6,078	46,549	19,102
Finance cost	(5,584)	(439)	(8,363)	(1,481)
Share of results of associates	120,245	196,703	427,594	563,937
<b>Profit before tax</b>	<b>146,334</b>	<b>211,804</b>	<b>513,383</b>	<b>625,644</b>
Income tax expense	(20,017)	(3,164)	(20,560)	(13,701)
<b>NET PROFIT FOR THE PERIOD</b>	<b>126,317</b>	<b>208,640</b>	<b>492,823</b>	<b>611,943</b>
Profit attributable to:				
Owners of the Company	125,385	206,352	483,709	605,687
Non-controlling interests	932	2,288	9,114	6,256
	126,317	208,640	492,823	611,943
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	30.2	49.5	116.5	145.3
Diluted	Not applicable	Not applicable	Not applicable	Not applicable

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Report for the year ended 30 September 2012.

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**Condensed Consolidated Statement of Comprehensive Income**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		Year ended 30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Net profit for the period</b>	<b>126,317</b>	<b>208,640</b>	<b>492,823</b>	<b>611,943</b>
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Net fair value gain/(loss) on available-for-sale investments	(124)	188	240	785
Foreign currency translation differences	(18,469)	(7,146)	(18,532)	(14,624)
Share of other comprehensive income of associates	53,510	(35,534)	92,398	(124,016)
<b>Total other comprehensive income for the period, net of tax</b>	<b>34,917</b>	<b>(42,492)</b>	<b>74,106</b>	<b>(137,855)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>161,234</b>	<b>166,148</b>	<b>566,929</b>	<b>474,088</b>
Total comprehensive income attributable to:				
Owners of the Company	160,416	163,908	557,931	467,925
Non-controlling interests	818	2,240	8,998	6,163
	<b>161,234</b>	<b>166,148</b>	<b>566,929</b>	<b>474,088</b>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2012.

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 30 September 2013</b>	<b>At 30 September 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	270,464	254,460
Investment properties	52,977	53,906
Land use rights	3,356	3,853
Biological assets	63,849	58,083
Intangible asset	11,672	12,005
Investment in associates	3,382,666	3,172,104
Other investments	21,365	20,648
Deferred tax assets	174	982
Other receivables	31,124	30,577
	<u>3,837,647</u>	<u>3,606,618</u>
<b>Current assets</b>		
Inventories	33,966	34,244
Trade and other receivables	106,631	94,655
Tax recoverable	922	461
Derivative assets	-	6
Short term trust funds	537,804	4,239
Term deposits	59,441	44,527
Cash and bank balances	109,561	104,884
	<u>848,325</u>	<u>283,016</u>
<b>TOTAL ASSETS</b>	<b><u>4,685,972</u></b>	<b><u>3,889,634</u></b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2012.

**Interim Financial Report for the year ended 30 September 2013**  
(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 30 September 2013</b>	<b>At 30 September 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	54,065	36,699
Provision for retirement benefits	-	165
Taxation	1,492	3,934
Loans and borrowings	19,568	10,800
Derivative liabilities	16	2
	<u>75,141</u>	<u>51,600</u>
<b>Net current assets</b>	<b><u>773,184</u></b>	<b><u>231,416</u></b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	4,587	3,574
Deferred tax liabilities	22,004	11,085
Loans and borrowings	521,000	29,130
	<u>547,591</u>	<u>43,789</u>
<b>Total liabilities</b>	<b><u>622,732</u></b>	<b><u>95,389</u></b>
<b>Net assets</b>	<b><u>4,063,240</u></b>	<b><u>3,794,245</u></b>
<b>Equity attributable to owners of the Company</b>		
Share capital	435,951	435,951
Treasury shares	(223,387)	(196,442)
Reserves	3,776,112	3,487,900
	<u>3,988,676</u>	<u>3,727,409</u>
Non-controlling interests	74,564	66,836
<b>Total equity</b>	<b><u>4,063,240</u></b>	<b><u>3,794,245</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>4,685,972</u></b>	<b><u>3,889,634</u></b>
Net assets per share attributable to owners of the Company (RM)	9.62	8.96

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2012.

