

BATU KAWAN BERHAD

(6292-U)
(Incorporated in Malaysia)

Interim Financial Report
For the first quarter ended 31 December 2013

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the first quarter ended 31 December 2013. Following the adoption of the new FRS 10 *Consolidated Financial Statements*, the financial results of Kuala Lumpur Kepong Berhad, previously equity accounted as an Associate, now has been consolidated as a subsidiary into the Group's unaudited financial results.

Condensed Consolidated Statement of Profit or Loss

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
Revenue	2,586,837	2,399,654	2,586,837	2,399,654
Operating expenses	(2,207,430)	(2,031,069)	(2,207,430)	(2,031,069)
Other operating income	56,152	25,972	56,152	25,972
Finance cost	(26,517)	(21,152)	(26,517)	(21,152)
Share of results of associates	786	4,198	786	4,198
Profit before tax	409,828	377,603	409,828	377,603
Income tax expense	(83,292)	(85,807)	(83,292)	(85,807)
NET PROFIT FOR THE PERIOD	326,536	291,796	326,536	291,796
Profit attributable to:				
Owners of the Company	156,972	138,893	156,972	138,893
Non-controlling interests	169,564	152,903	169,564	152,903
	326,536	291,796	326,536	291,796
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	38.0	33.4	38.0	33.4
Diluted	Not applicable	Not applicable	Not applicable	Not applicable

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Report for the year ended 30 September 2013.

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	326,536	291,796	326,536	291,796
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Net fair value (loss)/gain on available-for-sale investments	(9,641)	78,590	(9,641)	78,590
Foreign currency translation differences	(60,182)	4,684	(60,182)	4,684
Reclassification adjustments for surplus on disposal of available-for-sale investments	83,279	(1,501)	83,279	(1,501)
Total other comprehensive income for the period, net of tax	13,456	81,773	13,456	81,773
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	339,992	373,569	339,992	373,569
Total comprehensive income attributable to:				
Owners of the Company	160,474	177,382	160,474	177,382
Non-controlling interests	179,518	196,187	179,518	196,187
	339,992	373,569	339,992	373,569

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2013.

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2013	At 30 September 2013 (Restated)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	4,084,252	3,999,069
Investment properties	52,745	52,977
Land use rights	269,246	196,585
Biological assets	2,011,486	1,972,066
Properties development	216,992	216,932
Intangible assets	346,622	346,084
Investment in associates	115,343	104,366
Other investments	1,059,540	910,787
Deferred tax assets	103,930	103,479
Other receivables	134,869	137,332
	<u>8,395,025</u>	<u>8,039,677</u>
Current assets		
Inventories	1,397,094	1,096,121
Biological assets	2,245	17,811
Trade and other receivables	1,411,112	1,337,642
Properties development	51,307	40,812
Tax recoverable	45,471	53,117
Derivative assets	3,636	14,158
Assets held for sale	11,950	11,610
Cash and cash equivalents	2,371,005	2,463,740
	<u>5,293,820</u>	<u>5,035,011</u>
TOTAL ASSETS	<u>13,688,845</u>	<u>13,074,688</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2013.

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position

	At 31 December 2013	At 30 September 2013 (Restated)
	RM'000	RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	857,180	871,340
Deferred income	3,625	6,965
Taxation	47,196	30,645
Loans and borrowings	710,324	796,694
Derivative liabilities	44,537	19,790
	<u>1,662,862</u>	<u>1,725,434</u>
Net current assets	<u>3,630,958</u>	<u>3,309,577</u>
Non-current liabilities		
Provision for retirement benefits	266,266	263,809
Deferred tax liabilities	274,133	272,067
Deferred income	75,341	72,010
Loans and borrowings	2,372,732	2,079,227
	<u>2,988,472</u>	<u>2,687,113</u>
Total liabilities	<u>4,651,334</u>	<u>4,412,547</u>
Net assets	<u>9,037,511</u>	<u>8,662,141</u>
Equity attributable to owners of the Company		
Share capital	435,951	435,951
Treasury shares	(245,814)	(223,387)
Reserves	4,522,919	4,354,929
	<u>4,713,056</u>	<u>4,567,493</u>
Non-controlling interests	4,324,455	4,094,648
Total equity	<u>9,037,511</u>	<u>8,662,141</u>
TOTAL EQUITY AND LIABILITIES	<u>13,688,845</u>	<u>13,074,688</u>
Net assets per share attributable to owners of the Company (RM)	11.40	11.01

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2013.

