Interim Report

2012

UNITED PLANTATIONS BERHAD
(Company no. 240-A)
Jendarata Estate • 36009 Teluk Intan • Darul Ridzuan • Malaysia

Condensed Consolidated Income Statements
for the Quarter and Six Months Ended 30 June 2012
(The figures have not been audited)

(MYR '000)	Individual Quarter 3 months ended 30 June 2012	2011	Cumulative Quarter 6 months ended 30 June 2012	2011
Revenue	**232,052**	390,626	**570,724**	669,012
Operating expenses	**(144,495)**	(265,877)	**(396,682)**	(441,879)
Other operating income	**11,398**	11,582	**17,801**	18,115
Finance costs	**18**	(7)	**(12)**	(14)
Interest income	**5,212**	4,072	**10,574**	7,597
Profit before taxation	**104,185**	140,396	**202,405**	252,831
Income tax expense	**(27,029)**	(30,810)	**(52,185)**	(57,148)
Profit after taxation	**77,156**	109,586	**150,220**	195,683
Profit for the period	**77,156**	109,586	**150,220**	195,683
Net profit attributable to:				
Equity holders of the parent	**77,067**	109,586	**149,715**	195,683
Minority interest	**89**	-	**505**	-
	77,156	109,586	**150,220**	195,683
Earnings per share				
(i) Basic - based on an average 208,134,266 (2011:208,134,266) ordinary shares (sen)	**37.03**	52.65	**71.93**	94.02
(ii) Fully diluted (not applicable)	**-**	-	**-**	-

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

Condensed Consolidated Statement of Comprehensive Income for the Quarter and Six Months Ended 30 June 2012

(The figures have not been audited)

(MYR '000)	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2012	2011	**2012**	2011
Profit for the period	**77,156**	109,586	**150,220**	195,683
Currency translation differences arising from consolidation	**1,948**	(745)	**28**	(282)
Total comprehensive income	**79,104**	108,841	**150,248**	195,401
Total comprehensive income attributable to:				
Equity holders of the parent	**79,012**	108,841	**149,780**	195,906
Minority interests	**92**	-	**468**	(505)
	79,104	108,841	**150,248**	195,401

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

Condensed Consolidated Statement of Financial Position as at 30 June 2012

(The figures have not been audited)

(MYR '000)	**30 June 2012**	31 December 2011
Assets		
Non-current assets		
Biological assets	**384,207**	377,947
Property, plant and equipment	**906,594**	902,084
Land use rights	**35,123**	31,763
Associated company	**50**	50
Available for sale financial assets	**6,446**	6,446
Derivatives	**1,079**	1,315
Total non-current assets	**1,333,499**	1,319,605
Current assets		
Inventories	**164,718**	181,145
Trade & other receivables	**98,773**	115,330
Tax recoverable	**107**	132
Amount due from associated company	**6**	6
Cash, bank balances & fixed deposits	**617,672**	582,796
Derivatives	**1,665**	1,255
Total current assets	**882,941**	880,664
Total assets	**2,216,440**	2,200,269
Equity and liabilities		
Equity attributable to equity holders of the parent		
Share capital	**208,134**	208,134
Share premium	**181,920**	181,920
Other reserves	**21,570**	21,505
Retained profits	**1,609,661**	1,584,827
	2,021,285	1,996,386
Minority interest	**675**	207
Total equity	**2,021,960**	1,996,593
Non-current liabilities		
Retirement benefit obligations	**11,100**	11,889
Provision for deferred taxation	**79,237**	77,043
Total non-current liabilities	**90,337**	88,932
Current liabilities		
Trade & other payables	**64,924**	76,427
Overdraft & short term borrowings	**8**	391
Retirement benefit obligations	**1,263**	2,273
Provision for taxation	**37,109**	35,251
Derivatives	**839**	402
Total current liabilities	**104,143**	114,744
Total liabilities	**194,480**	203,676
Total equity and liabilities	**2,216,440**	2,200,269
Net assets per share (MYR)	**9.71**	9.59

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

Condensed Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2012

(The figures have not been audited)

