

# **BATU KAWAN BERHAD**

(6292-U)  
(Incorporated in Malaysia)

**Interim Financial Report  
For the third quarter ended 30 June 2014**

**Interim Financial Report for the third quarter ended 30 June 2014**

(The figures have not been audited)

Directors are pleased to announce the unaudited financial results of the Group for the third quarter ended 30 June 2014. Following adoption of the new FRS 10 *Consolidated Financial Statements*, the financial results of Kuala Lumpur Kepong Berhad, previously equity accounted as an Associate, has now 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 30 June		9 months ended 30 June	
	2014	2013	2014	2013
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Revenue	3,019,475	2,256,134	8,629,624	6,963,485
Operating expenses	(2,715,099)	(2,037,326)	(7,488,104)	(6,077,123)
Other operating income	21,806	47,067	95,067	99,200
Finance costs	(27,790)	(20,840)	(79,255)	(65,161)
Share of results of associates	1,115	2,865	2,819	6,445
<b>Profit before tax</b>	<b>299,507</b>	<b>247,900</b>	<b>1,160,151</b>	<b>926,846</b>
Income tax expense	(64,883)	(22,524)	(242,409)	(171,047)
<b>NET PROFIT FOR THE PERIOD</b>	<b>234,624</b>	<b>225,376</b>	<b>917,742</b>	<b>755,799</b>
Profit attributable to:				
Owners of the Company	110,528	110,513	430,717	358,324
Non-controlling interests	124,096	114,863	487,025	397,475
	234,624	225,376	917,742	755,799
Earnings per share for profit attributable to owners of the Company (sen)				
Basic	26.8	26.6	104.6	86.3
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 third quarter ended 30 June 2014**

(The figures have not been audited)

## Condensed Consolidated Statement of Other Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2014	2013	2014	2013
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
<b>Net profit for the period</b>	<b>234,624</b>	<b>225,376</b>	<b>917,742</b>	<b>755,799</b>
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Net fair value (loss)/gain on available-for-sale investments	(166,976)	(63,170)	24,103	60,955
Reclassification adjustments for surplus on disposal of available-for-sale investments	(400)	(386)	(10,859)	(1,887)
Foreign currency translation differences	(164,815)	12,594	(93,750)	25,768
<b>Total other comprehensive income for the period, net of tax</b>	<b>(332,191)</b>	<b>(50,962)</b>	<b>(80,506)</b>	<b>84,836</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(97,567)</b>	<b>174,414</b>	<b>837,236</b>	<b>840,635</b>
Total comprehensive income attributable to:				
Owners of the Company	(45,656)	86,459	392,534	397,515
Non-controlling interests	(51,911)	87,955	444,702	443,120
	<b>(97,567)</b>	<b>174,414</b>	<b>837,236</b>	<b>840,635</b>

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 third quarter ended 30 June 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 30 June 2014</b>	<b>At 30 September 2013</b>
	<b>RM'000</b>	<b>RM'000 (Restated)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	4,325,146	3,999,069
Investment property	52,281	52,977
Land use rights	248,734	196,585
Biological assets	2,116,347	1,972,066
Land held for property development	217,109	216,932
Intangible assets	339,538	346,084
Investment in associates	149,351	118,624
Other investments	1,006,119	910,787
Deferred tax assets	100,419	103,479
Other receivables	146,401	137,332
	<b>8,701,445</b>	<b>8,053,935</b>
<b>Current assets</b>		
Inventories	1,424,489	1,096,121
Biological assets	19,812	17,811
Trade and other receivables	1,854,941	1,323,384
Property development costs	57,098	40,812
Tax recoverable	19,896	53,117
Derivative assets	13,440	14,158
Asset held for sale	-	11,610
Cash and cash equivalents	1,971,478	2,463,740
	<b>5,361,154</b>	<b>5,020,753</b>
<b>TOTAL ASSETS</b>	<b>14,062,599</b>	<b>13,074,688</b>

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 third quarter ended 30 June 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position**

