

# Fourth Quarter Report 2014



UNITED PLANTATIONS BERHAD

(Company no. 240-A)

Jendarata Estate • 36009 Teluk Intan • Darul Ridzuan • Malaysia

# United Plantations Berhad

## Condensed Consolidated Income Statement for the Twelve Months Ended 31 December 2014 (The figures have not been audited)

(RM '000)	Individual Quarter 3 months ended 31 December		Cumulative Quarter 12 months ended 31 December	
	2014	2013	2014	2013
Revenue	<b>232,311</b>	280,346	<b>1,021,843</b>	950,222
Operating expenses	<b>(162,546)</b>	(169,742)	<b>(708,813)</b>	(651,186)
Other operating income	<b>11,316</b>	583	<b>17,244</b>	15,548
Finance costs	<b>(7)</b>	(8)	<b>(32)</b>	(28)
Interest income	<b>7,337</b>	6,622	<b>27,508</b>	26,666
Share of results of jointly controlled entity	<b>(1,577)</b>	51	<b>(2,146)</b>	(746)
<b>Profit before taxation</b>	<b>86,834</b>	117,852	<b>355,604</b>	340,476
Income tax expense	<b>(13,784)</b>	(26,161)	<b>(76,233)</b>	(87,989)
<b>Profit after taxation</b>	<b>73,050</b>	91,691	<b>279,371</b>	252,487
<b>Profit for the period</b>	<b>73,050</b>	91,691	<b>279,371</b>	252,487
Net profit attributable to:				
Equity holders of the parent	<b>72,753</b>	91,070	<b>278,030</b>	251,831
Non-controlling interests	<b>297</b>	621	<b>1,341</b>	656
	<b>73,050</b>	91,691	<b>279,371</b>	252,487
Earnings per share				
(i) Basic - based on an average 207,792,492 (2013:208,134,266) ordinary shares (sen)	<b>35.01</b>	43.76	<b>133.80</b>	120.99

**The Condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.**

# United Plantations Berhad

## Condensed Consolidated Statement of Comprehensive Income for the Twelve Months ended 31 December 2014

(The figures have not been audited)

(RM '000)	Individual Quarter 3 months ended 31 December		Cumulative Quarter 12 months ended 31 December	
	2014	2013	2014	2013
Profit for the period	<b>73,050</b>	91,691	<b>279,371</b>	252,487
Currency translation differences arising from consolidation	<b>3,001</b>	2,522	<b>3,847</b>	(5,266)
<b>Total Comprehensive income</b>	<b>76,051</b>	94,213	<b>283,218</b>	247,221
Total comprehensive income attributable to:				
Equity holders of the parent	<b>75,581</b>	94,287	<b>281,877</b>	246,565
Non-controlling interests	<b>470</b>	(74)	<b>1,341</b>	656
	<b>76,051</b>	94,213	<b>283,218</b>	247,221

**The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.**

# United Plantations Berhad

## Condensed Consolidated Statement of Financial Position as at 31 December 2014 (The figures have not been audited)

(RM '000)	31 December 2014	31 December 2013
<b>Assets</b>		
Non-Current Assets		
Biological assets	398,720	376,719
Property, plant and equipment	921,362	921,776
Land Use Rights	32,042	31,110
Associated company	50	50
Joint venture entity	14,651	9,337
Available for sale financial assets	6,446	6,446
Derivatives	-	1,281
<b>Total non-current assets</b>	<b>1,373,271</b>	<b>1,346,719</b>
Current Assets		
Inventories	98,765	141,818
Trade & other receivables	116,517	125,232
Prepayments	466	84
Tax recoverable	6,352	3,199
Cash, bank balances & fixed deposits	738,381	778,948
<b>Total current assets</b>	<b>960,481</b>	<b>1,049,281</b>
<b>Total assets</b>	<b>2,333,752</b>	<b>2,396,000</b>
<b>Equity and liabilities</b>		
Equity attributable to equity holders of the parent		
Share capital	208,134	208,134
Share premium	181,920	181,920
Treasury shares	(8,635)	(8,635)
Other reserves	19,508	15,661
Retained profits	1,723,584	1,796,204
	<b>2,124,511</b>	<b>2,193,284</b>
Non-controlling interests	2,417	1,076
<b>Total Equity</b>	<b>2,126,928</b>	<b>2,194,360</b>
Non-Current Liabilities		
Retirement benefit obligations	10,728	10,930
Provision for deferred taxation	105,389	97,476
Derivatives	9,686	-
<b>Total non-current liabilities</b>	<b>125,803</b>	<b>108,406</b>
Current Liabilities		
Trade & other payables	60,693	70,860
Tax Payable	11,911	17,213
Retirement benefit obligations	820	1,354
Derivatives	6,802	3,511
Bank borrowings	795	296
<b>Total current liabilities</b>	<b>81,021</b>	<b>93,234</b>
<b>Total liabilities</b>	<b>206,824</b>	<b>201,640</b>
<b>Total equity and liabilities</b>	<b>2,333,752</b>	<b>2,396,000</b>
Net assets per share (RM)	10.22	10.56

