

# Interim Report 2017



UNITED PLANTATIONS BERHAD

(Company no. 240-A)

Jendarata Estate • 36009 Teluk Intan • Darul Ridzuan • Malaysia

# United Plantations Berhad

## Condensed Consolidated Statement Of Comprehensive Income for the Six Months Ended 30 June 2017

(The figures have not been audited)

(RM '000)	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2017	2016	2017	2016
Revenue	355,262	277,734	734,495	537,314
Operating expenses	(227,843)	(213,435)	(512,529)	(428,375)
Other operating income	9,019	15,831	12,088	48,188
Finance costs	(10)	(7)	(10)	(12)
Interest income	6,131	6,852	11,739	13,995
Profit before taxation	142,559	86,975	245,783	171,110
Income tax expense	(32,281)	(14,412)	(57,318)	(38,693)
Profit after taxation	110,278	72,563	188,465	132,417
Profit for the period	110,278	72,563	188,465	132,417
Net profit attributable to:				
Equity holders of the parent	109,752	72,352	187,420	132,107
Non-controlling interests	526	211	1,045	310
	110,278	72,563	188,465	132,417
Earnings per share				
(i) Basic - based on an average 207,792,492 (2016:207,792,492) ordinary shares (sen)	52.82	34.82	90.20	63.58
(ii) Fully diluted (not applicable)	-	-	-	-

**The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.**

# United Plantations Berhad

## Condensed Consolidated Statement of Comprehensive Income for the Six Months ended 30 June 2017 (The figures have not been audited)

(RM '000)	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2017	2016	2017	2016
Profit for the period	<b>110,278</b>	72,563	<b>188,465</b>	132,417
Currency translation differences arising from consolidation	<b>(3,552)</b>	1,824	<b>(3,913)</b>	(2,170)
<b>Total Comprehensive income</b>	<b>106,726</b>	74,387	<b>184,552</b>	130,247
Total comprehensive income attributable to:				
Equity holders of the parent	<b>106,375</b>	73,605	<b>183,693</b>	129,625
Non-controlling interests	<b>351</b>	782	<b>859</b>	622
	<b>106,726</b>	74,387	<b>184,552</b>	130,247

**The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.**

# United Plantations Berhad

## Condensed Consolidated Statement of Financial Position as at 30 June 2017

(The figures have not been audited)

(RM '000)	30 June 2017	31 December 2016
<b>Assets</b>		
Non-Current Assets		
Biological assets	449,197	448,731
Property, plant and equipment	1,005,411	970,642
Land Use Rights	36,117	36,192
Associated company	50	50
Joint Venture	-*	-*
<b>Total non-current assets</b>	<b>1,490,775</b>	<b>1,455,615</b>
Current Assets		
Inventories	173,372	189,958
Trade & other receivables	213,659	293,239
Prepayments	2,055	2,475
Tax recoverable	139	6,247
Derivatives	-	3,456
Cash and bank balances	395,448	272,292
Short term funds	353,977	418,622
<b>Total current assets</b>	<b>1,138,650</b>	<b>1,186,289</b>
<b>Total assets</b>	<b>2,629,425</b>	<b>2,641,904</b>
<b>Equity and liabilities</b>		
Equity attributable to equity holders of the parent		
Share capital	390,054	208,134
Share premium	-	181,920
Treasury shares	(8,635)	(8,635)
Other reserves	27,259	30,986
Retained profits	1,960,613	1,949,817
	<b>2,369,291</b>	<b>2,362,222</b>
Non-controlling interests	6,203	5,344
<b>Total Equity</b>	<b>2,375,494</b>	<b>2,367,566</b>
Non-Current Liabilities		
Retirement benefit obligations	12,687	13,254
Provision for deferred taxation	120,384	115,184
Derivatives	5,983	178
<b>Total non-current liabilities</b>	<b>139,054</b>	<b>128,616</b>
Current Liabilities		
Trade & other payables	83,598	114,403
Tax Payable	27,143	16,152
Retirement benefit obligations	755	749
Derivatives	3,364	14,312
Bank borrowings	17	106
<b>Total current liabilities</b>	<b>114,877</b>	<b>145,722</b>
<b>Total liabilities</b>	<b>253,931</b>	<b>274,338</b>
<b>Total equity and liabilities</b>	<b>2,629,425</b>	<b>2,641,904</b>
Net assets per share (RM)	11.40	11.37