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the Company										Non-controlling interests	Total equity
	←			→				← Distributable →				
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings	Total		
RM'000	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 2013												
As previously stated	435,951	(223,387)	706	517,925	-	(33,071)	331	58,559	3,231,662	3,988,676	74,564	4,063,240
Effects of adopting FRS 10	-	-	5,060	300,976	26,460	(84,187)	366,021	(51,524)	16,011	578,817	4,020,084	4,598,901
As restated	435,951	(223,387)	5,766	818,901	26,460	(117,258)	366,352	7,035	3,247,673	4,567,493	4,094,648	8,662,141
Total comprehensive income for the period	-	-	-	165	-	(30,930)	34,519	-	156,720	160,474	179,518	339,992
Transaction with owners:												
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	7,518	7,518	(15,534)	(8,016)
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	72,347	72,347
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Share buy back	-	(22,427)	-	-	-	-	-	-	-	(22,427)	-	(22,427)
Dividend paid to non-controlling-interest	-	-	-	-	-	-	-	-	-	-	(2,026)	(2,026)
	-	(22,427)	-	-	-	-	-	-	7,518	(14,909)	50,287	35,378
At 31 December 2013	435,951	(245,814)	5,766	819,066	26,460	(148,188)	400,871	7,035	3,411,911	4,713,058	4,324,453	9,037,511

* Included in Capital Reserve is RM487,323,000 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 2013.

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the Company										Non-controlling interests	Total equity
	←			→				← Distributable →				
	Share capital	Treasury shares	Revaluation reserve	Capital reserve*	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	General reserve	Retained earnings	Total		
RM'000	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												
As previously stated	435,951	(196,442)	706	517,490	-	(14,655)	91	(33,404)	3,017,672	3,727,409	66,836	3,794,245
Effects of adopting FRS 10	-	-	5,060	300,976	24,274	(36,412)	230,955	40,439	13,525	578,817	3,774,634	4,353,451
As restated	435,951	(196,442)	5,766	818,466	24,274	(51,067)	231,046	7,035	3,031,197	4,306,226	3,841,470	8,147,696
Total comprehensive income for the period	-	-	-	481	1,485	1,929	36,574	-	136,913	177,382	196,187	373,569
Transaction with owners:												
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	4,496	4,496
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	-	(1,200)	(1,200)
Share buy back	-	(13,642)	-	-	-	-	-	-	-	(13,642)	-	(13,642)
	-	(13,642)	-	-	-	-	-	-	-	(13,642)	3,296	(10,346)
At 31 December 2012	435,951	(210,084)	5,766	818,947	25,759	(49,138)	267,620	7,035	3,168,110	4,469,966	4,040,953	8,510,919

* Included in Capital Reserve is RM487,204,000 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 2013