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

# United Plantations Berhad

## Condensed Consolidated Statement of Changes in Equity for the Twelve Months Ended at 31 December 2014 (The figures have not been audited)

	-----Attributable to Equity Holders of the Parent-----							Non-controlling interests	Total equity	
	Share capital	Treasury shares	Retained profits	Available for sale reserve	Share premium	Capital reserve	Translation reserve			Total
(RM '000)										
Balance at										
1 January 2014	208,134	(8,635)	1,796,204	893	181,920	21,798	(7,030)	2,193,284	1,076	2,194,360
Total comprehensive income for the quarter	-	-	278,030	-	-	-	3,847	281,877	1,341	283,218
Dividends, representing total transaction with owners	-	-	(350,650)	-	-	-	-	(350,650)	-	(350,650)
<b>Balance at</b>										
<b>31 December 2014</b>	<b>208,134</b>	<b>(8,635)</b>	<b>1,723,584</b>	<b>893</b>	<b>181,920</b>	<b>21,798</b>	<b>(3,183)</b>	<b>2,124,511</b>	<b>2,417</b>	<b>2,126,928</b>
Balance at										
1 January 2013	208,134	-	1,739,747	893	181,920	21,798	(1,764)	2,150,728	420	2,151,148
Total comprehensive income for the quarter	-	-	251,831	-	-	-	(5,266)	246,565	656	247,221
Purchase of treasury shares	-	(8,635)						(8,635)		(8,635)
Dividends, representing total transaction with owners	-	-	(195,374)	-	-	-	-	(195,374)	-	(195,374)
Balance at										
31 December 2013	208,134	(8,635)	1,796,204	893	181,920	21,798	(7,030)	2,193,284	1,076	2,194,360

**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 2013.**

# United Plantations Berhad

## Condensed Consolidated Cash Flow Statement for the Twelve Months Ended 31 December 2014

(The figures have not been audited)

(RM '000)	12 months ended 31 December	
	2014	2013
Operating Activities		
-Receipts from operations	1,007,603	964,027
-Operating payments	(560,968)	(556,213)
Cash flow from operations	446,635	407,814
Other operating receipts	5,212	-
Taxes paid	(76,594)	(90,793)
Cash flow from operating activities	375,253	317,021
Investing Activities		
- Proceeds from sale of property, plant and equipment	1,334	3,572
- Interest received	26,908	27,150
- Purchase of property, plant and equipment	(39,390)	(61,591)
- Pre-cropping expenditure incurred	(45,600)	(42,466)
- Prepaid lease payments made	(1,433)	(1,707)
- Investment in jointly controlled entity	(7,461)	(6,751)
Cash flow from investing activities	(65,642)	(81,793)
Financing Activities		
- Dividends paid	(350,650)	(195,374)
- Associated Company	5	(10)
- Interest paid	(32)	(28)
Cash flow from financing activities	(350,677)	(204,047)
Net Change in Cash & Cash Equivalents	(41,066)	31,181
Cash & Cash Equivalents at beginning of year	778,652	747,693
<b>Cash &amp; Cash Equivalents at end of period</b>	<b>737,586</b>	<b>778,874</b>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

# United Plantations Berhad

## Notes to the Interim Financial Report

### A1) Accounting Policies and Basis of Preparation

The Group falls within the scope definition of Transitioning Entities which are allowed to defer adoption of the Malaysian Financial Reporting Standards (“MFRS”) Framework. Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

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 2017. For the financial year ending 31 December 2014, the Group will continue to prepare financial statements using Financial Reporting Standards (“FRS”).