\*The carrying amount of the investment in joint venture is RM1.00

**The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.**

# United Plantations Berhad

## Condensed Consolidated Statement of Changes in Equity for the Six Months Ended at 30 June 2017 (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 2017	208,134	(8,635)	1,949,817	-	181,920	21,798	9,188	2,362,222	5,344	2,367,566
Total comprehensive income for the quarter	-	-	187,420	-	-	-	(3,727)	183,693	859	184,552
Dividends, representing total transaction with owners	-	-	(176,624)	-	-	-	-	(176,624)	-	(176,624)
	208,134	(8,635)	1,960,613	-	181,920	21,798	5,461	2,369,291	6,203	2,375,494
Transfer pursuant to S618(2) of CA 2016*	181,920	-	-	-	(181,920)	-	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>390,054</b>	<b>(8,635)</b>	<b>1,960,613</b>	<b>-</b>	<b>-</b>	<b>21,798</b>	<b>5,461</b>	<b>2,369,291</b>	<b>6,203</b>	<b>2,375,494</b>

Note: \*Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts shall become part of Share Capital.

Balance at 1 January 2016	208,134	(8,635)	1,828,121	893	181,920	21,798	3,167	2,235,398	3,158	2,238,556
Total comprehensive income for the quarter	-	-	132,107	(893)	-	-	(1,589)	129,625	622	130,247
Dividends, representing total transaction with owners	-	-	(145,455)	-	-	-	-	(145,455)	-	(145,455)
<b>Balance at 30 June 2016</b>	<b>208,134</b>	<b>(8,635)</b>	<b>1,814,773</b>	<b>-</b>	<b>181,920</b>	<b>21,798</b>	<b>1,578</b>	<b>2,219,568</b>	<b>3,780</b>	<b>2,223,348</b>

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 2016.

# United Plantations Berhad

## Condensed Consolidated Cash Flow Statements for the Six Months Ended 30 June 2017 (The figures have not been audited)

(RM '000)	6 months ended	
	2017	30 June 2016
Operating Activities		
-Receipts from operations	758,075	518,506
-Operating payments	(405,137)	(340,965)
Cash flow from operations	352,938	177,541
Other operating receipts	6,405	3,597
Taxes paid	(35,159)	(42,783)
Cash flow from operating activities	324,184	138,355
Investing Activities		
- Proceeds from sale of property, plant and equipment	148	64
- Interest received	10,881	16,436
- Purchase of property, plant and equipment	(79,851)	(37,141)
- Pre-cropping expenditure incurred	(19,197)	(19,430)
- Prepaid lease payments made	(931)	(645)
- Net Change in short term funds	64,645	(124,945)
Cash flow from investing activities	(24,305)	(165,661)
Financing Activities		
- Dividends paid	(176,624)	(145,455)
- Interest paid	(10)	(12)
Cash flow from financing activities	(176,634)	(145,467)
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>(123,245)</b>	<b>(172,773)</b>
<b>Cash &amp; Cash Equivalents at beginning of year</b>	<b>272,186</b>	<b>399,993</b>
<b>Cash &amp; Cash Equivalents at end of period</b>	<b>395,431</b>	<b>227,220</b>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

Short Term Funds of RM353,977,000 (2016: RM477,788,000) are excluded from Cash Flow Statements due to reclassification of Short Term Funds from Cash & Cash Equivalents as reported in the last Annual Audited Financial Statements.

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## 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 2018.

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 2018. For the financial year ending 31 December 2017, 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 2016. 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 2016.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the following new Financial Reporting Standards (FRS), Amendments to FRS and IC Interpretations with effect from 1 January 2017:

- FRS 107 Disclosures Initiatives (Amendments to FRS 107)
- FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)

Adoption of the above Amendments to FRS 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:

<b>FRS, IC Interpretations and Amendments to IC Interpretations</b>	<b>Effective for annual periods beginning on or after</b>
• FRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)	1 January 2018
• FRS 15 Revenue from Contracts with Customers	1 January 2018
• FRS 9 Financial Instruments	1 January 2018
• FRS 16 Leases	1 January 2019
• Amendments to FRS 10 and FRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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## Notes to the Interim Financial Report

### A2) Audit Report

The auditor's report on the financial statements for the financial year ended 31 December 2016 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 period.

### A5) Changes in Estimates

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

### A6) Equity and Debt Securities

As at 30 June 2017, 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 period. There was also no issuance of new shares or debt instruments in the current period.

### A7) Dividends Paid

The following dividends were paid on 17 May 2017 in respect of the financial year ended 31 December 2016:

Ordinary	RM'000
Final 20.0% Paid	41,559
Special 65.0% Paid	135,065
Total	176,624



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## Notes to the Interim Financial Report

### A8) Segmental Information

Segmental information for the current period:

(RM '000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External Sales	202,782	531,018	695	-	734,495
Inter-segment Sales	192,696	-	-	(192,696)	-
	395,478	531,018	695	(192,696)	734,495
Segment Results:					
Profit before tax	212,166	35,076	(1,459)	-	245,783

### 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 2016.

### 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 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 31 July 2017.

