

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

1 Basis of Preparation

The interim financial report has been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of Listing Requirements of the Bursa Malaysia Securities Berhad.

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 2009. 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 2009. 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 2009 are available from the Company's registered office.

2 Significant Accounting Policies

2.1 Change in accounting policies

The significant accounting policies adopted in the preparation of this interim financial report are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following standards, amendments and interpretations:

- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs*
- FRS 139 and Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 101, *Presentation of Financial Statements*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- Improvements to FRSs (2009)

The principal effects of the changes in presentation, changes or methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and amendments are set out below.

FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments and the new accounting policies are as follows:

D) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, as its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

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Financial instrument categories and subsequent measurement

The Group categorises financial instruments as follows:

Financial assets

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) of financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d) Available-for-sale financial assets

Available-for-sale category comprises investments in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

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Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at fair values with the gain or loss recognised in profit or loss.

Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting relates to:

- a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Trade receivables

Prior to the adoption of FRS 139, trade receivables were initially recognised at their cost and subsequently stated at cost less allowance for doubtful debts. With the adoption of FRS 139, trade receivables are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Interest income is recognised in the profit or loss using the effective interest method.

The adoption of the other new and revised FRSs, IC Interpretations and Amendments has no effect to the Group's consolidated financial statements of the current quarter or the comparative consolidated financial statements of the prior financial year.

Effects of Application of New Policies

The application of the above new policies has the following effects:

Group	Retained earnings	
	2010 RM'000	2009 RM'000
At 1 January, as previously stated	485,613	416,044
Adjustments arising from adoption of FRS 139:		
- Remeasurement of trade receivables	(516)	-
At 1 January, as restated	<u>485,097</u>	<u>416,044</u>

2.2 Standards, Amendments and Interpretations yet to be adopted

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board but are only effective for annual periods beginning on or after the respective dates indicated herein.

FRS / Interpretation	Effective date
Amendments to FRS 132, <i>Financial Instruments: Presentation – Classification of Right Issues</i>	1 March 2010
FRS 1, <i>First-time Adoption of Financial Reporting Standards</i> (revised)	1 July 2010
FRS 3, <i>Business Combinations</i> (revised)	1 July 2010
FRS 127, <i>Consolidated and Separate Financial Statements</i> (revised)	1 July 2010
Amendments to FRS 2, <i>Share-based Payment</i>	1 July 2010
Amendments to FRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 138, <i>Intangible Assets</i>	1 July 2010

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Amendments to IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 July 2010
IC Interpretation 12, <i>Service Concession Agreements</i>	1 July 2010
IC Interpretation 16, <i>Hedges of Net Investment in Foreign Operation</i>	1 July 2010
IC Interpretation 17, <i>Distribution of Non-cash Assets to Owners</i>	1 July 2010
Amendments to FRS 1, - <i>Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters</i> - <i>Additional Exemption for First-time Adopters</i>	1 January 2011
Amendments to FRS 7, <i>Improving Disclosures about Financial Instruments</i>	1 January 2011
Amendments to FRS 2, <i>Group Cash-settled Share-based Payments Transactions</i>	1 January 2011
IC Interpretation 4, <i>Determining whether an Arrangement Contains a Lease</i>	1 January 2011
IC Interpretation 18, <i>Transfer of Assets from Customers</i>	1 January 2011
IC Interpretation 15, <i>Agreements for the Construction of Real Estate</i>	1 January 2012

The Group plans to apply:

- From the annual period beginning on 1 January 2011 those standards, amendments and interpretations as listed above that are effective for annual periods beginning on or after 1 March 2010, except for FRS 1 (revised), Amendments to FRS 2, Amendments to FRS 5, Amendments to FRS 132, Amendments to ICI 9, ICI 12, ICI 16, ICI 17 and ICI 18 which are not applicable to the Group.