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2013	2012 (Restated)
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	409,828	377,603
Adjustments for:		
Non-cash items	58,394	72,379
Non-operating items	5,322	4,485
Operating cash flows before changes in working capital	473,544	454,467
Changes in working capital		
Net change in current assets	(278,942)	73,695
Net change in current liabilities	(55,534)	(101,911)
Cash flows from operations	139,068	426,251
Interest received	692	453
Interest paid	(23,172)	(12,894)
Tax paid	(64,238)	(64,078)
Retirement benefits paid	(8,844)	(3,959)
Net cash flows from operating activities	43,506	345,773
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,718	494
Proceeds from sale of unquoted investments	16,010	4,584
Proceeds from redemption of short term funds	51	-
Share buy back	(22,427)	(13,642)
Purchase of property, plant and equipment	(150,840)	(176,956)
Property development expenditure	(60)	(736)
Purchase of intangible assets	(357)	(5)
Purchase of other investments	(73,595)	(5,817)
Investment in an associate	-	(8,682)
Purchase of shares from non-controlling interest	(8,150)	(10,618)
Capital distribution from an investment in voluntary liquidation	-	3,994
Land use rights	(2,767)	(3,245)
Additions to biological assets	(40,470)	(40,746)
Acquisition of subsidiaries	(66,563)	-
Compensation from government on land acquired	1,530	-
Dividends received	21,101	12,839
Interest received	6,943	4,932
Net cash flows used in investing activities	(317,876)	(233,604)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2013.

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 December	
	2013	2012 (Restated)
	RM'000	RM'000
Cash flows from financing activities		
Repayment of term loans	(34,288)	(22,984)
Drawdown/(Repayment) of short term borrowings	186,009	(115,117)
Proceeds from term loan	-	11,638
Dividend paid to non-controlling interest	(2,026)	-
Increase in other receivables	(4,282)	(5,744)
Redemption of redeemable preference shares from non-controlling interest	(4,500)	(1,200)
Net cash flows from/(used in) financing activities	140,913	(133,407)
Net decrease in cash and cash equivalents	(133,457)	(21,238)
Effects of exchange rate changes	(5,458)	(213)
Cash and cash equivalents at 1 October	2,460,652	2,479,712
Cash and cash equivalents at 31 December	2,321,737	2,458,261

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2013.

Interim Financial Report for the first quarter ended 31 December 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 2013. 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 2013 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 2013

- FRS 10 *Consolidated Financial Statements*
- FRS 11 *Joint Arrangements*
- FRS 12 *Disclosure of Interests in Other Entities*
- FRS 13 *Fair Value Measurement*
- FRS 119 *Employee Benefits (2011)*
- FRS 127 *Separate Financial Statements (2011)*
- FRS 128 *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards (Improvements to FRSs (2012))*
- Amendments to FRS 101 *Presentation of Financial Statements (Improvements to FRSs (2012))*
- Amendments to FRS 116 *Property, Plant and Equipment (Improvements to FRSs (2012))*
- Amendments to FRS 132 *Financial Instruments: Presentation (Improvements to FRSs (2012))*
- Amendments to FRS 134 *Interim Financial Reporting (Improvements to FRSs (2012))*
- Amendments to FRS 10 *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11 *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*
- Amendments to IC Interpretation 2 *Members’ Shares in Co-operative Entities and Similar Instruments (Improvements FRSs (2012))*

The application of other revised and amendments to FRSs has no significant effect to the financial statements of the Group except as discussed below:

Adoption of FRS 10 Consolidated Financial Statements (“FRS 10”)

FRS 10 replaces part of FRS 127 *Separate Financial Statements (2011)* (“FRS 127”) that deals with consolidated financial statements and IC Interpretation 112 *Consolidation – Special Purpose Entities*.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor’s returns. Under FRS 127, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

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(The figures have not been audited)

The application of FRS 10 affects the accounting for the Group's investment in Kuala Lumpur Kepong Berhad ("KLK") which was previously treated as an associate of the Group and accounted for using the equity method of accounting. Following the adoption of FRS 10, the Company carried out a reassessment and determined that the Company has a de facto control over KLK following the guidance as laid out in FRS 10.