	<b>At 30 June 2014</b>	<b>At 30 September 2013</b>
	<b>RM'000</b>	<b>RM'000 (Restated)</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	1,176,412	871,340
Deferred income	4,259	6,965
Taxation	61,282	30,645
Loans and borrowings	947,939	796,694
Derivative liabilities	15,326	19,790
	<u>2,205,218</u>	<u>1,725,434</u>
<b>Net current assets</b>	<b>3,155,936</b>	<b>3,295,319</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	260,530	263,809
Deferred tax liabilities	271,708	272,067
Deferred income	93,216	72,010
Loans and borrowings	2,350,050	2,079,227
	<u>2,975,504</u>	<u>2,687,113</u>
<b>Total liabilities</b>	<b>5,180,722</b>	<b>4,412,547</b>
<b>Net assets</b>	<b>8,881,877</b>	<b>8,662,141</b>
<b>Equity attributable to owners of the Company</b>		
Share capital	435,951	435,951
Treasury shares	(328,504)	(223,387)
Reserves	4,528,794	4,354,929
	<u>4,636,241</u>	<u>4,567,493</u>
Non-controlling interests	4,245,636	4,094,648
<b>Total equity</b>	<b>8,881,877</b>	<b>8,662,141</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,062,599</b>	<b>13,074,688</b>
Net assets per share attributable to owners of the Company (RM)	11.33	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 third quarter ended 30 June 2014**

(The figures have not been audited)

## Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →												
	← Non-distributable →							↔ Distributable ↔				Non-controlling interests	Total equity
	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			
<b>At 1 October 2013</b>													
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	-	-	-	576	-	(49,490)	7,142	-	434,306	392,534	444,702	837,236	
Transaction with owners:													
Effect of changes in shareholdings	-	-	-	-	-	-	-	-	7,504	7,504	(15,542)	(8,038)	
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	35,807	35,807	
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	72,347	72,347	
Disposal of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	(21,946)	(21,946)	
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)	
Share buy back	-	(105,117)	-	-	-	-	-	-	-	(105,117)	-	(105,117)	
Dividend paid	-	-	-	-	-	-	-	-	(164,776)	(164,776)	-	(164,776)	
Dividend payable	-	-	-	-	-	-	-	-	(61,397)	(61,397)	(85,360)	(146,757)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(274,520)	(274,520)	
	-	(105,117)	-	-	-	-	-	-	(218,669)	(323,786)	(293,714)	(617,500)	
<b>At 30 June 2014</b>	435,951	(328,504)	5,766	819,477	26,460	(166,748)	373,494	7,035	3,463,310	4,636,241	4,245,636	8,881,877	

\* Included in Capital Reserve is RM487,733,000 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 third quarter ended 30 June 2014**

(The figures have not been audited)

## Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →												
	← Non-distributable →							← Distributable →				Non-controlling interests	Total equity
	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			
<b>At 1 October 2012</b>													
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	-	-	-	1,144	2,184	9,161	27,700	-	357,326	397,515	443,120	840,635	
Transaction with owners:													
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	4,408	4,408	
Redemption of redeemable preference shares	-	-	-	-	-	-	-	-	-	-	(1,200)	(1,200)	
Share buy back	-	(26,638)	-	-	-	-	-	-	-	(26,638)	-	(26,638)	
Dividend paid	-	-	-	-	-	-	-	-	(207,513)	(207,513)	-	(207,513)	
Dividend payable	-	-	-	-	-	-	-	-	(62,207)	(62,207)	(85,360)	(147,567)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(301,075)	(301,075)	
	-	(26,638)	-	-	-	-	-	-	(269,720)	(296,358)	(383,227)	(679,585)	
<b>At 30 June 2013</b>	435,951	(223,080)	5,766	819,610	26,458	(41,906)	258,746	7,035	3,118,803	4,407,383	3,901,363	8,308,746	

\* Included in Capital Reserve is RM487,867,000 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 third quarter ended 30 June 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	<b>9 months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000 (Restated)</b>
<b>Cash flows from operating activities</b>		
Profit before tax	1,160,151	926,846
Adjustments for:		
Non-cash items	285,035	210,984
Non-operating items	8,339	3,218
Operating cash flows before changes in working capital	1,453,525	1,141,048
Changes in working capital		
Net change in current assets	(841,496)	198,587
Net change in current liabilities	144,360	(87,899)
Cash flows from operations	756,389	1,251,736
Interest received	1,973	1,700
Interest paid	(77,695)	(55,454)
Tax paid	(181,481)	(234,392)
Tax refund	76	3
Retirement benefits paid	(21,384)	(13,563)
<b>Net cash flows from operating activities</b>	<b>477,878</b>	<b>950,030</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	17,049	2,482
Proceeds from sale of unquoted investments	19,411	9,397
Proceeds from redemption of short term funds	352	234
Share buy back	(105,117)	(26,638)
Purchase of property, plant and equipment	(572,548)	(680,318)
Property development expenditure	(177)	(4,127)
Purchase of intangible assets	(384)	-
Purchase of other investments	(88,166)	(6,414)
Investment in an associate	(35,300)	(3,543)
Research development expenditure	-	(686)
Purchase of shares from non-controlling interest	(8,004)	-
Capital distribution from an investment in voluntary liquidation	-	4,046
Land use rights	(12,819)	(14,835)
Additions to biological assets	(164,951)	(124,967)
Acquisition of subsidiaries	(66,563)	(14,640)
Compensation from government on land acquired	2,188	664
Dividends received	38,495	27,819
Interest received	19,579	18,446
Proceeds from disposal of shares in associate	-	26,773
Sales of subsidiary, net of cash disposed	1,384	-
<b>Net cash flows used in investing activities</b>	<b>(955,571)</b>	<b>(786,307)</b>