The initial application of a standard, an amendment or an interpretation, which is to be applied prospectively, is not expected to have any financial impacts to the financial statements for the current and prior periods upon their first adoption.

FRS 3 (revised), which is to be applied retrospectively, incorporates the following changes to the existing FRS 3:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debts issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

The amendments to FRS 127 require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders.

The amendments to FRS 127 further require all losses attributable to minority interest to be absorbed by minority interest i.e., the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest.

The above changes to FRS 127 are not expected to have material impacts to the Group.

The amendments to FRS 138, to be applied retrospectively, clarify, inter-alia, that other amortisation methods, apart from the straight line method, may be used for intangible assets with finite useful lives. The adoption of any of the amendments to FRS 138 will result in a change in accounting policy.

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ICI 4 provides guidance for determining whether certain arrangements are, or contain, leases that are required to be accounted for in accordance with FRS 117, *Leases*. Where an arrangement is within the scope of FRS 117, the Group applies FRS 117 in determining whether the arrangement is a finance or an operating lease. The adoption of ICI 4 will result in a change in accounting policy.

ICI 15 replaces the existing FRS 201₂₀₀₄, *Property Development Activities* and provides guidance on how to account for revenue from construction of real estate. The adoption of IC Interpretation 15 by the Group for the year ending 31 December 2012, to be applied retrospectively, will result in a change in accounting policy in that the recognition of revenue from the property development activities will change from the percentage of completion method to the completed method.

Financial Reporting Standards will be fully converged with International Financial Reporting Standards by 1 January 2012. The financial impact and effects on disclosures and measurement consequent on such convergence are dependent on the issuance of such new or revised standards, amendments and interpretations by Malaysian Accounting Standards Board as are necessary to effectuate the full convergence.

The potential impacts on the financial statements for the year ended 30 September 2010 and 30 September 2009 on initial application of ICI 15 are summarized as follows:

	As currently stated DR/(CR) RM'000	Effects on adoption of IC Interpretation 15 DR/(CR) RM'000	If restated DR/(CR) RM'000
30 September 2010			
Statement of financial position			
Property development costs	2,964	-	2,964
Inventories	192,483	-	192,483
Accrued billings	34	-	34
Deferred tax assets	631	-	631
Retained earnings	(527,337)	-	(527,337)

	As currently stated RM'000	Effects on adoption of IC Interpretation 15 RM'000	If restated RM'000
Statement of comprehensive income			
Revenue	607,724	-	607,724
Cost of sales	460,729	-	460,729
Profit before tax	66,085	-	66,085
Tax expense	19,852	-	19,852
Profit for the year	46,233	-	46,233

* Property development project completed in FY2009.

	As currently stated DR/(CR) RM'000	Effects on adoption of IC Interpretation 15 DR/(CR) RM'000	If restated DR/(CR) RM'000
30 September 2009			
Statement of financial position			
Property development costs	4,261	8,286	12,547
Inventories	183,392	-	183,392
Deferred tax assets	5,878	208	6,086
Retained earnings	(464,562)	246	(464,316)

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	As currently stated RM'000	Effects on adoption of IC Interpretation 15 RM'000	If restated RM'000
Statement of comprehensive income			
Revenue	475,538	(6,860)	468,678
Cost of sales	353,859	(6,293)	347,566
Profit before tax	73,369	(567)	72,802
Tax expense	16,907	(519)	16,388
Profit for the year	56,462	(48)	56,414

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 2009 in their report dated 14 April 2010.

4 Seasonality or Cyclicity 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 30 September 2010, the number of ordinary shares repurchased and retained as treasury shares are 199,400 shares.

8 Dividend

An interim franked dividend of 3 sen per ordinary share less tax at 25% for the financial year ended 31 December 2010 amounting to RM4,824,714 was paid on 15 July 2010 to depositors registered in the Record of Depositors at the close of business on 30 June 2010.

