Third Quarter Report
2021

UNITED PLANTATIONS BERHAD
(Company Registration No. 191701000045 (240 A))
Jendarata Estate • 36009 Teluk Intan • Perak Darul Ridzuan • Malaysia

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2021

(The figures have not been audited)

	Quarter ended 30 September			9 Months ended 30 September		
(RM'000)	2021	2020	Changes (%)	2021	2020	Changes (%)
Revenue	525,500	334,036	57.3%	1,407,023	947,262	48.5%
Operating expenses	(330,160)	(229,597)	43.8%	(947,202)	(592,759)	59.8%
Other operating income	3,842	5,690	-32.5%	14,048	13,944	0.7%
Finance costs	(7)	(6)	16.7%	(20)	(20)	0.0%
Interest income	2,349	4,563	-48.5%	4,700	12,897	-63.6%
Share of results of joint venture	(1,863)	3,743	-149.8%	(303)	4,410	-106.9%
Profit before taxation	199,661	118,429	68.6%	478,246	385,734	24.0%
Income tax expense	(44,695)	(22,525)	98.4%	(110,863)	(84,242)	31.6%
Profit after taxation	154,966	95,904	61.6%	367,383	301,492	21.9%
Profit for the period	154,966	95,904	61.6%	367,383	301,492	21.9%
Net profit attributable to:						
Equity holders of the parent	154,146	95,325	61.7%	364,756	300,101	21.5%
Non-controlling interests	820	579	41.6%	2,627	1,391	88.9%
	154,966	95,904	61.6%	367,383	301,492	21.9%
Earnings per share						
(i) Basic - based on an average 414,784,984 (2020:414,784,984) ordinary shares (sen)	37.16	22.98	61.7%	87.94	72.35	21.5%
(ii) Fully diluted (not applicable)	-	-	-	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2020.

Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2021

(The figures have not been audited)

	Quarter ended 30 September			9 Months ended 30 September		
(RM'000)	2021	2020	Changes (%)	2021	2020	Changes (%)
Profit for the period	154,966	95,904	61.6%	367,383	301,492	21.9%
Other comprehensive income:						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation	5,828	(14,776)	139.4%	3,406	(10,700)	131.8%
Cash flow hedge						
- changes in fair value	(86,830)	(28,716)	202.4%	(168,823)	7,047	-2495.7%
- transfers to profit or loss	33,470	26,467	26.5%	118,680	18,024	558.5%
Total Comprehensive income	107,434	78,879	36.2%	320,646	315,863	1.5%
Total comprehensive income attributable to:						
Equity holders of the parent	106,322	79,039	34.5%	317,849	315,011	0.9%
Non-controlling interests	1,112	(160)	795.0%	2,797	852	228.3%
	107,434	78,879	36.2%	320,646	315,863	1.5%

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2020.

United Plantations Berhad

Condensed Consolidated Statement of Financial Position as at 30 September 2021

(The figures have not been audited)

(RM'000)	30 September 2021	31 December 2020
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,204,203	1,209,385
Right-of-use assets	382,899	382,408
Associated company	50	50
Joint Venture	39,573	39,876
Goodwill	356,856	356,856
Other receivables	10,076	10,076
Deferred tax assets	21,774	3,831
Total non-current assets	2,015,431	2,002,482
Current Assets		
Biological assets	45,004	38,767
Inventories	158,956	134,451
Trade & other receivables	341,785	287,145
Prepayments	290	175
Tax recoverable	20,067	18,916
Derivatives	5,168	28,093
Cash and bank balances	229,322	128,537
Short term funds	331,825	336,283
Total current assets	1,132,417	972,367
Total assets	3,147,848	2,974,849
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	390,054	390,054
Treasury shares	(18,668)	(18,668)
Other reserves	(86,761)	(39,854)
Retained profits	2,383,586	2,288,440
	2,668,211	2,619,972
Non-controlling interests	12,686	10,931
Total equity	2,680,897	2,630,903
Non-Current Liabilities		
Deferred tax liabilities	154,469	149,705
Retirement benefit obligations	19,538	17,077
Derivatives	7,223	56
Total non-current liabilities	181,230	166,838
Current Liabilities		
Trade & other payables	98,069	94,921
Tax payable	71,168	26,687
Retirement benefit obligations	2,198	2,198
Derivatives	114,186	53,202
Bank borrowings	100	100
Total current liabilities	285,721	177,108
Total liabilities	466,951	343,946
Total equity and liabilities	3,147,848	2,974,849
Net assets per share (RM)	6.43	6.32

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2020.