	------------Attributable to Equity Holders of the Parent------------								
(MYR '000)	Share capital	Retained profits	Available for sale reserve	Share premium	Capital reserve	Translation reserve	Total	Minority interest	Total equity
Balance at 1 January 2012	208,134	1,584,827	893	181,920	21,798	(1,186)	1,996,386	207	1,996,593
Total comprehensive income for the quarter	-	149,715	-	-	-	65	149,780	468	150,248
Dividends	-	(124,881)	-	-	-	-	(124,881)	-	(124,881)
Balance at 30 June 2012	**208,134**	**1,609,661**	**893**	**181,920**	**21,798**	**(1,121)**	**2,021,285**	**675**	**2,021,960**
Balance at 1 January 2011	208,134	1,359,171	1,968	181,920	21,798	(922)	1,772,069	505	1,772,574
Total comprehensive income for the quarter	-	195,683	-	-	-	223	195,906	(505)	195,401
Dividends	-	(85,855)	-	-	-	-	(85,855)	-	(85,855)
Balance at 30 June 2011	208,134	1,468,999	1,968	181,920	21,798	(699)	1,882,120	-	1,882,120

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

Condensed Consolidated Cash Flow Statements for the Six Months Ended 30 June 2012

(The figures have not been audited)

(MYR '000)	6 months ended 30 June **2012**	2011
Operating activities		
- Receipts from operations	**583,357**	646,407
- Operating payments	**(357,103)**	(427,624)
Cash flow from operations	**226,254**	218,783
Other operating receipts	**18,466**	10,384
Taxes paid	**(48,132)**	(28,790)
Cash flow from operating activities	**196,588**	200,377
Investing activities		
- Interest received	**8,212**	7,813
- Purchase of property, plant and equipment	**(23,664)**	(33,479)
- Pre-cropping expenditure incurred	**(18,430)**	(31,258)
- Prepaid lease payments made	**(2,554)**	-
Cash flow from investing activities	**(36,436)**	(56,924)
Financing activities		
- Dividends paid	**(124,881)**	(54,635)
- Associated company	**-**	3
- Interest paid	**(12)**	(14)
Cash flow from financing activities	**(124,893)**	(54,646)
Net change in cash & cash equivalents	**35,259**	88,807
Cash & cash equivalents at beginning of year	**582,405**	496,459
Cash & cash equivalents at end of period	**617,664**	585,266

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

Notes to the Interim Financial Report

A1) Accounting Policies and Basis of Preparation

The Group falls within the scope definition of Transitioning Entities. Transitioning Entities will be allowed to defer adoption of the new Malaysian Financial Reporting Standards ("MFRS") Framework for an additional two years. Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. For the financial years ending 31 December 2012 and 31 December 2013, the Group will continue to prepare financial statements using Financial Reporting Standards ("FRS").

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2011, except for the adoption of the following new FRS, Amendments to FRS and IC Interpretations with effect from 1 January 2012.

On 1 January 2012, the Group adopted the following FRS, Amendments to FRS and IC Interpretations:

IC Interpretation 19:	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14:	Prepayments of a Minimum Funding Requirement
Amendment to FRS 1:	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendment to FRS 7:	Transfer of Financial Assets
Amendment to FRS 112:	Deferred Tax: Recovery of Underlying Assets
FRS 124:	Related Party Disclosures

Adoption of the above FRS, Am endments to FRS and IC Interpretations did not have any effect on the financial performance, position or presentation of financials of the Group.

At the date of authorization of these interim financial statements, the following FRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

Notes to the Interim Financial Report

A1) Accounting Policies and Basis of Preparation - continued

FRS, IC Interpretation and Amendments to IC Interpretations		Effective for annual periods beginning on or after
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 10	Consolidated Financial Instruments	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 119	Employee Benefits	1 January 2013
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investment in Associate and Joint Ventures	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of Surface Mine	1 January 2013
Amendments to FRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9	Financial Instruments	1 January 2015

A2) Audit Report

The auditor's report on the financial statements for the financial year ended 31 December 2011 was not qualified.

Notes to the Interim Financial Report

A3) Seasonal and Cyclical Nature of Group's Products and Operations

The prices for the Group's products are not within the total control of the Group but are determined by the global supply and demand situation for edible oils and it is somewhat related to the price of mineral oil.

Crop production is seasonal. Based on statistics, the Group's production of crude palm oil ("CPO") and palm kernel ("PK") gradually increases from March, peaking around July to September, and then declines from October to February. This pattern can be affected by severe global weather conditions such as El-Nino.

The prices obtainable for the Group's products as well as the volume of production, which is cyclical in nature, will determine the profits for the Group.

A4) Exceptional and Extraordinary Items

There were no exceptional or extraordinary items for the current period.

A5) Changes in Estimates

There were no material changes to estimates made in prior periods.