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 third quarter ended 30 June 2014**

(The figures have not been audited)

**Condensed Consolidated Statement of Cash Flows**

	<b>9 months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b> <b>(Restated)</b>
<b>Cash flows from financing activities</b>		
Repayment of term loans	(64,288)	(36,809)
Drawdown/(Repayment) of short term borrowings	413,678	(99,026)
Proceeds from term loan	-	11,638
Dividend paid	(164,776)	(207,513)
Dividends paid to non-controlling interests	(274,520)	(301,075)
Issuance of shares to non-controlling interests	35,807	-
Increase in other receivables	(6,691)	(15,476)
Redemption of redeemable preference shares from non-controlling interests	(4,500)	(1,200)
Issuance of Islamic Medium Term Notes	-	500,000
<b>Net cash flows used in financing activities</b>	<b>(65,290)</b>	<b>(149,461)</b>
<b>Net decrease/increase in cash and cash equivalents</b>	<b>(542,983)</b>	<b>14,262</b>
Effects of exchange rate changes	(20,324)	12,426
Cash and cash equivalents at 1 October	2,460,652	2,479,712
<b>Cash and cash equivalents at 30 June</b>	<b>1,897,345</b>	<b>2,506,400</b>

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 third quarter ended 30 June 2014**

(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:

	<b>1 October 2012 as previously reported</b>	<b>FRS 10 adjustments</b>	<b>1 October 2012 as restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	3,606,618	3,401,256	7,007,874
Current assets	283,016	4,828,008	5,111,024
<b>Total assets</b>	<b>3,889,634</b>	<b>8,229,264</b>	<b>12,118,898</b>
Current liabilities	51,600	1,569,165	1,620,765
<b>Net current assets</b>	<b>231,416</b>	<b>3,258,843</b>	<b>3,490,259</b>
Non-current liabilities	43,789	2,306,648	2,350,437
<b>Total liabilities</b>	<b>95,389</b>	<b>3,875,813</b>	<b>3,971,202</b>
<b>Net assets</b>	<b>3,794,245</b>	<b>4,353,451</b>	<b>8,147,696</b>
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
<b>Total equity</b>	<b>3,794,245</b>	<b>4,353,451</b>	<b>8,147,696</b>

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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 30 June 2013 are as follows:

	<b>Impact on FRS 10 adjustments</b>
	<b>RM'000</b>
Increase in revenue	6,701,112
Increase in operating expenses	(5,850,045)
Increase in other operating income	72,016
Increase in finance cost	(62,382)
Decrease in share of results of associates	(300,904)
<b>Increase in profit before tax</b>	<b>559,797</b>
Increase in income tax expense	(170,505)
<b>Increase in net profit for the period</b>	<b>389,292</b>
Increase in profit attributable to:	
Owners of the Company	-
Non-controlling interests	389,292
	<b>389,292</b>

- c) Impact of application of FRS 10 on cash flows of the Group for the corresponding period ended 30 June 2013 are as follows:

	<b>Impact on FRS 10 adjustments</b>
	<b>RM'000</b>
Increase in net cash flows from operating activities	883,225
Increase in net cash flows used in investing activities	(954,030)
Increase in net cash flows used in financing activities	(442,683)
<b>Decrease in net cash inflows</b>	<b>(513,488)</b>

**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.

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(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 5,377,700 shares in the Company from the open market. The average price paid for the shares repurchased was RM19.48 per share and the total consideration paid, including transaction costs, was RM105,117,092. The shares bought back were financed by internally generated funds and held as treasury shares.