United Plantations Berhad

Condensed Statement of Changes in Equity
for the Nine Months Ended 30 September 2021
(The figures have not been audited)

(RM'000)	Share Capital	Treasury shares	Retained profits	Cash flow hedge reserve	Capital reserve	Translation reserve	Total	Non-controlling interests	Total equity
	← Attributable to Equity Holders of the Parent →								
Balance at 1 January 2021	390,054	(18,668)	2,288,440	(40,476)	21,798	(21,176)	2,619,972	10,931	2,630,903
Total comprehensive income for the period	-	-	364,756	(50,143)	-	3,236	317,849	2,797	320,646
Dividends, representing total transaction with owners	-	-	(269,610)	-	-	-	(269,610)	-	(269,610)
Dividends to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	(1,042)	(1,042)
Balance at 30 September 2021	390,054	(18,668)	2,383,586	(90,619)	21,798	(17,940)	2,668,211	12,686	2,680,897
Balance at 1 January 2020	390,054	(18,668)	2,189,251	(22,235)	21,798	(15,612)	2,544,588	9,195	2,553,783
Total comprehensive income for the period	-	-	300,101	25,071	-	(10,161)	315,011	852	315,863
Dividends, representing total transaction owners	-	-	(217,762)	-	-	-	(217,762)	-	(217,762)
Balance at 30 September 2020	390,054	(18,668)	2,271,590	2,836	21,798	(25,773)	2,641,837	10,047	2,651,884

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2020.

United Plantations Berhad

Condensed Consolidated Cash Flow Statements
for the Nine Months Ended 30 September 2021
(The figures have not been audited)

	9 Months ended 30 September	
(RM'000)	2021	2020
Operating Activities		
-Receipts from operations	1,378,689	953,104
-Operating payments	(902,735)	(562,852)
Cash flow from operations	475,954	390,252
Other operating receipts	13,099	13,273
Taxes paid	(64,777)	(47,960)
Cash flow from operating activities	424,276	355,565
Investing Activities		
- Proceeds from sale of property, plant and equipment	949	671
- Interest received	4,324	12,428
- Purchase of property, plant and equipment	(69,875)	(73,980)
- Payment for right-of-use assets	(185)	(188)
- Net change in short term funds	4,458	(39,784)
Cash flow from investing activities	(60,329)	(100,853)
Financing Activities		
- Dividends paid	(269,610)	(217,762)
- Dividends paid to non-controlling shareholders of a subsidiary	(1,042)	-
- Finance costs paid	(20)	(20)
- Associated company	(8)	(8)
- Joint venture	7,518	25,731
Cash flow from financing activities	(263,162)	(192,059)
Net Change in Cash & Cash Equivalents	100,785	62,653
Cash & Cash Equivalents at beginning of year	128,437	91,513
Cash & Cash Equivalents at end of period	229,222	154,166

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2020.

Short Term Funds of RM331,825,000 (2020: RM407,576,000) are excluded from Cash Flow Statements due to reclassification of Short Term Funds from Cash & Cash Equivalents.

Notes To The Interim Financial Report

A1) ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim financial statements of the Group for the financial period ended 30 September 2021 are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 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 2020. 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 2020.

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

MFRS	Effective for annual periods beginning on or after
• Covid-19 Related Rent Concession beyond 30 June 2021 (Amendments to MFRS 16 Leases)	1 Apr 2021
• Amendments to MFRS 3: Business Combinations	1 Jan 2022
• Amendments to MFRS 116: Property, Plant and Equipment	1 Jan 2022
• Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 Jan 2022
• Amendments to MFRS1 First-time Adoption of Malaysian Financial Reporting Standards	1 Jan 2022
• Amendments to MFRS 9 Financial Instruments Arrangements	1 Jan 2022
• Amendments to MFRS 16 Leases – Illustrative Examples	1 Jan 2022
• Amendments to MFRS 141 Agriculture	1 Jan 2022
• Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 Jan 2023
• MFRS 17 Insurance Contracts	1 Jan 2023
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A2) AUDIT REPORT

The auditor's report on the financial statements for the financial year ended 31 December 2020 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 and La Nina.

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 period.