A6) Equity and Debt Securities

There have been no issue of new shares, share buy-backs, share cancellation, shares held as treasury shares and re-sale of treasury shares for the period.

There were no issuances of debt instruments during the period.

A7) Dividends Paid

The following dividends were paid on 6 June 2012 in respect of the financial year ended 31 December 2011:

	(MYR '000)
Ordinary:	
Final paid	
30% less 25% tax	46,830
Special paid	
50% less 25% tax	78,051
Total	**124,881**

Notes to the Interim Financial Report

A8) Segmental Information

Segmental information for the current period:

(MYR '000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External Sales	234,242	335,646	836	-	570,724
Inter-segment Sales	111,508	-	-	(111,508)	-
	345,750	335,646	836	(111,508)	570,724
Segment Results:					
Profit before tax	205,849	5,161	(8,605)	-	202,405

A9) Valuation of Property, Plant and Equipment

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2011.

A10) Events after the Balance Sheet Date

There were no material events after the balance sheet date.

A11) Changes in the Composition of the Group

There were no changes in the composition of the Group for the period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A12) Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 25 August 2012.

B1) Directors' Review of the Group's Performance for Six Months Ended 30 June 2012

The Group's profit before tax declined by 19.9% from MYR 252.8 million in the corresponding period in 2011, to MYR 202.4 million in the current period resulting from:

Notes to the Interim Financial Report

B1) Directors' Review of the Group's Performance for Six Months Ended 30 June 2012 - continued

Plantations

This division's profit before tax registered a decrease of 11.1% from MYR 231.6 million in the corresponding period to MYR 205.8 million in the current period, mainly due to lower production of CPO and PK, higher production costs and lower selling prices of these two products. The average selling prices of CPO and PK achieved for the period were as follows:

Countries	Products	Current Period (MYR/MT)	Corresponding Period (MYR/MT)
Malaysia	CPO	3,177	3,166
Indonesia	CPO	2,474	2,569
Average	CPO	3,060	3,099
Malaysia	PK	1,744	2,412
Indonesia	PK	1,197	1,730
Average	PK	1,667	2,362

The differences in CPO and PK prices between Malaysia and Indonesia are due to the duty structures for domestically traded CPO and PK prices in the two countries. In Indonesia, producers receive world market prices less the duty, no matter if producers sell the CPO and PK to refineries locally or to the export market. In Malaysia, producers pay duty if they export the CPO or PK. However, for local sales to refineries, producers in Malaysia do not pay any duty and receive the full world market prices.

CPO and PK production dropped by 3.2% and 3.5% respectively whereas the selling prices of CPO and PK declined by 1.3% and 29.4% respectively in the current period from the corresponding period. CPO and PK production costs increased by 15.6% and 48.3% respectively in the current period from the corresponding period, mainly due to higher wages. The comparatively higher increase in production cost of PK was due to changes in the basis of costs allocation to PK in Indonesia in the current period.

CPO windfall gain tax declined by 37.1% due to lower production as well as lower market price in the current period as compared to the corresponding period.

Interest income recorded a 39.2% increase in the current period from the corresponding period due to higher cash balances and better rates obtained from the banks.

Refinery

The profit before tax of the refinery declined by 59.2% due to lower margins in all divisions in the current period from the corresponding period in view of the stiff competition from Indonesian refiners who are enjoying substantial export tax advantages, thus making products from Malaysian refineries including Unitata less competitive.

Others

The holding companies investments in Indonesia recorded a MYR 10.1 million unrealized foreign exchange loss from IDR loans to Indonesian subsidiaries in the current period due to weaker IDR, as compared to MYR 7.4 million gain in the corresponding period in 2011.

Notes to the Interim Financial Report

B2) Comparison of Results with Preceding Quarter

Profit before tax increased by 6.1% to MYR 104.2 million in the current quarter from MYR 98.2 million in the preceding quarter. The increase was mainly due to MYR 2.1 million unrealised foreign exchange gain recognised in the current quarter as compared to MYR 12.2 million unrealised foreign exchange loss recognised in the preceding quarter from IDR loans to Indonesian subsidiaries.

The above gain was reduced by decreases in the production of CPO and PK by 3.7% and 5.6% respectively and increases in the costs of production of CPO and PK by 8.9% and 13.0% respectively in the current quarter from the preceding quarter.