The interim financial statements for the individual Quarter- 3 months ended 31 December 2014 and its comparatives 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. However the information pertaining to the Cumulative Quarter 12 months ended 31 December 2014 and as of 31 December 2014 as applicable, and their comparatives as included in the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position and Condensed Consolidated Cash Flow Statement have been compiled based on the Consolidated Financial Statements duly audited by our external auditors, Ernst & Young.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. 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 2013.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following new Financial Reporting Standards (FRS), Amendments to FRS and IC Interpretations with effect from 1 January 2014.

On 1 January 2014, the Group adopted the following FRS, Amendments to FRS and IC Interpretations:-

- Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities
- Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 Levies

Adoption of the above Amendments 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:

# United Plantations Berhad

## Notes to the Interim Financial Report

<b>FRS, IC Interpretations and Amendments to IC Interpretations</b>		<b>Effective for annual periods beginning on or after</b>
Amendments to FRS 119	Defined Benefit Plans: Employee contributions	1 July 2014
Annual Improvements to FRS2 2010-2012 Cycle		1 July 2014
Annual Improvements to FRS2 2011-2013 Cycle		1 July 2014
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
FRS 9	Financial Instruments: Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139	To be announced

### A2) Audit Report

The auditor's report on the financial statements for the financial year ended 31 December 2013 was not qualified.

### 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 year.



# United Plantations Berhad

## Notes to the Interim Financial Report

### A5) Changes in Estimates

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

### A6) Equity and Debt Securities

As at 31 December 2014, the number of treasury shares held remained at 341,774 shares of RM1.00 each as there were no share buy-back nor any cancellation, re-sale or distribution of treasury shares in the current year. There were also no issuance of new shares or debt instruments in the current year.

### A7) Dividends Paid

1) The following dividends were paid on 20 May 2014 in respect of the financial year ended 31 December 2013:

Ordinary	(RM '000)
Final dividend 22.5% Paid	46,754
Special dividend 41.25% Paid	85,714
<b>Total</b>	<b>132,468</b>

2) An interim extraordinary special dividend was also paid on 25 September 2014 in respect of the financial year ending 31 December 2014:

Ordinary	(RM '000)
Interim extraordinary special 75.0% Paid	155,845

3) The following dividends were also paid on 19 December 2014 in respect of the financial year ending 31 December 2014:

Ordinary	(RM '000)
Interim dividend 20.0% Paid	41,558
Special dividend 10.0% Paid	20,779
<b>Total</b>	<b>62,337</b>

# United Plantations Berhad

## Notes to the Interim Financial Report

### A8) Segmental Information

Segmental information for the current year:

(RM '000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External Sales	407,898	612,312	1,633	-	1,021,843
Inter-segment Sales	225,030	-	-	(225,030)	-
	632,928	612,312	1,633	(225,030)	1,021,843
Segment Results:					
Profit before tax	321,279	27,225	7,100	-	355,604

### 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 2013.

### 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 significant changes in the composition of the Group for the year 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 26 February 2015.

# United Plantations Berhad

## Notes to the Interim Financial Report

### B1) Directors' Analysis of the Group's Performance for 12 Months Ended 31 December 2014

The Group's profit before tax for the year improved by 4.4% to RM 355.6 million from RM 340.5 million in 2013 resulting from:

#### Plantations

This major segment of the Group's profit before tax for the year decreased by 6.0% to RM 321.3 million from RM 341.7 million previously. The drop in profit before tax was mainly due to lower CPO price and higher costs of production for CPO/PK. The drop was however mitigated somewhat by the higher PK price. The average selling prices of CPO and PK achieved for the year were as follows:

Countries	Products	December 2014 Current year (RM/MT)	December 2013 Corresponding year (RM/MT)
Malaysia	CPO	2,353	2,702
Indonesia	CPO	2,301	2,179
Average	CPO	2,341	2,598
Malaysia	PK	1,774	1,283
Indonesia	PK	1,305	997
Average	PK	1,693	1,237

The main difference in CPO and PK prices between Malaysia and Indonesia is due to the different duty structures of CPO/PK and the refined products in the two countries.