A6) EQUITY AND DEBT SECURITIES

As at 30 September 2021, the number of treasury shares held was 1,483,548 shares 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 7 May 2021 in respect of the financial year ended 31 December 2020: -

Ordinary	RM'000
Final Dividend of 15 sen paid	62,218
Special Dividend of 50 sen paid	207,392
Total	269,610

A8) SEGMENTAL INFORMATION

Segmental information for the current period:

(RM'000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External sales	459,936	945,906	1,181	-	1,407,023
Inter-segment sales	323,237	-	-	(323,237)	-
	783,173	945,906	1,181	(323,237)	1,407,023
Segment Results:					
Profit before tax	457,296	22,645	(1,695)	-	478,246

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 2020.

A10) EVENTS AFTER THE BALANCE SHEET DATE

There were no material events after the balance sheet date.

Notes To The Interim Financial Report

A11) CHANGES IN THE COMPOSITION OF THE GROUP

The Board of Directors has decided to dispose of its interest in a wholly-owned subsidiary, Butterworth Bulking Installation Sdn Bhd which over the years has lost its strategic importance due to changes in the direction of the Group's downstream activities with export shipments shifted from the North port to the Central/South ports. The disposal was completed on 1 November 2021 and does not have a significant impact on the financial performance of the Group in 2021.

Other than the disposal above, there were no other 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 8 November 2021.

B1) DIRECTORS' ANALYSIS OF THE GROUP'S PERFORMANCE FOR 9 MONTHS ENDED 30 SEPTEMBER 2021

The Group's revenue for the current period at RM1,407.0 million was higher by 48.5% as compared to RM947.3 million recorded in the corresponding period, mainly due to 27.1% and 60.2% increase in revenue from the plantation and the refinery segments respectively.

The Group's profit before tax at RM478.2 million for the current period was higher by 24.0% as compared to RM385.7 million in the corresponding period due to higher contribution from the plantation segment. The analysis of the performance in accordance to the segments are as follows:

Plantations

This major segment of the Group's revenue increased by 27.1% to RM783.2 million in the current period from RM616.0 million in the corresponding period. This increase was mainly due to higher Group CPO and PK production and higher average prices.

Group CPO and PK production increased by 3.1% and 2.2% respectively and Group CPO and PK prices achieved were 22.4% and 37.8% higher than the corresponding period. This resulted in the surge of profit before tax by 36.7% when compared to the corresponding period. The average selling prices of CPO and PK are as shown below:

Countries	Products	September 2021 Current Period (RM/MT)	September 2020 Corresponding Period (RM/MT)
Malaysia	CPO	3,087	2,561
Indonesia	CPO	2,899	2,211
Average	CPO	3,053	2,495
Malaysia	PK	2,127	1,603
Indonesia	PK	1,926	1,159
Average	PK	2,091	1,518

With palm oil prices traded in the range of RM3,160/mt to RM4,600/mt which are significantly above the windfall tax threshold of RM2,500/mt, the Malaysian plantation segment incurred RM37.8 million in windfall tax, a 1,046% jump from RM3.3 million incurred in the corresponding period last year.

Notes To The Interim Financial Report

Interest income for the Group was lower by 63.6% in the current period as compared to the corresponding period mainly due to lower bank deposits and lower rates. The lower bank deposits were mainly due to higher dividend paid, higher windfall taxes paid and higher MDEX deposit by our refinery unit for hedging purposes.

Refinery

The revenue for the refinery segment increased by 60.2% to RM945.9 million in the current period from RM590.3 million in the corresponding period mainly due to higher selling prices and sales volume by 50.9% and 6.2% respectively.

However, the profit before tax declined by 49.3% to RM22.6 million from RM44.6 million in the corresponding period. This was mainly due to timing differences of raw materials hedging versus delivery of finished goods. The immediate hedging loss recognized upon closing of the earlier hedged raw materials positions will be reversed upon delivery of the finished goods in the next quarters.

The profit before tax of the refinery segment as reported above includes the share of results of the joint-venture, Unifuji Sdn Bhd which has been equity accounted. The share of results of the joint venture decreased by 106.9% to a loss of RM0.3 million in the current period from a gain of RM4.4 million in the corresponding period mainly due to the recognition of unrealized foreign exchange losses in the current period.

Others

The other segments of the Group recorded a loss before taxation of RM1.7 million in the current period mainly as a result of the negative returns from the investment in unit trust fund due to increase in the market yield in the government bonds invested by the unit trust fund in the current period.

B2) COMPARISON OF RESULTS WITH PRECEDING QUARTER

(RM'000)	Current Quarter 30/9/2021	Preceding Quarter 30/6/2021	Changes %
Revenue	525,500	481,869	9.1%
Interest income	2,349	1,155	103.4%
Profit Before Tax	199,661	186,673	7.0%
Profit After Tax	154,966	136,707	13.4%

The Group's revenue for the current quarter at RM525.5 million was higher by 9.1% as compared to RM481.9 million recorded in the preceding quarter as a result of higher revenues from both the plantation and refinery segments by 19.2% and 8.7% respectively.