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**Condensed Consolidated Statement of Changes in Equity**

	← Attributable to Owners of the Company →								Total	Non-controlling interests	Total equity
	← Non-distributable →				← Distributable →						
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2012	435,951	(196,442)	706	517,490	(14,655)	91	(33,404)	3,017,672	3,727,409	66,836	3,794,245
Total comprehensive income for the period	-	-	-	435	(18,416)	240	91,963	483,709	557,931	8,998	566,929
Transaction with owners:											
Share buy back	-	(26,945)	-	-	-	-	-	-	(26,945)	-	(26,945)
Dividends paid	-	-	-	-	-	-	-	(269,719)	(269,719)	-	(269,719)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,270)	(1,270)
Transfer of reserves	-	-	-	-	-	-	-	-	-	-	-
	-	(26,945)	-	-	-	-	-	(269,719)	(296,664)	(1,270)	(297,934)
<b>At 30 September 2013</b>	<b>435,951</b>	<b>(223,387)</b>	<b>706</b>	<b>517,925</b>	<b>(33,071)</b>	<b>331</b>	<b>58,559</b>	<b>3,231,662</b>	<b>3,988,676</b>	<b>74,564</b>	<b>4,063,240</b>

\* Included in Capital Reserve is RM246,853,000 which is distributable.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the year ended 30 September 2012.

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

### Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →								Total	Non-controlling interests	Total equity
	← Non-distributable →				← Distributable →						
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2011	435,951	(182,218)	706	520,265	(124)	(694)	87,837	2,807,991	3,669,714	64,151	3,733,865
Total comprehensive income for the period	-	-	-	(2,775)	(14,531)	785	(121,241)	605,687	467,925	6,163	474,088
Transaction with owners:											
Share buy back	-	(14,224)	-	-	-	-	-	-	(14,224)	-	(14,224)
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	(154)	(154)
Dividends paid	-	-	-	-	-	-	-	(396,006)	(396,006)	-	(396,006)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,324)	(3,324)
Transfer of reserves	-	-	-	-	-	-	-	-	-	-	-
	-	(14,224)	-	-	-	-	-	(396,006)	(410,230)	(3,478)	(413,708)
<b>At 30 September 2012</b>	<b>435,951</b>	<b>(196,442)</b>	<b>706</b>	<b>517,490</b>	<b>(14,655)</b>	<b>91</b>	<b>(33,404)</b>	<b>3,017,672</b>	<b>3,727,409</b>	<b>66,836</b>	<b>3,794,245</b>

\* Included in Capital Reserve is RM246,418,000 which is distributable.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the year ended 30 September 2012.

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	<b>Year ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	513,383	625,644
Adjustments for:		
Non-cash items	33,840	30,685
Non-operating items	(436,148)	(567,977)
Operating cash flows before changes in working capital	111,075	88,352
Changes in working capital		
Net change in current assets	(14,124)	(16,682)
Net change in current liabilities	9,730	(4,232)
Cash flows from operations	106,681	67,438
Interest received	2,350	1,301
Interest paid	(1,958)	(1,550)
Tax (paid)/refund	(10,745)	1,765
Retirement benefits paid	(204)	(464)
<b>Net cash flows from operating activities</b>	<b>96,124</b>	<b>68,490</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	188	43
Proceeds from disposal of short term funds	234	720
Share buy back	(26,945)	(14,224)
Purchase of property, plant and equipment	(49,934)	(68,492)
Purchase of other investments	(477)	(1,195)
Investment in associates	(12,564)	-
Capital distribution from investments in voluntary liquidation	4,046	-
Purchase of shares from non-controlling interests	-	(144)
Subsequent expenditure on investment property	-	(70)
Land use rights	-	(10)
Additions to biological assets	(15,710)	(5,137)
Dividends received	327,130	422,913
<b>Net cash flows from investing activities</b>	<b>225,968</b>	<b>334,404</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2012.