The Group's CPO production increased marginally by 1.2% whereas PK production decreased by 2.3% in the current year from the previous year. The CPO selling price dropped by 9.0% whereas the PK selling price rose by 36.9% in the current year from 2013. CPO and PK production cost increased by 3.9% and 5.2% respectively in the same period..

CPO windfall gain tax incurred for the year at RM1.2 million was 333.2% higher than 2013's RM277,000. In 2014, the market monthly average prices of CPO were above the windfall gain tax threshold price of RM 2,500/MT from January to May whereas in 2013, the monthly average price of CPO were above the windfall gain threshold price for only the last two months in the year.

Interest income for the Group was marginally higher by 3.2% in the current year from the previous year due to higher rates obtained.

#### Refinery

The profit before tax of the refinery increased by 13.5% in the current year from the corresponding year due to higher sales of niche products as well as favourable hedging and trading positions in commodities.

# United Plantations Berhad

## Notes to the Interim Financial Report

### Others

The holding companies' investments in Indonesia recorded a RM11.3 million unrealized foreign exchange gain from IDR loans extended to Indonesian subsidiaries in the current year as compared to unrealized loss of RM 42.1 million reported in the corresponding year, this was due to the appreciation of IDR value by 4.7% against RM in the current year.

### B2) Comparison of Results with Preceding Quarter

Profit before tax decreased by 9.7% from RM 96.1 million in the preceding quarter to RM 86.8 million for the quarter under review. The drop was mainly due to lower production of CPO and PK by 4.6% and 13.9% respectively and lower selling prices of CPO and PK by 11.4% and 1.0% respectively in the same period.

The profit before tax of the refinery unit fell by 65.9% in the current quarter from the previous quarter mainly due to RM4.3 million provision of unrealised foreign exchange loss on the foreign currency hedging position as the result of depreciation of RM against USD in the last month of the year.

The lower profit before tax in the current quarter was cushioned somewhat by the RM9.9 million unrealised foreign exchange gain from IDR loans extended to Indonesian subsidiaries. This was due to 4.7% appreciation of IDR against RM in the current quarter.

### B3) Prospects and Outlook

Based on the current operating environment, UP is mindful of the challenges 2015 will bring. In accordance with its replanting policy, United Plantations will continue to replant large areas of its older and less productive oil palm stands in Malaysia during 2015. All areas in its Indonesian operations will be in production in 2015 which is expected to partly compensate for the crop loss from the replanted areas in Malaysia.

The US and South American soybean crop production and ending stocks are expected to increase further during 2015 which may extend the pressure on vegetable oil prices seen in 2014 due to the anticipated increase in supply.

The significant decline in mineral oil prices is expected to put further pressure on the vegetable oil price complex as it is likely that less vegetable oils will be converted into biodiesel. This will invariably have consequences that have not fully materialised.

However, the recent announcement by the Indonesian Government to increase subsidies for usage of palm oil in biofuels has supported prices. In addition, the wet weather experienced during December 2014 in Malaysia and parts of Indonesia have softened the bearishness stemming from the mineral oil price collapse and the prospective record soya bean crop. Furthermore, the depreciation of the Malaysian Ringgit against the USD has further supported CPO prices in Malaysian Ringgit and this is expected to continue into 2015 as the finalization of the quantitative easing programme by the US Federal Reserve and an interest rate rise is then expected to take place.

In view of the above, and with the current prevailing prices of palm oil and palm kernel in the market, the Board of Directors is of the view that the future looks more challenging. Nevertheless, with the prices contracted under our forward sales policy and with the Indonesian production partly compensating for the drop from the replanted areas in Malaysia, the Board of Directors expects that the results for 2015, will nevertheless be satisfactory.