As at 1 October 2013, the Group is the largest shareholder of KLK with a 46.57% equity interest. Except for Citigroup Nominees (Tempatan) Sdn Bhd who is the registered owner of 15.45% shares in KLK, all other shareholders individually own less than 5% of the equity shares of KLK. Historically, the other shareholders did not form a group to exercise their votes collectively. Based on the guidance of FRS 10, the directors have assessed that the Group has had control over KLK since the acquisition in 1973. Following the transitional provisions of FRS 10, if measuring of the investee's assets, liabilities and non-controlling interest is impracticable, the deemed acquisition date shall be the beginning of the earliest period for which application of FRS 3 *Business Combinations* is practicable.

Consequently, KLK has been accounted for as a subsidiary of the Company using a deemed acquisition date on 30 September 1981 because revaluation was performed on KLK's major assets which was then accounted for in KLK's 1981 financial statements.

The change in accounting of the Group's investments in KLK has been applied in accordance with the relevant transitional provisions as set out in FRS 10. The effects of adoption of FRS 10 are applied retrospectively from the deemed acquisition date as follows:

- a) Impact of the application of FRS 10 on the Consolidated Statement of Financial Position as at 1 October 2012, being the beginning of the earliest comparative period, are summarised as follows:

	1 October 2012 as previously reported	FRS 10 adjustments	1 October 2012 as restated
	RM'000	RM'000	RM'000
Non-current assets	3,606,618	3,401,256	7,007,874
Current assets	283,016	4,828,008	5,111,024
Total assets	3,889,634	8,229,264	12,118,898
Current liabilities	51,600	1,569,165	1,620,765
Net current assets	231,416	3,258,843	3,490,259
Non-current liabilities	43,789	2,306,648	2,350,437
Total liabilities	95,389	3,875,813	3,971,202
Net assets	3,794,245	4,353,451	8,147,696
Share capital	435,951	-	435,951
Treasury shares	(196,442)	-	(196,442)
Reserves	3,487,900	578,817	4,066,717
Non-controlling interests	66,836	3,774,634	3,841,470
Total equity	3,794,245	4,353,451	8,147,696

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(The figures have not been audited)

- b) Impact of application of FRS 10 on the Group's profit for the corresponding period ended 31 December 2012 are as follows:

	Impact on FRS 10 adjustments
	RM'000
Increase in revenue	2,309,356
Increase in operating expenses	(1,957,215)
Increase in other operating income	18,000
Increase in finance cost	(20,718)
Decrease in share of results of associates	(117,300)
Increase in profit before tax	232,123
Increase in income tax expense	(81,291)
Increase in net profit for the period	150,832
Increase in profit attributable to:	
Owners of the Company	-
Non-controlling interests	150,832
	150,832

- c) Impact of application of FRS 10 on cash flows of the Group for the corresponding period ended 31 December 2012 are as follows:

	Impact on FRS 10 adjustments
	RM'000
Increase in net cash flows from operating activities	321,505
Increase in net cash flows used in investing activities	(198,122)
Increase in net cash flows used in financing activities	(140,582)
Increase in net cash inflows	17,199

A3. Seasonal and cyclical operations

The Group's operations are affected to the extent that the plantation operations are influenced by seasonal crop production, weather conditions 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.

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

A6. Issuance and repayment of debt and equity securities

There were no issuances and repayments of debt securities, share buybacks, share cancellations or resale of treasury shares for the financial year to-date except for share buybacks of 1,187,800 shares in the Company from the open market. The average price paid for the shares repurchased was RM18.82 per share and the total consideration paid, including transaction costs, was RM22,426,892. The shares bought back were financed by internally generated funds and held as treasury shares.

A7. Dividends paid

No dividend has been paid during the current quarter ended 31 December 2013 (31 December 2012: Nil).