**Interim Financial Report for the year ended 30 September 2013**  
(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	Year ended 30 September	
	2013	2012
	RM'000	RM'000
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders of the Company	(269,719)	(396,006)
Dividends paid to non-controlling interests	(1,270)	(3,324)
Issuance of Islamic medium term notes	500,000	-
Repayment of term loans	(11,000)	(8,000)
Proceeds from term loan	11,638	12,279
Increase in other receivables	(1,941)	(4,394)
<b>Net cash flows from/(used in) financing activities</b>	<b>227,708</b>	<b>(399,445)</b>
Net increase in cash and cash equivalents	549,800	3,449
Effects of exchange rate changes	3,356	(539)
Cash and cash equivalents at 1 October	153,650	150,740
<b>Cash and cash equivalents at 30 September</b>	<b>706,806</b>	<b>153,650</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2012.

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**Notes to Interim Financial Report**

**A. Explanatory Notes as required by Financial Reporting Standard (“FRS”) 134**

**A1. Statement of compliance**

The interim financial report is unaudited and has been prepared in compliance with FRS 134 - Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Main Market Listing Requirements.

**A2. Accounting policies**

The Interim Financial Report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2012. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 30 September 2012 except for the adoption of the following revised and amendments to FRSs:

***FRS and amendments effective for annual periods beginning on or after 1 January 2012***

- FRS 124 *Related Party Disclosures (revised)*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

***Amendments to FRS effective for annual periods beginning on or after 1 July 2012***

- Amendments to FRS 101 *Presentation of Financial Statements – Presentation of Items or Other Comprehensive Income*

The application of other revised and amendments to FRSs has no significant effect to the financial statements of the Group.

**A3. Seasonal and cyclical operations**

The Group’s operations are affected to the extent that the operations of its plantation associate, Kuala Lumpur Kepong Berhad (“KLK”), are influenced by seasonal crop production and fluctuations in commodity prices.

**A4. Unusual items**

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

**A5. Material changes in estimates**

There were no material changes in the estimates of amounts reported in prior interim period of the current and prior financial year.

**A6. Issuance and repayment of debt and equity securities**

There were no issuances and repayments of debt securities, share buy backs, share cancellations or resale of treasury shares for the financial year to-date, except for the following:

- a) share buy back of 1,491,600 shares in the Company from the open market. The average price paid for the shares repurchased was RM18.00 per share and the total consideration paid, including transaction costs, was RM26,944,931. The shares bought back were financed by internally generated funds and held as treasury shares; and
- b) on 6 June 2013, the Company implemented an issuance of RM500.0 million nominal value Islamic Medium Term Notes (“Sukuk”) under its Sukuk programme. The Sukuk’s tenure is ten (10) years, with a periodic distribution rate of 4.05% per annum, payable semi-annually.

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**A7. Dividends paid**

	<b>Year ended 30 September</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Interim 15 sen per share single tier (2012: 15 sen per share single tier)	62,207	62,527
Dividends proposed in financial year ("FY") 2012, paid in FY 2013:		
Final 50 sen per share single tier	207,512	-
Dividends proposed in FY 2011, paid in FY 2012:		
Final 80 sen per share single tier	-	333,479
	<u>269,719</u>	<u>396,006</u>

**A8. Segment information**

Segment information is presented in respect of the Group's reportable segments which are based on the Group's management and internal reporting structure.

## a) Segment revenue and results

	<b>Investment Holding</b>	<b>Chemicals</b>	<b>Investment Property</b>	<b>Plantations</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Year ended 30 September 2013</b>						
Revenue						
External revenue	5,040	307,765	6,700	42,520	-	362,025
Inter-segment revenue	16,076	-	-	-	(16,076)	-
Total revenue	<u>21,116</u>	<u>307,765</u>	<u>6,700</u>	<u>42,520</u>	<u>(16,076)</u>	<u>362,025</u>
Results						
Operating results	21,186	72,831	3,547	12,664	(16,076)	94,152
Finance cost	(6,436)	(1,450)	(477)	(10,787)	10,787	(8,363)
Share of results of associates	427,340	254	-	-	-	427,594
Segment results	<u>442,090</u>	<u>71,635</u>	<u>3,070</u>	<u>1,877</u>	<u>(5,289)</u>	<u>513,383</u>
Profit before tax						<u>513,383</u>
<b>Year ended 30 September 2012</b>						
Revenue						
External revenue	1,799	294,942	6,272	33,528	-	336,541
Inter-segment revenue	18,790	-	-	-	(18,790)	-
Total revenue	<u>20,589</u>	<u>294,942</u>	<u>6,272</u>	<u>33,528</u>	<u>(18,790)</u>	<u>336,541</u>
Results						
Operating results	14,901	48,897	3,271	14,909	(18,790)	63,188
Finance cost	-	(627)	(854)	(9,153)	9,153	(1,481)
Share of results of associates	564,016	(79)	-	-	-	563,937
Segment results	<u>578,917</u>	<u>48,191</u>	<u>2,417</u>	<u>5,756</u>	<u>(9,637)</u>	<u>625,644</u>
Profit before tax						<u>625,644</u>