The profit before tax for the current quarter at RM199.7 million was higher by 7.0% as compared to RM186.7 million recorded in the preceding quarter. The reasons for the increase are as explained below.

Notes To The Interim Financial Report

Plantations

The plantation segment registered an increase in revenue of 19.2% in the current quarter from the preceding quarter mainly due to higher Group CPO and PK production by 7.5% and 13.8% respectively, and higher Group average CPO and PK prices by 5.7% and 0.9% respectively in the current quarter compared to the preceding quarter. As the result of this, the profit before tax of this segment increased by 19.3% in the current quarter as compared to the preceding quarter. With higher MPOB CPO price in the current quarter, the windfall tax incurred at RM15.9 million was 25.5% higher than the previous quarter.

Interest income for the Group was higher by 103.4% in the current quarter as compared to the preceding quarter due to higher bank deposits in the current quarter.

Refinery

The refinery segment recorded an increase in revenue of 8.7% in the current quarter mainly due to higher selling prices in the current quarter as compared to the preceding quarter. The profit before tax for the current quarter was lower by 40.3% as compared to the preceding quarter mainly due to timing differences of raw materials hedging versus delivery of finished goods and the recognition of unrealized foreign exchange losses, which are both expected to be reversed upon deliveries of finished goods and receipts of export proceeds.

The profit before tax of the refinery segment as reported above includes the share of loss of RM1.9 million in the current quarter against a RM3.4 million gain in the preceding quarter mainly due to the recognition of unrealized foreign exchange losses in the current quarter.

B3) PROSPECTS AND OUTLOOK

The Covid-19 pandemic has for over 18 months had far reaching consequences to most commodity markets including vegetable oil markets and energy markets amongst others. Improving vaccination rates, combined with the enormous global stimulus amounting to USD10.4 trillion has unleashed a surge in demand for an array of household appliances, electronics, chemicals, cars, holidays amongst others and last but not least food products. The sudden increase has seen a knock-on effect on energy demand and with that global energy prices triggering an unprecedented surge in inflationary pressure as the global production system simply cannot catch up with this renewed demand. New bottlenecks and delays in freight logistics such as port congestions, labour shortages, etc. have exacerbated the situation, the consequences of which have now set in motion a global rally for most commodities let alone products in general. Within the palm oil industry, several of these factors have been felt but above all the shortage of guest workers/labour continues to be a painful reminder of how fragile and labour intensive the oil palm industry is. Significant losses of fresh fruit bunches left unharvested in the fields has therefore been a growing trend in the Malaysian palm oil industry during 2021. Indeed, Malaysian production has declined by 9.7% during the first 9 months of the year vis-à-vis the same period in 2020 all a function of the inability to bring out the crop due to a chronic labour shortages. The decline of over 1.3 million mt of CPO during the first 9 months has been the main contributing factor for the very bullish palm oil prices experienced in the last 3 to 6 months.

The acute shortage of guest workers (around 85% percent of the total labour force in the Malaysian plantation sector are guest workers) has proven to be a significant challenge for the plantation industry during the last 18 months including United Plantations. The Malaysian Government now fully recognizes this problem and in early October announced that due consideration will be given to prioritize the permission to commence a recruitment process to bring in 32,000 guest workers into the country, subject to strict adherence to Covid-19 measures. Whilst this is a positive development, the main challenge for the plantation sector is to onboard these workers as expeditiously as possible including the steps required to provide them with work permits, vaccinations and other important pre-conditions before work can proceed. It is therefore not a measure that will create relief in the last quarter of 2021 and at best case the industry will only likely feel the positive impact of this by the end of the first quarter of 2022.

As a consequence, most market price forecasters have lowered their 2021 CPO production estimates from around 20 million mt to currently around 18 million mt which has resulted in very bullish palm oil prices. Uncertainty regarding 2022 production (ie. LMC at 18.4 million mt and Dorab Mistry at 19.2 million mt) is also considered as a key supportive factor for the current high prices as many uncertainties remain unaddressed. Nevertheless, like many asset prices currently seen around the world, the Board views the current palm oil prices as being excessive and expects a correction to take place in the coming months.