### B1) Directors' Analysis of the Group's Performance for 6 Months Ended 30 June 2017

The Group's profit before tax at RM245.8 million for the current period was higher by 43.6% as compared to RM171.1 million in the corresponding period. The analysis of the performance in accordance to the segments are as follows:-

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## Notes to the Interim Financial Report

### Plantations

This major segment of the Group's profit before tax for the current period decreased by 53.3% to RM212.2 million from RM138.4 million in the corresponding period. The increase in profit before tax was mainly due to higher production, higher CPO and PK prices and lower costs of production in the current period as compared to the corresponding period in 2016. CPO and PK production increased by 22.5% and 22.1% and cost of production of CPO and PK decreased by 21.6% and 4.1% respectively. The average selling prices of CPO and PK achieved for the period were as follows:-

Countries	Products	June 2017 Current Period (RM/MT)	June 2016 Corresponding Period (RM/MT)
Malaysia	CPO	2,486	2,282
Indonesia	CPO	2,701	2,132
Average	CPO	2,536	2,245
Malaysia	PK	3,181	1,854
Indonesia	PK	2,162	1,602
Average	PK	2,989	1,800

The overall average prices including Indonesia were higher than the corresponding period last year. However, the lower average CPO price achieved for Malaysia was due to certain CPO quantities having been sold earlier, based on our forward sales policy, at lower prices than the market prices in the current period.

In addition, due to the buying back of earlier BMD sales in order to sell physical CPO forward to our refinery at higher market prices including additional sustainability premiums, the average prices achieved in the first quarter were further depressed. The realized losses when buying back the earlier quantities sold through the BMD futures market were reflected immediately in the average sales prices. However, the corresponding physical CPO sales at higher prices to our refinery will only be reflected upon delivery in the subsequent quarters thereby improving the average prices during these periods significantly.

On average, the CPO price for the Group in the current period was 13.0% higher than the corresponding period whereas the average PK price was 66.1% higher in the same period.

As the result of higher production and higher CPO prices, CPO windfall gain tax incurred for the period at RM4.7m was 930% higher than RM0.46m incurred in the corresponding period in 2016.

Interest income for the Group was lower by 16.1% in the current period as compared to the corresponding period in 2016 due to lower deposits and lower rates obtained.

### Refinery

The profit before tax of the refinery increased marginally from RM34.5 million in the corresponding period in 2016 to RM35.1 million in the current period mainly due to favourable commodities hedging positions in the current period.

## Notes to the Interim Financial Report

### Others

As the result of the strengthening of Indonesian Rupiah against Malaysian Ringgit, the holding companies' investments in Indonesia recorded RM5.3 million foreign exchange losses from IDR loans extended to Indonesian subsidiaries in the current period, which is higher than the unrealized losses totaling RM4.1 million reported in the corresponding period of 2016.

### B2) Comparison of Results with Preceding Quarter

Profit before tax for the current quarter at RM142.6 million was higher by 38.1% as compared to RM103.2 million recorded in the preceding quarter.

The plantation division registered a 41.8% increase in the profit before tax in the current quarter from the previous quarter mainly due to a combination of higher production of CPO and PK, lower cost of production of CPO and a higher average CPO price achieved as explained under Note B1.

CPO production increased by 13% in the current quarter as compared to the preceding quarter, while PK production increased by 6.2%. Cost of production of CPO decreased by 10.6% in the current quarter as compared to the preceding quarter, while cost of production of PK increased by 6.6%. The average CPO price in the current quarter was 16.7% higher than the preceding quarter. However, the average PK price was 8.8% lower in the same quarter.

The refinery recorded a 36.3% increase in profit before tax mainly due to more favourable hedging and trading positions in the current quarter when compared with the previous quarter.

### B3) Prospects and Outlook

During the first half of 2017 there has been a significant recovery in palm oil production in both Malaysia and Indonesia. This resulted in palm oil prices falling back to test the RM 2400/MT level.

However, whilst the setback in FFB production arising from the consequences of the significant El Nino experienced in 2015/2016 has come to an end, it is now anticipated that the recovery in overall palm oil production for the full year 2017, may not be as large as initially expected. This has triggered a recent price rally bringing levels back to around RM 2700/MT.

