Company No : 419232-K

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

1 Basis of Preparation

The interim financial report has been prepared in compliance with FRS 134, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements.

The preparation of an interim financial report in conformity with FRS 134, Interim Financial Reporting, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to- date basis. Actual results may differ from these estimates.

This interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2008. It contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 December 2008. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with FRSs.

The statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office.

2 Impending Change of Accounting Policies

The Group and the Company have not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	**Effective date**
FRS 4, *Insurance Contracts*	1 January 2010
FRS 7, *Financial Instruments: Disclosures*	1 January 2010
FRS 8, *Operating Segments*	1 July 2009
FRS 123, *Borrowing Costs*	1 January 2010
FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* and FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2010
Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*	1 January 2010
IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
IC Interpretation 10, *Interim Financial Reporting and Impairment*	1 January 2010
IC Interpretation 11 *FRS 2, Group and Treasury Share Transactions*	1 January 2010
IC Interpretation 13, *Customer Loyalty Programmes*	1 January 2010
IC Interpretation 14 *FRS 119, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs / Interpretations, other than FRS 4 and IC Interpretations 9 and 13 which are not applicable to the Group and the Company, from the annual period beginning 1 January 2010.

FRS 7 and FRS 139

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30 (b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

FRS 8

FRS 8, which replaces FRS 114, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see note 9).

FRS 123

FRS 123 which replaces FRS 123_{2004}, removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets.

Amendments to FRS 1 and FRS 127

FRS 1 has been amended to allow first-time adopters of the FRS framework to measure the initial cost of investments in subsidiaries, jointly controlled entities (JCE) and associates either at fair value or the previous carrying amount. Without this amendment, first-time adopters may face practical difficulties on transition to the FRS framework as these investments would have to be measured in accordance with FRS 127 retrospectively. As a result, the requirement to distinguish between pre and post acquisition dividends from a subsidiary, JCE or associates is removed but at the same time, a new impairment indicator is included in the standard on impairment.

FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its parent. Under the new rules, the new parent measures the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date.

Amendments to FRS 2

The amendments to FRS 2 clarify that vesting conditions are service conditions and performance conditions only and do not include other features of a share-based payment; also the amendments clarify that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity.

IC Interpretation 10

IC Interpretation 10 prohibits the reversal of an impairment loss recognized in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IC Interpretation 10 will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group first applied the measurement criteria of FRS 136 and FRS 139 respectively.

IC Interpretation 11

IC Interpretation 11 clarifies how share-based payment transactions involving its own or another entity's instruments in the same group are to be treated and that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity.

IC Interpretation 13

IC Interpretation 13 explains how entities that grant loyalty award points to its customers should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.

IC Interpretation 14

IC Interpretation 14 addresses how entities should determine the limit placed on the amount of a surplus in a pension plan they can recognise as an asset. Also, it addresses how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19.

3 Auditors' Report on Preceding Annual Financial Statements

The auditors have expressed an unqualified opinion on the audited financial statements for the year ended 31 December 2008 in their report dated 6 April 2009.

4 Seasonality or Cyclicality of Operations

The Group's operations were not subject to any seasonal or cyclical changes for the current quarter under review.

5 Unusual Items

There are no unusual items that have any material impact on the interim financial report.

6 Changes in Estimates

There were no changes in estimates that have had a material effect on the current quarter and financial year-to-date results.

7 Debt and Equity Securities, Share Buy-back

There were no issuances or repayment of debt or equity securities during the financial quarter under review.

As at 31 March 2009, the number of shares repurchased and retained as treasury shares are 199,400 shares.

8 Dividend

A third interim franked dividend of 5 sen per share less 25% tax for the financial year ended 31 December 2008 amounting to RM8,041,189 was paid on 23 January 2009 to depositors registered in the Record of Depositors at the close of business on 31 December 2008.

No dividend has been proposed by the Directors for the financial quarter under review.

9 Segmental Reporting

	Revenue from external customers		Profit before tax	
	Period ended 31 March			
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Timber products	103,676	122,560	4,322	4,923
Oil palm	30,095	39,601	6,706	11,247
Reforestation	175	409	32	252
Property development	2,416	1,050	352	223
	136,362	163,620	11,412	16,645

10 Valuation of property, plant and equipment

The valuations of buildings, wharf and jetty have been brought forward, without amendment from the previous audited financial statements.

11 Subsequent Events

There were no significant events that have occurred during the interval between the end of the current quarter and the date of this announcement.

12 Changes in Composition of the Group

There were no changes in the composition of the Group during the financial quarter under review.

13 Contingent Liabilities or Assets

The Group has no contingent liabilities or assets for the financial quarter under review.

14 Trade and Other Receivables

	As At 31 March 2009 RM'000	**As At 31 December 2008 RM'000**
Non-current assets		
Advances to sub-contractors	3,009	3,103
Current assets		
Trade receivables	13,052	18,885
Income tax recoverable	3,257	4,424
Interest receivable	8	17
Other receivables	4,485	4,280
Deposits	858	1,006
Prepayments		
-Plant & machinery	1,505	373
-Land premium	6,504	5,445
-Others	3,954	6,671
Advance to a log supplier	950	950
Advances to sub-contractors	600	573
	35,173	42,624
	38,182	45,727

'Advances to sub-contractors' are the balance of unsecured and interest-free advances to sub-contractors made to allow the sub-contractors to finance the purchase of machinery and equipment. The advances are progressively off-set against subsequent contract fees payable to the sub-contractors.