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

b) Segment assets

	Investment Holding	Chemicals	Investment Property	Plantations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 30 September 2013</b>					
Operating assets	605,522	485,176	54,246	157,266	1,302,210
Associates	3,380,891	1,775	-	-	3,382,666
Segment assets	<u>3,986,413</u>	<u>486,951</u>	<u>54,246</u>	<u>157,266</u>	<u>4,684,876</u>
Tax assets					1,096
Total assets					<u>4,685,972</u>
<b>At 30 September 2012</b>					
Operating assets	110,498	415,896	54,472	135,221	716,087
Associates	3,170,583	1,521	-	-	3,172,104
Segment assets	<u>3,281,081</u>	<u>417,417</u>	<u>54,472</u>	<u>135,221</u>	<u>3,888,191</u>
Tax assets					1,443
Total assets					<u>3,889,634</u>

**A9. Material events subsequent to end of period**

In the interval between the end of the reporting period and this report date, no material events have arisen which have not been reflected in the financial statements for the said period.

**A10. Changes in composition of the Group**

During the current quarter and financial year to-date, changes to the composition of the Group were:

- a) on 4 Oct 2012, the Company incorporated a wholly-owned British Virgin Islands subsidiary, **BKB Overseas Investments Ltd**, which has an issued and paid-up capital of USD2. The principal activity is investment holding;
- b) acquisition of an 18% equity interest in **Collingwood Plantations Pte Ltd** ("Collingwood"), a company incorporated in Singapore, which becomes an associate of the Group after taking into account the 51% direct interest in Collingwood held by the Company's plantation associate, Kuala Lumpur Kepong Bhd; and
- c) during the year, **Smith Zain (Penang) Sdn Bhd** ("SZP") became an associate of the Group following the capital distribution-in-specie of 600,000 ordinary shares of RM1.00 each or 30% of the paid-up share capital in SZP to the Company from its holding company, Smith Zain (Malaysia) Sdn Bhd, which was placed in voluntary liquidation in September 2005.

There are no material effects on the results of the Group arising from the above changes for the current quarter and financial year to-date.

**A11. Changes in contingent liabilities and contingent assets**

There were no material contingent liabilities or contingent assets since the date of the last annual financial statements for the year ended 30 September 2012.

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**A12. Capital commitments**

At the end of the reporting period, the Group's capital commitments were as follows:

	<b>At 30 September 2013 RM'000</b>	<b>At 30 September 2012 RM'000</b>
Authorised and contracted for:		
Property, plant and equipment	10,247	21,542
Authorised but not contracted for:		
Property, plant and equipment	83,381	66,224
Total capital commitments	<u>93,628</u>	<u>87,766</u>

**A13. Significant Related Party Transactions**

The following significant related party transactions of the Group have been entered into in the ordinary course of business at prices mutually agreed upon between the parties on terms not more favourably to the related party than those generally available to the public and are not detrimental to the non-controlling interests of the Company:

	<b>Cumulative Quarter Year ended 30 September</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
a) Transactions with associates and their related companies:		
Sales of finished goods to:		
BASF See Sen Sdn Bhd	3,486	2,808
Rental income of premises from:		
KL-Kepong Industrial Holdings Sdn Bhd	1,415	1,274
Kuala Lumpur Kepong Berhad	1,113	1,039
Sales of fresh fruit bunches to:		
PT Hutan Hijau Mas	39,829	31,498
b) Transactions with other related parties being companies in which persons connected with certain Directors have significant interests:		
Purchase of raw materials and finished goods from:		
Taiko Marketing Sdn Bhd	7,383	5,043
Taiko Marketing (S) Pte Ltd	18,942	18,594
Freight income earned from:		
Taiko Marketing Sdn Bhd	736	1,309
Sales of indirect materials and finished goods to:		
Taiko Marketing Sdn Bhd	196,064	173,959
Taiko Marketing (S) Pte Ltd	803	394
Chlor-Al Chemical Pte Ltd	22,859	23,476
Premier Bleaching Earth Sdn Bhd	5,949	5,563
Taiko Acid Works Sdn Bhd	391	2,381
Sales commissions charged by:		
Taiko Marketing Sdn Bhd	1,890	1,329

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**B. Explanatory Notes as required by the Bursa Securities' Listing Requirements**

**B1. Detailed analysis of performance**

**4<sup>th</sup> Quarter FY 2013 vs 4<sup>th</sup> Quarter FY 2012**

The Group revenue for the current quarter under review increased 15% to RM99.65 million (2012: RM86.71 million) with all segments reported higher revenues. However, Group profit before tax dropped 31% to RM146.33 million (2012: RM211.80 million) mainly affected by lower profit contribution from our plantation associate, Kuala Lumpur Kepong Berhad ("KLK").

After equity accounting of KLK's results, profit before tax from **Investment Holding** was RM121.62 million, 38% lower (2012: RM195.67 million), mainly due to KLK's lower profit contribution from lower commodity prices.

**Chemicals** sector reported a 4% increase in revenue to RM82.64 million from RM79.34 million contributed by higher sales volumes. Profit before tax was higher at RM24.16 million (2012: RM17.07 million), which included RM14.06 million (2012: RM4.73 million) compensation from a customer for short-fall in contracted products off-take.

**Investment Property** sector revenue was RM1.77 million, 11% higher compared to RM1.60 million reported last corresponding quarter, due to higher occupancy rate which resulted in a higher profit before tax of RM689,000 (2012: RM587,000).

Our Indonesian **Plantations'** subsidiary revenue rose 113% to RM11.50 million (2012: RM5.40 million) from higher FFB crop harvested. However, the subsidiary incurred a small loss of RM0.14 million (2012: RM1.53 million loss) due to lower FFB price.

**Todate 4<sup>th</sup> Quarter FY 2013 vs Todate 4<sup>th</sup> Quarter FY 2012**

For the financial year under review, higher revenues from all segments contributed to the Group revenue of RM362.03 million, 8% higher than RM336.54 million reported last year. However, Group profit before tax dropped 18% to RM513.38 million (2012: RM625.64 million) mainly affected by lower profit contribution from our plantation associate, KLK.

After equity accounting of KLK's results, profit before tax from **Investment Holding** was RM442.09 million, 24% lower (2012: RM578.92 million), mainly due to KLK's lower profit contribution resulting from lower commodity prices despite higher FFB production from higher yield.

**Chemicals** sector reported a 4% increase in revenue to RM307.77 million from RM294.94 million contributed by higher sales volumes. Profit before tax was higher at RM71.64 million (2012: RM48.19 million), which included RM33.58 million (2012: 14.89 million) compensation from a customer for short-fall in contracted products off-take.

**Investment Property** sector revenue was RM6.70 million, 7% higher compared to RM6.27 million reported last year, due to higher occupancy rate which resulted in a higher profit before tax of RM3.07 million (2012: RM2.42 million).

Our Indonesian **Plantations'** subsidiary recorded revenue of RM42.52 million, 27% higher than last corresponding period of RM33.53 million, with higher FFB crop harvested (2013: 78,589 mt vs 2012: 56,855 mt) from increased mature area of 3,423 ha (2012: 3,087 ha). However, profit before tax decreased 67% to RM1.88 million due to a 27% drop in FFB price.

**B2. Comparison of current quarter's results to the preceding quarter**

**4<sup>th</sup> Quarter FY 2013 vs 3<sup>rd</sup> Quarter FY 2013**

This quarter, Group pre-tax profit increased 37% to RM146.33 million compared to the RM107.09 million reported in the preceding quarter, due to our plantation associate's, Kuala Lumpur Kepong Berhad, higher after-tax profit, and higher profit contributions from our chemical subsidiaries and Indonesian plantations subsidiary.