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

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended						
31 December 2013						
Revenue						
External revenue	1,135,235	1,353,293	27,432	70,877	-	2,586,837
Inter-segment revenue	78,490	244	-	27,889	(106,623)	-
Total revenue	1,213,725	1,353,537	27,432	98,766	(106,623)	2,586,837
Results						
Operating results	264,592	108,331	12,925	57,674	(7,963)	435,559
Finance cost	(3,364)	(4,758)	-	(26,358)	7,963	(26,517)
Share of results of associates	368	125	285	8	-	786
Segment results	261,596	103,698	13,210	31,324	-	409,828
Profit before tax						409,828
3 months ended						
31 December 2012 (Restated)						
Revenue						
External revenue	1,117,061	1,190,204	55,418	36,971	-	2,399,654
Inter-segment revenue	60,215	125	-	11,674	(72,014)	-
Total revenue	1,177,276	1,190,329	55,418	48,645	(72,014)	2,399,654
Results						
Operating results	273,860	81,848	19,042	22,596	(2,789)	394,557
Finance cost	(2,508)	(3,613)	-	(17,820)	2,789	(21,152)
Share of results of associates	2,390	95	1,713	-	-	4,198
Segment results	273,742	78,330	20,755	4,776	-	377,603
Profit before tax						377,603

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(The figures have not been audited)

b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2013					
Operating assets	4,937,277	5,266,390	363,313	2,857,121	13,424,101
Associates	70,301	6,037	21,370	17,635	115,343
Segment assets	5,007,578	5,272,427	384,683	2,874,756	13,539,444
Tax assets					149,401
Total assets					13,688,845

	Plantations	Manufacturing	Property Development	Investment Holding/Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 September 2013 (Restated)					
Operating assets	4,679,563	5,092,950	399,715	2,627,240	12,799,468
Associates	73,559	6,437	21,085	17,543	118,624
Segment assets	4,753,122	5,099,387	420,800	2,644,783	12,918,092
Tax assets					156,596
Total assets					13,074,688

A9. Material events subsequent to end of period

Kuala Lumpur Kepong Berhad ("KLK") via its wholly-owned subsidiary, KLK Land Sdn Bhd (formerly known as KL-Kepong Property Holdings Sdn Bhd) ("KLKL") had on 7 February 2014 entered into shareholders' agreements with UEM Land Bhd to set-up two joint venture companies, namely Scope Energy Sdn Bhd and Aura Muhibah Sdn Bhd ("AMSB") to develop 500 acres of freehold land in Mukim Tanjung Kupang, District of Johor Bahru, Johor and 2,500 acres of freehold land in Mukim Senai, District of Kulai Jaya, Johor ("Fraser Land") respectively.

KLK will dispose the Fraser Land to AMSB for a purchase consideration of RM871.2 million and this disposal will result in KLK recording a gain (net of RPGT) of RM816.8 million.

The proposed joint-ventures are not expected to have any material effect on the earnings, net assets and gearing of the Group for the current financial year ending 30 September 2014 nor have any effect on the share capital and the shareholding structure of the Company.

A10. Changes in composition of the Group

- Upon adoption of FRS 10 *Consolidated Financial Statements* (as disclosed in Note A2), Kuala Lumpur Kepong Berhad ("KLK") is now accounted for as a subsidiary. Prior to this adoption, KLK has been accounted for as an associate.
- Following the completion of the merger of KLK's subsidiaries, Dr W Kolb Holding AG ("Kolb Holding") and Kolb Distribution AG ("Kolb Distribution") on 12 December 2013, the separate existence of Kolb Holding had ceased and was merged with and into Kolb Distribution.
- As at 20 December 2013, KLK's wholly-owned subsidiary, KL-Kepong International Ltd ("KLKI") owns 223,866,969 Equatorial Palm Oil plc ("EPO") shares representing 63.2% of the issued share capital as a result of KLKI's mandatory cash offer to acquire the entire issued share capital of EPO not already owned by KLKI.

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 2013.