**A7. Dividends paid**

	<b>9 months ended 30 June</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Dividends proposed in financial year ("FY") 2013, paid in FY 2014:		
Final 40 sen per share single tier	164,776	-
Dividends proposed in FY 2012, paid in FY 2013:		
Final 50 sen per share single tier	-	207,513
	<u>164,776</u>	<u>207,513</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>Plantations RM'000</b>	<b>Manufacturing RM'000</b>	<b>Property Development RM'000</b>	<b>Investment Holding/Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>9 months ended 30 June 2014</b>						
Revenue						
External revenue	3,938,580	4,477,570	80,608	132,866	-	8,629,624
Inter-segment revenue	315,336	244	-	55,454	(371,034)	-
Total revenue	<u>4,253,916</u>	<u>4,477,814</u>	<u>80,608</u>	<u>188,320</u>	<u>(371,034)</u>	<u>8,629,624</u>
Results						
Operating results	796,710	360,995	31,754	71,544	(24,416)	1,236,587
Finance cost	(12,656)	(12,494)	-	(78,521)	24,416	(79,255)
Share of results of associates	1,953	365	469	32	-	2,819
Segment results	<u>786,007</u>	<u>348,866</u>	<u>32,223</u>	<u>(6,945)</u>	<u>-</u>	<u>1,160,151</u>
Profit before tax						<u>1,160,151</u>

	<b>Plantations RM'000</b>	<b>Manufacturing RM'000</b>	<b>Property Development RM'000</b>	<b>Investment Holding/Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>9 months ended 30 June 2013 (Restated)</b>						
Revenue						
External revenue	3,036,174	3,675,932	159,682	91,697	-	6,963,485
Inter-segment revenue	129,785	482	-	58,680	(188,947)	-
Total revenue	<u>3,165,959</u>	<u>3,676,414</u>	<u>159,682</u>	<u>150,377</u>	<u>(188,947)</u>	<u>6,963,485</u>

**Interim Financial Report for the third quarter ended 30 June 2014**

(The figures have not been audited)

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</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>9 months ended 30 June 2013 (Restated)</b>						
Results						
Operating results	583,428	271,866	57,400	81,531	(8,663)	985,562
Finance cost	(7,828)	(10,300)	-	(55,696)	8,663	(65,161)
Share of results of associates	4,352	293	1,800	-	-	6,445
Segment results	579,952	261,859	59,200	25,835	-	926,846
Profit before tax						926,846

b) Segment assets

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</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>At 30 June 2014</b>					
Operating assets	5,235,035	5,390,832	466,882	2,700,184	13,792,933
Associates	68,897	6,224	56,854	17,376	149,351
Segment assets	5,303,932	5,397,056	523,736	2,717,560	13,942,284
Tax assets					120,315
Total assets					14,062,599
<b>At 31 September 2013 (Restated)</b>					
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

c) Segment liabilities

	<b>Plantations</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Investment Holding/Others</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>At 30 June 2014</b>					
Segment liabilities	849,017	1,440,472	40,824	2,370,662	4,700,975
Unallocated liabilities					479,747
Total liabilities					5,180,722

**Interim Financial Report for the third quarter ended 30 June 2014**

(The figures have not been audited)

	Plantations RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/Others RM'000	Consolidated RM'000
<b>At 31 September 2013 (Restated)</b>					
Segment liabilities	419,001	1,232,296	28,542	2,429,996	4,109,835
Unallocated liabilities					302,712
Total liabilities					4,412,547

**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, changes to the composition of the Group were:

- a) 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 was accounted for as an associate. Accordingly, all subsidiaries and associates of KLK are now subsidiaries and associates of the Group. In this respect, Collingwood Plantations Pte Ltd ("CPPL"), previously an associate of the Company, is now accounted for as a subsidiary since CPPL is a subsidiary of KLK.
- b) Following the completion of KLK Group's internal restructuring exercise, Susuki Sdn Bhd, a wholly-owned subsidiary, will be dissolved by way of members' voluntary liquidation on 4 September 2014.
- c) The proposed disposal of KLK's 55.0% interest in Voray Holdings Ltd ("Voray") for a consideration of RM12.1 million was completed in June 2014 and Voray ceased to be a KLK subsidiary.