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(The figures have not been audited)

**B3. Current year's prospects**

The Group's profit for the financial year ending 2014 is expected to be higher than that of the previous financial year on expectation of better profit from our plantation associate, Kuala Lumpur Kepong Berhad due to increased FFB production and its new Indonesian refineries coming on-stream, the latter of which should improve margins.

**B4. Variance of actual profit from forecast profit**

The Group did not issue any forecast profit or profit guarantee for the current financial year.

**B5. Income tax expense**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		Year ended 30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	4,018	1,929	8,244	5,411
Foreign income tax	381	238	1,147	917
	<u>4,399</u>	<u>2,167</u>	<u>9,391</u>	<u>6,328</u>
Deferred tax				
Relating to origination and reversal of temporary differences	15,709	2,418	11,260	9,510
(Over)/Under provision in prior years	609	(1,421)	609	(1,421)
	<u>16,318</u>	<u>997</u>	<u>11,869</u>	<u>8,089</u>
Over provision in respect of previous years				
Malaysian income tax	(700)	-	(700)	(716)
	<u>(700)</u>	<u>-</u>	<u>(700)</u>	<u>(716)</u>
	<u>20,017</u>	<u>3,164</u>	<u>20,560</u>	<u>13,701</u>

The effective tax rate for the current quarter is higher than the statutory tax rate due to the impact of non tax deductible expenses and the effective tax rate for the financial year to-date is lower than the statutory tax rate mainly due to the Company's tax exempt income and availability of tax incentives for certain subsidiaries.

**B6. Status of corporate proposals**

a) On 10 August 2012, Whitmore Holdings Sdn Bhd ("WH"), a wholly-owned subsidiary has entered into a conditional agreement to acquire from the Vendor, Damin, a 39% equity interest in PT Tekukur Indah ("PTTI"), a company established in the Republic of Indonesia, for a cash consideration of Rp1.395 billion and subject to adjustment for any difference in actual area of land which is free from "masyarakat" control. The agreement is subject to conditions precedent being fulfilled within eighteen months from the date of the agreement.

On 27 March 2013, WH exercised the call option granted by Bobby Noer Rahman ("BNR") and entered into a conditional agreement with BNR to acquire a 51% equity interest in PTTI for a cash consideration of Rp765 million. The agreement is subject to conditions precedent being fulfilled within twelve months from the date of the agreement.

Both the above agreements are yet to be completed.

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(The figures have not been audited)

- b) On 3 May 2013, the Company obtained approval of the Securities Commission Malaysia for the establishment and issuance of an Islamic Medium Term Notes Programme of up to RM500.0 million in nominal value (“Sukuk Programme”).

The Sukuk issued under the Sukuk Programme is based on the Shariah principle of Musharakah. The tenure of the Sukuk Programme is ten (10) years from the date of the first issue of Sukuk under the Sukuk Programme. Proceeds from the Sukuk Programme will be utilised by the Company to finance Shariah-compliant investments, general corporate purposes (including operational and capital expenditure requirements) and working capital needs. RAM Ratings Services Berhad has assigned a long-term rating of AA<sub>1</sub> to the Sukuk Programme with a stable outlook.

On 6 June 2013, the Company issued the full RM500.0 million nominal value of the above Sukuk Programme, at a periodic distribution rate of 4.05% per annum, payable semi-annually.

**B7. Group borrowings**

As at the end of the reporting period, the Group's borrowings were as follows:

	At 30 September 2013 RM'000	At 30 September 2012 RM'000
a) Repayable within 12 months:		
(i) Term Loans		
- Secured	7,568	8,000
- Unsecured	12,000	2,800
Total repayable within 12 months	19,568	10,800
b) Repayable after 12 months:		
(i) Term Loans		
- Secured	-	7,568
- Unsecured	21,000	21,562
	21,000	29,130
(ii) Islamic Medium Term Notes		
- Unsecured	500,000	-
	521,000	29,130
Total repayable after 12 months	521,000	29,130
Total Group borrowings	540,568	39,930

As at the end of the reporting period, the Group does not have any borrowings or debt securities denominated in foreign currency.