# United Plantations Berhad

## Notes to the Interim Financial Report

### B4) Profit Forecasts

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

### B5) Taxation

The charge for taxation for the year ended 31 December 2014 comprises:

(RM '000)	Current Quarter	Current year-to-date
Current taxation	14,807	68,139
Deferred taxation	(1,023)	8,094
	13,784	76,233
Profit before taxation	86,834	355,604
Tax at the statutory income tax rate of 25%	21,708	88,901
Tax effects of expenses not deductible/(income not taxable) in determining taxable profit :		
Depreciation on non-qualifying assets	270	1,080
Double deductions for research and development	(140)	(608)
Overprovision of taxes in prior years	(253)	(688)
Others	(7,801)	(12,452)
<b>Tax expense</b>	<b>13,784</b>	<b>76,233</b>

### B6) Corporate Proposals

There were no corporate proposals which were announced but not completed as at 26 February 2015.

### B7) Group Borrowings

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 31 December 2014 was RM 795,000.

### B8) Material Litigation

There were no material litigations as at 26 February 2015.

# United Plantations Berhad

## Notes to the Interim Financial Report

### B9) Proposed Dividends

The Directors recommend a final single-tier dividend of 20% net per share or 20 sen net per share (2013: 22.5% net per share or 22.50 sen net per share) and a special single-tier dividend of 40% net per share or 40 sen net per share (2013: 41.25% net per share or 41.25 sen net per share) for the year ended 31 December 2014 on the issued ordinary share capital of the Company.

### B10) Earnings Per Share (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM278,030,000 (2013: RM251,831,000) and the weighted average number of ordinary shares of 207,792,492 (2013: 208,116,528) in issue during the year.

### B11) Disclosure of Realised and Unrealised Profits/Losses

(RM' 000)	As at 31/12/2014	As at 31/12/2013
Total retained profits of the Company and its subsidiaries:		
- Realised	<b>1,812,800</b>	1,906,157
- Unrealised	<b>(80,590)</b>	(54,369)
	<b>1,732,210</b>	1,851,788
Total share of accumulated losses from a jointly controlled entity:		
- Realised	<b>(1,695)</b>	(381)
Associated company:		
- Realised	<b>(51)</b>	(51)
	<b>1,730,464</b>	1,851,536
Consolidation adjustments	<b>(6,880)</b>	(55,152)
Total Group retained profits as per consolidated financial statements	<b>1,723,584</b>	1,796,204

# United Plantations Berhad

## Notes to the Interim Financial Report

### B12) Others

As United International Enterprises Limited which is the largest shareholder of the Company is listed in NASDAQ OMX Copenhagen A/S (Nasdaq CPH) and to comply with the directive of the Danish Business Authority, the Directors had under Note 10 (a) of the Annual Report 2013 presented the financial effect on the financial statements of the Group had biological assets been measured at fair value in accordance with IAS 41 Agriculture.

The fair valuation of the biological assets is based on the discounted cash flow method with the assumptions of prices, yield, costs etc based on long term historical averages. The Directors have as at 30 December 2014 reassessed these assumptions and present the financial effect on the Group had biological assets been measured at fair value in accordance with IAS41 Agriculture.

	31 December 2013			2014	31 December 2014		
	Biological assets	Deferred tax	Retained earnings	Result for the year	Biological assets	Deferred tax	Retained earnings
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FRS	376,719	97,476	1,796,204	279,371	398,720	105,389	1,723,584
Fair value adjustment of biological assets	60,670	-	60,670	223,404	223,404	-	223,404
Exchange differences	(29,202)	-	-	-	7,135	-	-
Deferred tax effect	-	15,168	(15,168)	(55,851)	-	55,851	(55,851)
Adjustments as at 1 January	556,752	143,820	431,458	-	588,220	158,988	476,960
Total adjustments	588,220	158,988	476,960	167,553	818,759	214,839	644,513
Adjusted to IFRS	964,939	256,464	2,273,164	446,924	1,217,479	320,228	2,368,097

By Order of the Board

#### A. Ganapathy

Company Secretary

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26 February 2015

## Contact information

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