The Board of Directors has declared a second interim ordinary dividend for the financial year ending 31 December 2010 of 5 sen per ordinary share (corresponding period in Year 2009: nil), made up of 2 sen per ordinary share less tax at 25% plus 3 sen per ordinary share tax-exempt, to be paid on 14 January 2011 to depositors whose names appear in the Record of Depositors on 22 December 2010.

A depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred into Depositor's Securities Account before 4:00 p.m. on 22 December 2010 in respect of transfers
- (b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad

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9 Segmental Reporting

	Revenue from external customers		Profit before tax	
	Period ended 30 September			
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Timber products	429,404	349,083	17,416	49,439
Oil palm	176,868	118,118	48,585	21,714
Reforestation	768	727	212	178
Property development	684	7,610	(128)	2,038
	607,724	475,538	66,085	73,369

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

There were no material changes in the contingent liabilities or assets since the last annual balance sheet date.

14 Trade and Other Receivables

	As At 30 September 2010 RM'000	As At 31 December 2009 RM'000
Non-current assets		
Trade receivables	2,538	5,442
Current assets		
Trade receivables	33,917	17,196
Interest receivable	10	16
Other receivables	568	1,421
Deposits	878	1,083
Prepayments		
-Plant & machinery	3,802	217
-Land premium	6,386	5,294
-Others	7,850	5,308
Advance to a log supplier	170	950
Advances to sub-contractors	1,741	1,741
Other advances	-	3
Deposit paid for acquisition of a subsidiary	-	2,050
	55,322	35,279
	57,860	40,721

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‘Advances to sub-contractor’ is unsecured, interest-free and was made to allow the sub-contractor to finance the purchase of machinery and equipment. The advances will be off-set against the cost of acquisition of the right to use a road owned by the sub-contractors.

15 Capital Commitments

	As At 30 September 2010 RM'000
Property, plant and equipment	
- Contracted but not provided for in the financial statements	9,789
- Authorised but not contracted for	66,611
- Authorised and contracted for	175
	<hr/> 76,575
Plantation Development Expenditure	
- Authorised but not contracted for	41,908
- Authorised and contracted for	-
Leasehold land held for subsidiaries use	
- Approved and contracted for	12,039
	<hr/> 130,522 <hr/>

16 Review of Performance

For the quarter under review, Group revenue was higher by 31% or RM54.11 million at RM231.32 million compared to RM177.21 million in the corresponding quarter of 2009. Profit before tax was up by 50% at RM44.05 million as against RM29.45 million reported in the corresponding quarter of 2009.

Significantly higher fresh fruit bunch (‘FFB’) production and crude palm oil (‘CPO’) sales at higher average prices in the quarter under review mainly accounted for the increased revenue and better profit.

17 Variation of Results as compared to the Preceding Quarter

Compared to the preceding quarter, Group revenue in the quarter under review rose by RM43.52 million or 23% to RM231.32 million whereas profit before tax increased by 330% from RM10.25 million in the preceding quarter to RM44.05 million.

Higher export log sales coupled with 80% increase in fresh fruit bunch production in peak crop season and CPO sales at higher average prices contributed to the surge in profit.

18 Current Year Prospects

Oil palm sector is expected to continue its strong contribution to Group revenue and profit in the last quarter of 2010 as CPO price has scaled higher, although the sales volume is estimated to be lower due to FFB production receding from its peak.

Demand for timber and timber products are anticipated to sustain but the year-end wet season would reduce the timber supply to the market.

Barring unforeseen circumstances, the Board is confident that the performance of year 2010 will be satisfactory.

19 Profit forecast

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

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20 Taxation

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

	Current Quarter	Cumulative Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current	5,702	6,291	14,435	16,529
- Prior	370	-	370	-
Deferred tax expense	6,229	21	5,047	378
Total	12,301	6,312	19,852	16,907

21 Cash and Cash Equivalents

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

	As at 30 September 2010 RM'000	As at 30 September 2009 RM'000
Deposits (excluding pledged deposits)	44,974	40,495
Cash and bank balances	81,848	39,914
	126,822	80,409

Fixed deposits of subsidiaries amounting to RM1,196,558 (2009: RM1,196,558) are pledged to licensed banks for bank facilities granted thereto.