15 Capital Commitments

	As At 31 March 2009 RM'000
Property, plant and equipment	
-Contracted but not provided for in the financial statements	4,847
-Authorised but not contracted for	6,024
	10,871
Plantation Development Expenditure	
-Contracted but not provided for in the financial statements	-
-Authorised but not contracted for	89,916
	100,787

16 Review of Performance

For the quarter under review, the revenue and net profit were RM136.4 million and RM8 million respectively compared to the revenue of RM163.6 million and net profit of RM13.8 million registered in the corresponding quarter in 2008.

Lower plywood average selling price and sales volume mainly accounted for the decrease in profit.

17 Variation of Results as compared to the Preceding Quarter

The revenue of the Group decreased from RM162.5 million in the preceding quarter to RM136.4 million in the current quarter while the profit for the current quarter was RM8 million compared to a loss of RM14.9 million for the preceding quarter.

Lower selling price and sales volume of plywood products and a drop in FFB production in the low crop season resulted in the lower revenue reported in the quarter. In the quarter under review, the Group recorded an unrealised exchange gain of RM3.1 million compared to an unrealised exchange loss of RM22.7 million reported in the preceding quarter.

18 Current Year Prospects

Plywood market is expected to be lacklustre for the second quarter of 2009 with price outlook remaining flattish but the demand is anticipated to pick up in the second half of 2009 as the economic stimulus packages of importing countries are being implemented.

Demand for logs is still strong particularly from India while the surge in CPO price is a booster for the oil palm division. The two divisions will be playing an increasing role in revenue and profit contribution pending the recovery in the plywood market.

The cost savings drive by the Group for the first quarter has yielded encouraging result and pinpointed the areas where further cost cutting could be expected. The Group will intensify its cost savings efforts and enhance operational efficiency to lower operating cost.

The Board is confident that with the concerted efforts of management and staff, the performance of the Group is expected to be satisfactory for the year 2009.

19 Profit forecast

Not applicable as the Group did not publish any profit forecast.

20 Taxation

The taxation charges of the Group for the period under review are as follows:

	Current Quarter		**Cumulative Quarter**	
	31 March 2009 RM'000	**31 March 2008 RM'000**	**Current Year To Date 31 March 2009 RM'000**	**Preceding Year Corresponding Period 31 March 2008 RM'000**
Current tax expense				
Malaysian - current	2,981	2,659	2,981	2,659
- prior	-	-	-	-
Deferred tax expense	400	138	400	138
Total	3,381	2,797	3,381	2,797

21 Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	As at 31 March 2009 RM'000	**As at 31 March 2008 RM'000**
Deposits (excluding pledged deposits)	11,306	51,490
Cash and bank balances	37,310	23,413
	48,616	74,903

22 Unquoted Investment and Properties

There was no sale of unquoted investments and/or properties during the financial quarter under review.

23 Quoted Investments

There was no purchase or disposal of quoted securities during the financial quarter under review.

24 Status of Corporate Proposal

There were no corporate proposals announced or pending completion as at the date of this announcement.

25 Group Borrowings and Debt Securities

Total Group borrowings as at 31 March 2009 were as follows: -

		Repayable within 12 months	Repayable after 12 months
		RM'000	**RM'000**
Unsecured -	Foreign currency loans	40,347	62,416
	Bankers' acceptances/Export Credit Refinancing	50,736	-
	Revolving Credits	28,000	-
	Term loans	10,060	115,398
Secured -	Hire purchase loans	22,911	1,347
	Term loans	-	32,105
Total		152,054	211,266

All borrowings are denominated in Ringgit Malaysia except for the foreign currency loans which are denominated in Japanese Yen, Australian Dollar and US Dollar.

26 Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this announcement.

27 Material Litigation

There are no pending material litigations as at the date of this announcement.

28 Significant Related Party Transactions

	Period ended 31 March	
	2009	**2008**
Transactions with associates	**RM'000**	**RM'000**
Contract fees	3,531	4,062
Purchase of diesel and lubricants	1	32
Hiring of equipment	45	-
Income from rental of premises	(5)	-
Sales of equipment	(124)	-
Sales of plywood	(57)	(76)
Sales of sawn timber	-	(326)
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	10,380	12,915
Food ration expenses	1,096	1,189
Handling fees, transportation & freight charges	3,880	3,893

Hiring of equipment	-	30
Insurance premium	579	883
Purchase of equipment	-	12
Rental of premises paid	6	26
Purchase of spare parts, fertilizer & consumables	1,171	5,476
Purchase of timber logs	4,098	5,103
Purchase of sawn timber	38	55
Security charges	21	21
Computer hardware & Software development fees	49	212
Purchase of diesel and lubricants	2,645	3,980
Purchase of fresh fruit bunches	4,141	8,179
Road toll received	(160)	(153)
Sales of logs/plywood	(1,274)	(946)
Sales of sawn timber	(3,085)	(3,747)
Sales of empty drum	(3)	-
Sales of kernel shell	(5)	-
Income from rental of premises	(10)	(26)

29 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	Period ended 31 March	
	2009	**2008**
	RM'000	**RM'000**
Directors		
- Fees	154	139
- Remunerations	637	672
- Other short-term employee benefits	103	95
	894	906
Other Key Management Personnel:		
- Salaries, allowances and bonuses	624	419
- Other short-term employee benefits	102	40
	726	459
Total	1,620	1,365

30 Earnings Per Share

	Current quarter ended 31 March 2009	**Current Year-To-Date 31 March 2009**
(a) **Basic**		
Net profit attributable to ordinary equity holders of the Company	RM8,710,002	RM8,710,002
	==========	==========
Weighted average number of ordinary shares in issue	214,431,718	214,431,718
	==========	==========
Basic earnings per ordinary share (sen)	4.06	4.06
	====	====
(b) **Diluted**	4.06	4.06
	====	====

31 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 May 2009.