Interim Financial Report for the first quarter ended 31 December 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:

	At 31 December 2013	At 30 September 2013 (Restated)
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	282,127	506,486
Authorised but not contracted for	792,969	783,909
	<u>1,075,096</u>	<u>1,290,395</u>
Acquisition of shares in subsidiaries:		
Authorised and contracted for	3,081	3,211
	<u>3,081</u>	<u>3,211</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 favourable to the related party than those generally available to the public and are not detrimental to the non-controlling interests of the Company:

	Cumulative Quarter 3 months ended 31 December	
	2013	2012 (Restated)
	RM'000	RM'000
a) Transactions with associates:		
Processing fee earned	270	150
Sales of finished goods	1,899	1,883
Sales of electricity	251	209
Purchase of goods	1,770	1,228
Research and development services paid	2,398	2,052
	<u>2,398</u>	<u>2,052</u>

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

		Cumulative Quarter	
		3 months ended	
		31 December	
		2013	2012
		RM'000	(Restated) RM'000
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	8,539	7,402
	Taiko Marketing (S) Pte Ltd	8,444	6,115
	Taiko Acid Works Sdn Bhd	287	212
	Borneo Taiko Clay Sdn Bhd	1,292	1,015
	Bukit Katho Estate Sdn Bhd	1,008	1,469
	Kampar Rubber & Tin Co Sdn Bhd	2,966	2,928
	Malay Rubber Plantations (M) Sdn Bhd	2,175	2,478
	PT Agro Makmur Abadi	14,327	15,794
	PT Safari Riau	7,108	4,644
	PT Taiko Persada Indoprima	4,062	1,682
	Taiko Fertiliser Marketing Sdn Bhd	12,219	8,408
	Freight income earned from:		
	Taiko Marketing Sdn Bhd	120	225
	Chlor-Al Chemical Pte Ltd	402	36
	Sales of indirect materials and finished goods to:		
	Taiko Marketing Sdn Bhd	54,908	44,710
	Taiko Marketing (S) Pte Ltd	2,363	484
	Chlor-Al Chemical Pte Ltd	5,548	5,708
	Premier Bleaching Earth Sdn Bhd	1,622	1,503
	Sales commissions charged by:		
	Taiko Marketing Sdn Bhd	526	360
		<hr/>	<hr/>
c)	Transactions between subsidiaries and their non-controlling interests:		
	Sales of indirect materials and finished goods to:		
	Mitsubishi Corporation	57,248	67,895
	Mitsui & Co Ltd	23,611	20,361
	Tejana Trading & Management Services Sdn Bhd	1,435	1,954
		<hr/>	<hr/>

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

B. Explanatory Notes as required by the Bursa Securities' Listing Requirements**B1. Detailed analysis of performance****1st Quarter FY 2014 vs 1st Quarter FY 2013 (Restated)**

Following the adoption of FRS 10 *Consolidated Financial Statements* whereby KLK is accounted for as the Company's subsidiary, the Group's revenue for the current quarter under review was RM2,586.84 million, 8% higher than restated RM2,399.65 million in the corresponding quarter last year. All segments, except Property Development, reported higher revenues. Group profit before tax increased 9% to RM409.83 million (2013: RM377.60 million). Comments on the business sectors are as follows:

Plantations sector reported a profit of RM261.60 million, 4% lower than last year's corresponding quarter's profit of RM273.74 million. Despite the increase in the selling price of PK and better contributions from refineries, the quarter's results was impacted by lower selling prices and higher production costs of both CPO and rubber. Decrease in FFB and rubber productions had pushed up the production costs.

The palm products prices continued to suffer the dilution effect from Indonesian sales although part of the lost value was captured by our refineries in Indonesia.

Manufacturing sector's profit improved 32% to RM103.70 million (2013: RM78.33 million) despite the recognition of an unrealised loss of RM31.85 million (2013: RM3.84 million) arising from the fair value changes on outstanding derivative contracts. Revenue rose 14% to RM1,353.54 million (2013: RM1,190.33 million) due to increased sales volume particularly fatty acids products and specialties products in the European market. The oleochemical division recorded a profit of RM74.50 million (2013: RM62.60 million) and the chemicals division posted a profit of RM23.72 million (2013: RM14.20 million), which included RM10.99 million (2013: RM2.59 million) compensation from a customer in the chemical division for short-fall in contracted products off-take.