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

Pursuant to shareholders' approval on 27 August 2010 of a bonus issue of one bonus share for every five existing ordinary shares held, 42,886,326 bonus shares were issued by the Company, which were listed and quoted on Bursa Malaysia Securities Berhad on 21 September 2010.

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

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25 Group Borrowings and Debt Securities

Total Group borrowings as at 30 September 2010 were as follows: -

		Repayable within 12 months	Repayable after 12 months
		RM'000	RM'000
Unsecured -	Foreign currency loans	27,515	12,799
	Bankers' acceptances/Export Credit Refinancing	81,225	-
	Revolving Credits	49,250	13,750
	Term loans	22,232	167,189
Secured -	Hire purchase loans	16,104	11,968
	Foreign currency loans	29,510	-
	Term loans	600	65,459
Total		226,436	271,165

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

The Group entered into the following transactions with related parties, other than compensations to Directors and other key management personnel (see Note 29), during the current financial period:

	Period ended 30 September	
	2010	2009
Transactions with associates	RM'000	RM'000
Contract fees	7,585	9,954
Purchase of consumables	-	9
Handling fees, transportation & freight charges	68	119
Hiring of equipment	40	46
Income from rental of premises	(14)	(14)
Sale of equipment	-	(183)
Sales of logs and timber products	(5,172)	(2,385)
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	36,847	43,325
Food ration expenses	3,544	3,260
Handling fees, transportation & freight charges	16,874	14,524
Hiring of equipment	18	4
Insurance premium	3,180	2,625
Purchase of equipment	3	7
Rental of premises paid	85	23
Purchase of spare parts, fertilizer & consumables	17,416	6,490

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	Period ended 30 September	
	2010 RM'000	2009 RM'000
Purchase of logs and timber products	18,600	15,237
Security charges	63	63
Computer hardware & software development fees	595	436
Purchase of fresh fruit bunches	11,675	10,648
Purchase of diesel and lubricants	9,888	8,621
Road toll received	(481)	(622)
Sales of logs and timber products	(13,776)	(12,484)
Sales of empty drum	-	(10)
Sales of kernel shell	-	(5)
Sales of seeds & seedlings	(238)	(24)
Sales of consumables	(5)	-
Income from rental of premises	(3)	(12)
Handling fee received	(9)	-

29 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	Period ended 30 September	
	2010 RM'000	2009 RM'000
Directors		
- Fees	746	474
- Remunerations	2,623	2,044
- Other short-term employee benefits	624	434
	<u>3,993</u>	<u>2,952</u>
Other Key Management Personnel:		
- Salaries, allowances and bonuses	2,020	1,696
- Other short-term employee benefits	259	313
	<u>2,279</u>	<u>2,009</u>
Total	<u>6,272</u>	<u>4,961</u>

30 Earnings Per Share

	Current quarter ended 30 September 2010	Current Year-To-Date 30 September 2010
(a) Basic		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM31,600</u>	<u>RM47,065</u>
Weighted average number of ordinary shares in issue ('000) after the bonus issue on 21 September 2010 (see Note 24)	<u>257,318</u>	<u>257,318</u>
Basic earnings per ordinary share (sen)	<u>12.28</u>	<u>18.29</u>
(b) Diluted	<u>12.28</u>	<u>18.29</u>

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31 Gain/Losses arising from fair value changes of financial liabilities

There were no gains or losses arising from fair value changes of financial liabilities for the current quarter and financial period ended 30 September 2010.

32 Disclosure of Unrealised Profits

The retained earnings of the Group as at 30 September 2010 do not contain any material unrealised profits.

33 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 26 November 2010.