On the weather front, the Australian Bureau of Meteorology has changed their El Niño–Southern Oscillation Outlook (ENSO) from inactive to La Nina "watch" (1st September) and then to La Nina "Alert" (12th October). Whether it will be a mild or strong La Nina, is still too early to determine, but the next planting season in South America is to be watched closely.

Other edible oil supplies are, like palm oil, tight and most edible oil markets are in an inverse market structure with high prices in the spot month and large discounts on the forward months. The current high edible oil, energy and logistic prices are adding pressure on consumers worldwide and these higher markets are influencing other markets as well. One example being fertiliser prices which have gone up significantly due to higher demand and supply constraints which will impact overall production costs negatively in 2022.

With Covid-19 continuing its presence around the world and in broad parts of South East Asia including Malaysia, due attention is being directed towards doing what is practically possible to mitigate this risk of Covid-19 entering UP's premises which would result in a temporary shut-down of our factories or plantation operations. The Board is therefore pleased that 99% of the employees have now been fully vaccinated throughout our Group, a goal which management has been pursuing relentlessly.

The Board still views the Covid-19 pandemic as well as the acute labour shortages as being the two largest risks in the foreseeable future. However, with UP´s positive liquidity and conservative capital resources, the Board believes that the Company based on the present fundamentals will be able to perform satisfactorily without the need for any asset impairments arising from the current Covid-19 pandemic.

UP will, in accordance with its replanting policy, continue to replant areas of its older and less productive oil palm stands in Malaysia during the final quarter of 2021. Cost efficiencies and improved productivities including optimizing all possible steps of mechanization will continue as a vital part of sustaining our positive development going forward.

With the significant uncertainties related to the consequences of the Covid-19 pandemic, it is difficult to predict the results for 2021. However, based on the increased palm oil prices and the company's ability to avoid any significant crop losses in spite of the acute labour shortages experienced during the year, the Board of Directors expect that the results for the year will be satisfactory and better than in 2020.

B4) PROFIT FORECASTS

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

Notes To The Interim Financial Report

B5) OPERATING PROFIT

Included in the operating profit are the following:

(RM '000)	*Current Quarter*	*Current year-to-date*
Depreciation and amortisation	(25,466)	(76,433)
Realised foreign exchange gains/(losses)	2,833	9,790
Realised gains/(losses) on commodities futures contracts	(28,724)	(140,966)
Fair value gains/(losses):		
- Forward foreign exchange contracts	(6,723)	(20,169)
- Commodities futures contracts	(19,136)	5,270
Gain/(loss) on disposal of property, plant and equipment	(663)	135

The year-to-date realised loss of RM141 million from commodities futures contracts was a result of hedging losses due to timing differences of raw material hedges versus delivery of finished goods as explained under Notes B1 and B2. The high hedging loss was because of the significant increase in CPO prices since entering into the earlier BMD commodity futures sales. Upon buying back of the earlier entered BMD commodity futures sales there are immediate losses, however, these hedging losses had been and will continue to be reversed in the coming quarters through significantly higher contributions upon delivery of finished goods based on earlier purchased CPO at lower prices as part of the raw material hedge.

B6) TAXATION

The charge for taxation for the period ended 30 September 2021 comprises:

(RM '000)	*Current Quarter*	*Current year-to-date*
Current taxation	45,270	108,107
Deferred taxation	(575)	2,756
	44,695	110,863
Profit before taxation	199,661	478,246
Tax at the statutory income tax rate of 24%	47,919	114,779
Tax effects of expenses not deductible / (income not taxable) in determining taxable profit:		
Depreciation on non-qualifying assets	268	804
Double deductions for research and development	(1,080)	(3,240)
Others	(2,412)	(1,480)
Tax expense	44,695	110,863

B7) CORPORATE PROPOSALS

There were no corporate proposals which were announced but not completed as at 8 November 2021.

B8) GROUP BORROWINGS

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 30 September 2021 was RM100,000.

B9) FINANCIAL INSTRUMENTS

a) Derivatives

Derivatives not designated as hedging instruments

The Group uses forward currency contracts and commodity futures contracts to manage its exposure to currency and price risks, as well as to take advantage of favourable market conditions. The forward currency contract is not designated as cash flow or fair value hedges and is entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Derivatives designated as hedging instruments – Cash flow hedge

Commencing from 1 October 2018, the Group has designated certain commodity futures contracts as hedging derivatives to reduce the volatility attributable to price fluctuations of crude palm oil ("CPO"). Hedging of the price volatility of forecast CPO is in accordance with the risk management strategy outlined by the Board of Directors.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity price and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity price and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The fair values of these derivatives as at 30 September 2021 are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Assets RM'000	Liabilities RM'000
Current			
Non-hedging derivatives:			
Forward currency contracts	200,752	-	(7,173)
Commodity futures contracts	(423,300)	5,168	-
Hedging derivatives:			
Commodity futures contracts	365,732	-	(107,013)
		5,168	(114,186)
Non-current			
Hedging derivatives:			
Commodity futures contracts	117,391	-	(7,223)
		-	(7,223)
Total derivatives		5,168	(121,409)

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 31 December 2020.