**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.

**A12. Capital commitments**

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

	At 30 June 2014 RM'000	At 30 September 2013 RM'000 (Restated)
Capital expenditure:		
Authorised and contracted for	493,170	506,486
Authorised but not contracted for	441,177	783,909
	934,347	1,290,395
Acquisition of shares in subsidiaries:		
Authorised and contracted for	1,141	3,211

**Interim Financial Report for the third quarter ended 30 June 2014**

(The figures have not been audited)

**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:

	<b>Cumulative Quarter</b>	
	<b>9 months ended</b>	
	<b>30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>
a) Transactions with associates:		
Processing fee earned	809	450
Sales of finished goods	6,613	4,701
Sales of electricity	878	627
Purchase of goods	4,967	3,246
Service charges paid	2,951	2,972
Research and development services paid	8,481	7,268



**Interim Financial Report for the third quarter ended 30 June 2014**

(The figures have not been audited)

		<b>Cumulative Quarter</b>	
		<b>9 months ended</b>	
		<b>30 June</b>	
		<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>
			<b>(Restated)</b>
b)	Transactions with other related parties being companies in which persons connected with certain Directors have significant interests:		
	Purchases of goods:		
	Taiko Marketing Sdn Bhd	22,496	21,132
	Taiko Marketing (S) Pte Ltd	20,265	13,885
	Borneo Taiko Clay Sdn Bhd	3,504	3,348
	Bukit Katho Estate Sdn Bhd	2,837	3,296
	Kampar Rubber & Tin Co Sdn Bhd	7,679	6,920
	Kekal & Deras Sdn Bhd	1,257	1,199
	Malay Rubber Plantations (M) Sdn Bhd	6,085	6,059
	PT Agro Makmur Abadi	57,349	38,253
	PT Safari Riau	21,085	14,717
	PT Taiko Persada Indoprima	13,275	8,718
	Taiko Clay Marketing Sdn Bhd	1,206	1,157
	Taiko Drum Industries Sdn Bhd	2,164	1,286
	Taiko Fertiliser Marketing Sdn Bhd	25,689	44,182
	Freight income earned:		
	Chlor-Al Chemical Pte Ltd	1,411	170
	Sales of goods:		
	Taiko Marketing Sdn Bhd	169,111	145,173
	Taiko Marketing (S) Pte Ltd	5,720	1,518
	Chlor-Al Chemical Pte Ltd	18,524	16,839
	Premier Bleaching Earth Sdn Bhd	3,519	4,520
	Siam Taiko Marketing Co Ltd	1,427	1,172
	Storage tanks rental received:		
	Taiko Marketing Sdn Bhd	2,189	2,247
	Supply of contract labours and engineering works:		
	K7 Engineering Sdn Bhd	1,313	1,429
	Sales commissions charged by:		
	Taiko Marketing Sdn Bhd	1,633	1,372
c)	Transactions between subsidiaries and their non-controlling interests:		
	Sales of indirect materials and finished goods to:		
	Mitsubishi Corporation	73,253	137,335
	Mitsui & Co Ltd	98,009	61,700
	Tejana Trading & Management Services Sdn Bhd	3,913	4,178

**Interim Financial Report for the third quarter ended 30 June 2014**

(The figures have not been audited)

**B. Explanatory Notes as required by the Bursa Securities' Listing Requirements****B1. Detailed analysis of performance****3<sup>rd</sup> Quarter FY 2014 vs 3<sup>rd</sup> 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 RM3,019.48 million, 34% higher than restated RM2,256.13 million in the corresponding quarter last year. Plantations and Manufacturing reported higher revenues. Group profit before tax was 21% higher at RM299.51 million (2013: RM247.90 million). Comments on the business sectors are as follows:

**Plantations** sector reported a profit of RM231.22 million, doubled that of last year's corresponding quarter's profit of RM113.39 million from higher palm product prices, higher FFB production and lower production cost.

**Manufacturing** sector's profit for this quarter was RM88.07 million comparable to last year's corresponding quarter's profit of RM88.45 million. Revenue rose 24% to RM1,546.91 million (2013: RM1,247.51 million), but profit margins were lower. The oleochemical division recorded a profit of RM65.91 million (2013: RM73.30 million) and the chemicals division posted a profit of RM21.59 million (2013: RM19.36 million), which included RM7.90 million (2013: RM10.74 million) compensation from a customer in the chemical division for short-fall in contracted products off-take.