B3) Prospects and Outlook

With an increasing world population and affluence in particular Asia, it is anticipated that the demand for vegetable oils will continue to be positive. However, palm oil production is expected to increase from the second quarter of 2012 due to the recovery in the biological yield cycle coupled with more favourable weather conditions in South East Asia. We therefore think the prices might start to weaken in second half of 2012. This will however, depend on the severity of the drought that is currently being experienced in the US midwest. Repercussions in terms of lower corn or soybean harvest could therefore arrest and reverse commodity prices. It is however, too early to predict the consequence of this yet.

With the continuation of the European debt crisis and uncertainty of an improvement in the global financial situation, in particular Europe and the USA, there is a risk that the global economy may be hit by another downturn, which in turn would dampen vegetable oil prices.

With the Indonesian export tax changes in September 2011 benefitting the Indonesian downstream sector, Malaysian refineries have been affected by the increased competitive position enjoyed by the Indonesian refining sector. Without intervention by the Malaysian government to support the downstream sector of Malaysia, the refining industry will continue to be under significant pressure in 2012.

The unprecedented high rainfall received during the last quarter of 2011 and the first quarter of 2012 have adversely affected overall fruit set during April, May and June 2012 resulting in materially lower fruit production on most of our Malaysian Estates. The climatically driven phenomena of poor pollination caused by the high rainfall pattern is regretfully expected to spill over into July 2012 before fruit set once again recovers. This has invariably contributed towards a downfall in CPO production.

The Group is replanting a large area in Malaysia in 2012 in accordance with its replanting policy. Some areas in its Indonesian operations came into maturity in 2011 and more areas are maturing in 2012. The Indonesian production is thus compensating for the crop loss from the replanted areas in Malaysia and as such, the total production for the Group for 2012 is expected to be slightly better than 2011.

As a result of the above, the Directors are of the opinion that the Group's results for the current financial year ending 31 December 2012, whilst lower than 2011, will still be favourable.

Notes to the Interim Financial Report

B4) Profit Forecasts

The Group has not issued any profit forecasts for the period under review.

B5) Taxation

The charge for taxation for the period ended 30 June 2012 comprises:

(MYR '000)	Current Quarter	Current year-to-date
Current taxation	25,993	50,015
Deferred taxation	1,036	2,170
	27,029	52,185
Profit before taxation	104,185	202,405
Tax at the statutory income tax rate of 25%	26,046	50,601
Tax effects of expenses not deductible / (income not taxable) in determining taxable profit:		
Depreciation on non-qualifying assets	268	536
Claims for reinvestment allowance and research and development	(156)	(312)
Overprovision of tax expense in prior years	-	(73)
Utilisation of previously unrecognized tax losses and unabsorbed capital allowances	(1,304)	(1,457)
Others	2,175	2,890
Tax expense	**27,029**	**52,185**

B6) Corporate Proposals

The Company has together with Oleon NV announced on 1 August 2012 to form a 50:50 joint venture through the company Unioleon Sdn. Bhd. to develop a food emulsifier plant in two phases in Pulau Indah. The Company and Oleon NV are currently working towards fulfilling the conditions precedent as spelt out in the Joint Venture Agreement.

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There were no other corporate proposals which were announced but not completed as at 25 August 2012.

B7) Group Borrowings

All Group borrowings were unsecured, short term and denominated in Malaysian Ringgit only and outstanding balance as at 30 June 2012 was MYR 8,000.

Notes to the Interim Financial Report

B8) Material Litigation

There was no material litigation as at 25 August 2012.

B9) Proposed Dividends

No interim dividend has been declared or proposed for the year ending 31 December 2012.

B10) Earnings per Share (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of MYR 149,715,000 (2011: MYR 195,683,000) and the weighted average number of ordinary shares of 208,134,266 (2011: 208,134,266) in issue during the period.

B11) Disclosure of Realised and Unrealised Profits/Loss

(MYR '000)	**As at 30/06/2012**	As at 31/12/2011
Total retained profits of the Company and its subsidiaries:		
- Realised	**1,712,908**	1,678,257
- Unrealised	**(48,543)**	(40,123)
	1,664,365	1,638,134
Total share of accumulated losses from an associated company:		
- Realised	**(51)**	(51)
	1,664,314	1,638,083
Consolidation adjustments	**(54,653)**	(53,256)
Total Group retained profits as per consolidated financial statements	**1,609,661**	1,584,827

By Order of the Board

A. Ganapathy
Company Secretary

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25 August 2012

Contact information

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