Property Development sector registered a 36% decline in profit to RM13.21 million (2013: RM20.76 million) attributed to the decrease in progressive recognition of profits from the development project in Bandar Seri Coalfields, Sungai Buloh. Revenue had dropped 51% to RM27.43 million (2013: RM55.42 million).

Investment Holding/Others accounted for a RM15.85 million gain on negative goodwill arising from the acquisition of Liberian Palm Developments Ltd.

B2. Comparison of current quarter's results to the preceding quarter**1st Quarter FY 2014 vs 4th Quarter FY 2013 (Restated)**

This quarter, Group pre-tax profit increased 14% to RM409.83 million compared to the RM358.95 million reported in the preceding quarter, mainly due to higher Plantations profit resulting from better selling prices and improved sales volumes. However, Manufacturing and Property Development sectors' profits were lower.

B3. Current year's prospects

The Group's Plantations profit for the current financial year is expected to be higher than that of last year in anticipation of the Group's higher FFB production and in view of the prevailing palm products prices. The Manufacturing sector expects satisfactory profits for the current financial year in anticipation of recovery in demand from the oleochemical and chemicals division and new capacities coming on-stream from the oleochemical division.

Overall, the Group expects a higher profit for the current financial year when compared to that of last financial year.

B4. Variance of actual profit from forecast profit

The Group did not issue any forecast profit or profit guarantee for the quarter ended 31 December 2013.

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	63,878	75,735	63,878	75,735
Foreign income tax	23,814	14,411	23,814	14,411
	<u>87,692</u>	<u>90,146</u>	<u>87,692</u>	<u>90,146</u>
Deferred tax				
Relating to origination and reversal of temporary differences	998	(8,897)	998	(8,897)
(Over)/Under provision in respect of previous years	(5,297)	3,871	(5,297)	3,871
	<u>(4,299)</u>	<u>(5,026)</u>	<u>(4,299)</u>	<u>(5,026)</u>
(Over)/Under provision in respect of previous years				
Malaysian income tax	(402)	438	(402)	438
Foreign income tax	301	249	301	249
	<u>(101)</u>	<u>687</u>	<u>(101)</u>	<u>687</u>
	<u>83,292</u>	<u>85,807</u>	<u>83,292</u>	<u>85,807</u>

The effective tax rate for the current quarter and financial year to-date is lower than the statutory tax rate mainly due to non-taxable income and adjustment for over provision of deferred tax in previous year.

B6. Status of corporate proposals

The conditional agreements entered into by Whitmore Holdings Sdn Bhd ("WH"), a wholly-owned subsidiary of the Company, respectively with Damin (dated 10 August 2012) and Bobby Noer Rahman (dated 27 March 2013) to acquire a 39% and 51% equity interest in PT Tekukur Indah ("PTTI"), a company established in the Republic of Indonesia, respectively for a cash consideration of Rp1,395 billion and Rp765 million are still pending completion.

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

B7. Group borrowings

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

	At 31 December 2013		At 30 September 2013 (Restated)	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
a) Repayable within 12 months:				
(i) Term Loans				
- Secured	-		7,568	
- Unsecured	18,267		335,687	
	<u>18,267</u>		<u>343,255</u>	
(ii) Bank Overdraft				
- Secured	3,280	HKD7,753	3,088	HKD7,347
- Unsecured	45,988	Euro10,199	-	
	<u>49,268</u>		<u>3,088</u>	
(iii) Short Term Borrowings				
- Unsecured	234,612	USD71,390	80,020	USD24,500
	1,626	Rmb3,000	3,729	Rmb7,000
	25,717	CHF7,000	25,221	CHF7,000
	146,655	GBP27,000	142,487	GBP27,000
	85,651	Euro19,000	61,730	Euro14,000
	<u>148,528</u>		<u>137,164</u>	
	<u>642,789</u>		<u>450,351</u>	
Total repayable within 12 months	<u>710,324</u>		<u>796,694</u>	
b) Repayable after 12 months:				
(i) Term Loans				
- Unsecured	90,180	Euro20,000	88,216	Euro20,000
	164,552	USD50,000	163,743	USD50,000
	<u>318,000</u>		<u>27,268</u>	
	<u>572,732</u>		<u>279,227</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	<u>1,800,000</u>		<u>1,800,000</u>	
Total repayable after 12 months	<u>2,372,732</u>		<u>2,079,227</u>	
Total Group borrowings	<u>3,083,056</u>		<u>2,875,921</u>	