**Property Development** sector registered a profit to RM10.60 million, decreased 54% from last year corresponding quarter's RM22.93 million due to the recognition of lower progressive development profits from Bandar Seri Coalfields project. Revenue had dropped 40% to RM31.75 million (2013: RM53.20 million).

**Investment Holding/Others** registered a loss of RM33.74 million (2013: RM23.11 million profit) due to a RM23.44 million impairment on the Group's investment in Papua New Guinea.

**Todate 3<sup>rd</sup> Quarter FY 2014 vs Totdate 3<sup>rd</sup> Quarter FY 2013 (Restated)**

For the current 9 months period, Group revenue was RM8,629.62 million, 24% higher than RM6,963.49 million in the corresponding period last year, contributed by higher revenues from Plantations and Manufacturing. Group profit before tax rose 25% to RM1,160.15 million (2013: RM926.85 million). Comments on the business sectors are as follows:

**Plantations** sector reported a profit of RM786.01 million, 36% higher than last year's corresponding period's profit of RM579.95 million attributable to higher selling prices of CPO and palm kernel.

**Manufacturing** sector's profit increased 33% to RM348.87 million from the RM261.86 million reported for last year's corresponding period. Revenue rose 22% to RM4,477.81 million (2013: RM3,676.41 million) due to improved sales volumes and higher selling prices. The oleochemical division recorded a profit of RM276.68 million (2013: RM225.18 million) and the chemicals division posted a profit of RM64.71 million (2013: RM47.47 million), which included RM27.91 million (2013: RM19.52 million) compensation from a customer in the chemical division for short-fall in contracted products off-take.

**Property Development** sector reported a 50% lower revenue of RM80.61 million (2013: RM159.68 million) which generated a profit of RM32.22 million, 46% lower than last year corresponding period's RM59.20 million. This was due to decline in profit recognition from the development project in Bandar Seri Coalfields, Sungai Buloh.

**Investment Holding/Others** registered a loss of RM6.95 million (2013: RM25.84 million profit) due to a RM23.44 million impairment on the Group's investment in Papua New Guinea.

**B2. Comparison of current quarter's results to the preceding quarter****3<sup>rd</sup> Quarter FY 2014 vs 2<sup>nd</sup> Quarter FY 2014**

Group pre-tax profit for the 3<sup>rd</sup> quarter was RM299.51, decreased 34% from RM450.82 million reported in the preceding quarter, mainly due to lower Plantations and Manufacturing profits resulting from negative contributions from refineries and kernel crushing plants and lower Manufacturing's profit margins.

**Interim Financial Report for the third quarter ended 30 June 2014**

(The figures have not been audited)

**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 view of the results achieved to date and contracted forward sales, despite the current bearish market. Manufacturing sector expects satisfactory profits given on-going operational efficiencies and productivity improvements.

Overall, the Group expects the profit for the current financial year to be higher than 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 30 June 2014.

**B5. Income tax expense**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2014	2013	2014	2013
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Current tax				
Malaysian income tax	53,931	35,755	174,677	165,093
Foreign income tax	22,546	10,948	71,532	40,985
	<u>76,477</u>	<u>46,703</u>	<u>246,209</u>	<u>206,078</u>
Deferred tax				
Relating to origination and reversal of temporary differences	(8,529)	(25,386)	2,667	(41,027)
(Over)/Under provision in respect of previous years	(32)	-	(6,515)	3,869
	<u>(8,561)</u>	<u>(25,386)</u>	<u>(3,848)</u>	<u>(37,158)</u>
(Over)/Under provision in respect of previous years				
Malaysian income tax	1,042	1,189	1,824	1,653
Foreign income tax	(4,075)	18	(1,776)	474
	<u>(3,033)</u>	<u>1,207</u>	<u>48</u>	<u>2,127</u>
	<u>64,883</u>	<u>22,524</u>	<u>242,409</u>	<u>171,047</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 utilisation of previously unrecognised tax losses and capital allowances by certain subsidiaries.