The description, notional amount and maturity profile of each derivative are shown below:

i) Forward currency contracts

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date.

The forward currency contracts are stated at fair value. Fair value of the forward currency contracts is determined by reference to the difference between the contracted rate and the market rate as at the reporting date.

As at 30 September 2021, the notional amount, fair value and maturity tenor of the forward currency contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	200,752	(7,173)
- 1 year to less than 3 years	-	-
- More than 3 years	-	-
	200,752	(7,173)

ii) Commodity futures contracts

Commodity futures contracts are used to manage and hedge the Group's exposure to adverse price movements in vegetable oil commodities.

The commodity futures contracts are stated at fair value. Fair value of the commodity futures contracts is determined by reference to the difference between the contracted rate and the forward rate as at the reporting date.

As at 30 September 2021, the notional amount, fair value and maturity tenor of the commodity futures contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	(57,568)	(101,845)
- 1 year to less than 3 years	117,391	(7,223)
- More than 3 years	-	-
	59,823	(109,068)

b) Fair Value Changes of Financial Liabilities

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

B10) MATERIAL LITIGATION

There was no material litigation as at 8 November 2021.

B11) PROPOSED DIVIDENDS

The Board has on 6 November 2021 approved and adopted the following Policy:

Dividend Policy & Distribution Guidelines

United Plantations Berhad (UP) shall distribute Annual Dividends to its shareholders and will use the following guidelines to determine and pay such dividend.

The dividend policy of UP is to pay dividends to our shareholders from distributable profits as may be determined by our Board of Directors from time to time, subject to:

1) Our capital expenditure and other investment plans
2) Our available cash and cash equivalents
3) Our debt/equity ratio
4) Our anticipated future growth and overall earnings

Based on the above factors, we shall endeavor to have an annual dividend (interim and final) payout ratio of between 70-80%. Any special or extraordinary dividend declared and paid may result in exceeding this pay-out ratio.

Frequency and Timing

Subject to our performance, dividends will normally be paid twice a year, in the form of an interim dividend and a final dividend.

Interim dividend

Our interim dividend which is declared during our financial year is announced with our 3rd quarter results in November and paid in December.

Of the total dividend being paid out, our aim over time is to narrow the gap between the interim and final dividend amount, however, with the larger portion being paid as a Final Dividend in May.

Final dividend

Our final dividend is proposed after the end of our financial year with the announcement of our full year audited results in February. Subject to being approved at the AGM in April, the final dividend is usually paid out in May.

Special and extraordinary dividend

If our earnings exceed normal levels in a historical perspective, or in relation to extraordinary or one-off gains, the Board of Directors may declare special or extraordinary dividends which should not be seen as naturally recurring. Any special or extraordinary dividend declared and paid may result in exceeding the pay-out ratio of between 70-80%.

Review of the dividend policy

Our dividend policy is subject to review by the Board of Directors and may be amended from time to time.

Notes To The Interim Financial Report

Disclaimer

Our dividend policy does not represent a commitment on the future dividends of United Plantations but represents a general guidance on the dividend policy.

Policy approval and disclosure

Our dividend policy was approved by the Board of Directors on the 6 November 2021 and has been uploaded on our website at: http://www.unitedplantations.com/share-information

The Directors have in accordance to the above Dividend Policy and Distribution Guidelines as on 8 November 2021 declared an interim dividend of 30 sen per share (2020: interim dividend of 15 sen per share and special dividend of 5 sen) for the year ending 31 December 2021 on the issued ordinary share capital of the Company. The dividend is payable on 3 December 2021.

B12) EARNINGS PER SHARE (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM364,756,000 (2020: RM300,101,000) and the weighted average number of ordinary shares in issue of 414,784,984 (2020: 414,784,984) in issue during the period.

By Order of the Board

Ng Eng Ho
Company Secretary

Jendarata Estate
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Perak Darul Ridzuan
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8 November 2021

Contact information

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