**B8. Derivative financial instruments**

The Group has entered into forward foreign exchange contracts as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments.



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(The figures have not been audited)

As at 30 September 2013, the values and maturity analysis of the outstanding forward foreign exchange contracts of the Group are as follows:

	<b>Contract / Notional Value</b>	<b>Fair value Net loss</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding forward foreign exchange contracts:		
Less than 1 year	3,369	(16)

With the adoption of FRS139, derivative financial instruments are recognised at fair value on contract dates and subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

For the current quarter ended 30 September 2013, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

**B9. Fair value changes of financial liabilities**

The Group does not have any financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

**B10. Breakdown of realised and unrealised profits or losses**

	<b>At 30 September 2013</b>	<b>At 30 September 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of Batu Kawan Berhad and its subsidiaries:		
- Realised	890,546	781,811
- Unrealised	(18,800)	(10,017)
	871,746	771,794
Total share of retained profits from associates:		
- Realised	2,460,506	2,319,358
- Unrealised	(69,366)	(33,222)
	2,391,140	2,286,136
Less: Consolidation adjustments	(31,224)	(40,258)
Total group retained profits as per consolidated accounts	3,231,662	3,017,672

**B11. Material Litigation**

The BKB Group is not engaged in any material litigation either as plaintiff or defendant and the Directors of BKB do not know of any proceedings, pending or threatened against the BKB Group or of any fact likely to give rise to any proceedings which might materially affect the position or business of the BKB Group.

**Interim Financial Report for the year ended 30 September 2013**

(The figures have not been audited)

**B12. Dividend**

- a) A final single tier dividend of 40 sen per share has been recommended by the Directors in respect of the financial year ended 30 September 2013 (year ended 30 September 2012: single tier dividend of 50 sen per share) and subject to the shareholders' approval at the forthcoming Annual General Meeting, will be paid on 20 March 2014 to shareholders registered in the Company's Register as at 24 February 2014.

A Depositor with the Bursa Malaysia Depository Sdn Bhd shall qualify for entitlement to the dividend only in respect of:

- (i) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 20 February 2014, in respect of securities which are exempted from mandatory deposit;
  - (ii) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 24 February 2014, in respect of transfers; and
  - (iii) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.
- b) The total dividend for the current financial year to-date is 55 sen single tier dividend per share (2012: single tier dividend of 65 sen per share).

**B13. Earnings Per Share***Basic earnings per share*

The earnings per share is calculated by dividing the net profit for the period attributable to owners of the company by the weighted average number of shares of the Company in issue during the period.

	Individual Quarter		Cumulative Quarter	
	3 months ended		Year ended	
	30 September		30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the period attributable to owners of the Company (RM'000)	125,385	206,352	483,709	605,687
Weighted average number of shares ('000)	415,136	416,774	415,136	416,774
Earnings per share (sen)	30.2	49.5	116.5	145.3

**B14. Audit report of preceding annual financial statements**

The auditors' report on the financial statements for the year ended 30 September 2012 was not subject to any qualifications.

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(The figures have not been audited)

**B15. Notes to the Condensed Consolidated Income Statement**

Total comprehensive income for the period is arrived at after charging/(crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	3 months ended		Year ended	
	30 September		30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,324)	(1,032)	(4,932)	(3,597)
Dividend income	(3,800)	(276)	(4,835)	(1,398)
Other income	(19,365)	(6,078)	(46,549)	(19,102)
Interest expense	5,584	439	8,363	1,481
Depreciation and amortisation	7,950	7,036	31,353	30,627
Provision for and write-off of receivables	340	-	340	-
Provision for and write-off of inventories	831	-	905	-
(Gain)/loss on disposal of quoted or unquoted investment	-	-	-	-
(Gain)/loss on disposal of properties	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange (gain)/loss	(3,879)	648	(4,383)	(74)
(Gain)/loss on derivatives	99	2	161	97
Exceptional items	-	-	-	-

By Order of the Board

CHONG SEE TECK  
MD SHAIZATUL AZAM  
YAP MIOW KIEN  
Company Secretaries

20 November 2013