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

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.

As at 31 December 2013, the values and maturity analysis of the outstanding forward foreign exchange contracts of the Group are as follows:

	Contract / Notional value Net long/(short) RM'000	Fair value Net gains/(losses) RM'000
a) Forward foreign exchange contracts:		
- Less than 1 year	(765,840)	(18,410)
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	(489,646)	(22,467)
- 1 year to 3 years	-	-
- More than 3 years	-	-

With the adoption of FRS 139 *Financial Instruments: Recognition and Measurement*, 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 31 December 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. 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.

B11. Dividend

a) The Directors do not recommend the payment of dividend for the first quarter ended 31 December 2013 (31 December 2012: Nil).

b) Total dividend for the current financial year to-date is Nil (31 December 2012: Nil).

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

B12. 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 31 December		3 months ended 31 December	
	2013	2012	2013	2012
Net profit for the period attributable to owners of the Company (RM'000)	156,972	138,893	156,972	138,893
Weighted average number of shares ('000)	413,661	415,938	413,661	415,938
Earnings per share (sen)	38.0	33.4	38.0	33.4

B13. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2013 was not subject to any qualifications.

B14. Condensed Consolidated Statement of Profit or Loss

Profit before tax for the period is arrived at after charging/(crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2013	2012	2013	2012
	RM'000	(Restated) RM'000	RM'000	(Restated) RM'000
Interest income	(9,925)	(7,417)	(9,925)	(7,417)
Dividend income	(11,270)	(9,250)	(11,270)	(9,250)
Other income	(56,152)	(25,972)	(56,152)	(25,972)
Interest expense	26,517	21,152	26,517	21,152
Depreciation and amortisation	84,210	76,982	84,210	76,982
Provision for and write-off of receivables	1,412	541	1,412	541
(Reversal of)/Provision for and write-off of inventories	(585)	11,360	(585)	11,360
Gain on disposal of quoted or unquoted investments	(9,914)	(1,569)	(9,914)	(1,569)
Gain on disposal of land	(541)	(1,063)	(541)	(1,063)
Surplus arising from government acquisition of land	(1,343)	-	(1,343)	-
Impairment of assets	-	-	-	-
Foreign exchange loss/(gain)	2,828	(11,133)	2,828	(11,133)
(Gain)/loss on derivatives	46,485	(556)	46,485	(556)
Exceptional items	-	-	-	-

Interim Financial Report for the first quarter ended 31 December 2013

(The figures have not been audited)

B15. Breakdown of realised and unrealised profits or losses

	At 31 December 2013	At 30 September 2013 (Restated)
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	6,568,516	6,189,911
- Unrealised	(223,686)	(170,560)
	<hr/> 6,344,830	<hr/> 6,019,351
Total share of retained profits from associates:		
- Realised	58,526	59,573
- Unrealised	(239)	(237)
	<hr/> 58,287	<hr/> 59,336
Consolidation adjustments	(2,991,206)	(2,831,014)
Total group retained profits as per consolidated accounts	<hr/> <hr/> 3,411,911	<hr/> <hr/> 3,247,673

By Order of the Board

CHONG SEE TECK
MD SHAIZATUL AZAM
YAP MIOW KIEN
Company Secretaries

19 February 2014