**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 third quarter ended 30 June 2014**

(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 30 June 2014		At 30 September 2013	
	RM'000	Amount in Foreign Currency '000	RM'000 (Restated)	Amount in Foreign Currency '000 (Restated)
a) Repayable within 12 months:				
(i) Term Loans				
- Secured	-		7,568	
- Unsecured	6,268		335,687	
	<u>6,268</u>		<u>343,255</u>	
(ii) Bank Overdraft				
- Unsecured	-		3,088	HKD7,347
	74,133	Euro16,873	-	
	<u>74,133</u>		<u>3,088</u>	
(iii) Short Term Borrowings				
- Unsecured	320,523	USD99,778	80,020	USD24,500
	-		3,729	Rmb7,000
	25,358	CHF7,000	25,221	CHF7,000
	96,179	GBP17,500	142,487	GBP27,000
	83,497	Euro19,000	61,730	Euro14,000
	<u>341,981</u>		<u>137,164</u>	
	<u>867,538</u>		<u>450,351</u>	
Total repayable within 12 months	<u>947,939</u>		<u>796,694</u>	
b) Repayable after 12 months:				
(i) Term Loans				
- Unsecured	87,870	Euro20,000	88,216	Euro20,000
	162,180	USD50,000	163,743	USD50,000
	<u>300,000</u>		<u>27,268</u>	
	<u>550,050</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>2,350,050</u>		<u>2,079,227</u>	
Total Group borrowings	<u>3,297,989</u>		<u>2,875,921</u>	

**Interim Financial Report for the third quarter ended 30 June 2014**

(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 30 June 2014, the values and maturity analysis of the outstanding forward foreign exchange contracts of the Group are as follows:

	<b>Contract / Notional value Net long/(short) RM'000</b>	<b>Fair value Net gains/(losses) RM'000</b>
a) Forward foreign exchange contracts:		
- Less than 1 year	(785,775)	6,715
- 1 year to 3 years	-	-
- More than 3 years	-	-
b) Commodity futures contracts:		
- Less than 1 year	16,916	(8,622)
- 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 30 June 2014, 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 any dividend for the quarter ended 30 June 2014.

An interim single tier dividend of 15 sen per share (2013: interim single tier dividend of 15 sen per share) was declared by the Directors on 21 May 2014 and was paid on 14 August 2014.

b) The total dividend for the current financial year to-date is single tier dividend of 15 sen per share (2013: single tier dividend of 15 sen per share).

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(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 30 June		9 months ended 30 June	
	2014	2013	2014	2013
Net profit for the period attributable to owners of the Company (RM'000)	110,528	110,513	430,717	358,324
Weighted average number of shares ('000)	411,713	415,279	411,713	415,279
Earnings per share (sen)	26.8	26.6	104.6	86.3

**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 30 June		9 months ended 30 June	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Interest income	(9,499)	(6,599)	(29,445)	(26,080)
Dividend income	(21,818)	(18,161)	(41,471)	(35,863)
Other income	(21,806)	(47,067)	(95,067)	(99,200)
Interest expense	27,790	20,840	79,255	65,161
Depreciation and amortisation	90,353	81,649	264,872	239,193
(Reversal of)/Provision for and write-off of receivables	(153)	2,619	2,863	3,532
Provision for and write-off of inventories	7,197	4,642	11,883	25,865
Gain on disposal of quoted or unquoted investments	(189)	(1,368)	(11,148)	(2,937)
Gain on disposal of land	(578)	(894)	(1,566)	(2,646)
Deficit/(Surplus) arising from government acquisition of land	62	(26)	(1,530)	(624)
Impairment of property, plant and equipment	-	6,310	-	6,310
Impairment of prepaid lease payment	19,760	-	19,760	-
Impairment of intangible assets	-	439	-	439
Impairment of goodwill	3,682	177	3,682	177
Foreign exchange loss/(gain)	13,281	(22,322)	20,552	(34,403)
Loss on derivatives	5,250	33,462	12,975	32,827
Exceptional items	-	-	-	-

**Interim Financial Report for the third quarter ended 30 June 2014**

(The figures have not been audited)

**B15. Breakdown of realised and unrealised profits or losses**

	<b>At 30 June 2014</b>	<b>At 30 September 2013</b>
	<b>RM'000</b>	<b>RM'000 (Restated)</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	6,633,902	6,189,911
- Unrealised	(227,168)	(170,560)
	<hr/> 6,406,734	<hr/> 6,019,351
Total share of retained profits from associates:		
- Realised	58,201	59,573
- Unrealised	(93)	(237)
	<hr/> 58,108	<hr/> 59,336
Consolidation adjustments	(3,001,532)	(2,831,014)
Total group retained profits as per consolidated accounts	<hr/> <b>3,463,310</b>	<hr/> <b>3,247,673</b>

By Order of the Board

CHONG SEE TECK  
YAP MIOW KIEN  
Company Secretaries

20 August 2014