The main risk for a lower production than initially anticipated is mainly continued labour shortages, in relation to especially the workforce assigned to crop harvesting and evacuation, which undoubtedly will have a negative impact on all plantations companies during the forthcoming peak crop expected in July-Sep 2017

Global vegetable oil stocks are still historically low and therefore any disruption of global vegetable oil production including palm oil would be a bullish factor on prices as the expected stock build would not materialize.

Nevertheless, with historically high U.S. soy bean plantings that took place in early 2017 and which will be harvested from September onwards, there may likely be a large recovery in global vegetable oil stocks. Whilst this would put a lid on further upward momentum on prices, the weather across the farming regions of the U.S. will be a significant price driver during the coming quarter and must be a factor closely watched.

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## Notes to the Interim Financial Report

In accordance with its replanting policy, UP will continue to replant large areas of its older and less productive oil palm stands in Malaysia during 2017. Cost efficiencies and improved productivity will therefore continue as a vital part of sustaining our positive development.

In view of the above and the current prevailing prices of palm oil and palm kernel oil in the market and with the prices contracted under our forward sales policy, coupled with large areas steadily coming into maturity from our replanted areas, the Board of Directors, whilst acknowledging the challenges ahead, expects that the results for 2017 will be satisfactory.

### 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 2017 comprises:

(RM '000)	Current Quarter	Current year-to-date
Current taxation	30,399	52,258
Deferred taxation	1,882	5,060
	32,281	57,318
Profit before taxation	142,559	245,783
Tax at the statutory income tax rate of 24%	34,214	58,988
Tax effects of expenses not deductible/(income not taxable) in determining taxable profit :		
Depreciation on non-qualifying assets	268	536
Reinvestment allowance and double deductions for research and development	(930)	(1,260)
Under/(over) provision of taxes in prior years	(5)	(359)
Others	(1,266)	(1,305)
<b>Tax expense</b>	<b>32,281</b>	<b>57,318</b>

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## Notes to the Interim Financial Report

### B6) Corporate Proposals

There were no corporate proposals which were announced but not completed as at 31 July 2017.

### B7) Group Borrowings

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 30 June 2017 was RM17,000.

### B8) Material Litigation

There was no material litigation as at 31 July 2017.

### B9) Proposed Dividends

No interim dividend has been declared or proposed for the year ending 31 December 2017.

### B10) Earnings Per Share (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM187,420,000 (2016: RM132,107,000) and the weighted average number of ordinary shares of 207,792,492 (2016: 207,792,492) in issue during the period.

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

(RM' 000)	As at 30/06/2017	As at 31/12/2016
Total retained profits of the Company and its subsidiaries:		
- Realised	2,062,875	2,030,781
- Unrealised	(99,836)	(82,244)
	1,963,039	1,948,537
Associated company:		
- Realised	(51)	(51)
	1,962,988	1,948,486
Consolidation adjustments	(2,375)	1,331
Total Group retained profits as per consolidated financial statements	1,960,613	1,949,817

# United Plantations Berhad

## Notes to the Interim Financial Report

### B12) Others

United International Enterprises Limited which is the largest shareholder of the Company and listed on NASDAQ OMX Copenhagen A/S (Nasdaq CPH) had early adopted Amendments to IAS16 and IAS41 for bearer plants issued by International Accounting Standard Board (IASB) which is equivalent to Amendments to MFRS116 and MFRS141 Agriculture: Bearer Plants as issued by Malaysian Accounting Standard Board (MASB). The Group does not early adopt these standards which will be effective 1 January 2018.

In compliance with Part D-Thorough Public Dissemination under Chapter 9 of Bursa's listing requirements which stipulated that disclosure should not be made on selective basis, the Group had under Note 31 of the Annual Report 2016 disclosed the financial effects of adoption of MFRS141 and will continue to make such disclosure until adoption of these standards in 2018.

Currently, the application of the amendments of MFRS141 are being discussed at the moment and there is no consensus as to how to measure the fruit growing on the palms. The Group is currently adopting a method of valuation that it believes best reflects the biological transformation of fruit bunches on palm trees and coconuts. The Group will, however, follow the development of an industry practice closely and it will align with the emerged consensus on how to measure the produce growing on the bearer assets upon issuance of a guidance. Based on the method of valuation adopted by the Group, the financial effects of the amendments of MFRS 141 as at 30 June 2017 are as follows:

	<b>Increase/(Decrease)</b>	
	<b>30/6/2017</b>	<b>30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Comprehensive Income	5,932	3,060
Biological Assets	5,932	3,060
Deferred Taxation	(1,424)	(734)
Equity	4,508	2,326

By Order of the Board

**Ng Eng Ho**

Company Secretary

Jendarata Estate  
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Malaysia

31 July 2017

## Contact information

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