

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 2010. 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 2010. 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 Financial Reporting Standards (FRSs).

The statutory financial statements for the year ended 31 December 2010 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 2010, except for the adoption of the following standards, amendments and interpretations:

- Amendments to FRS 7, *Improving Disclosures about Financial Instruments*
- Improvements to FRSs (2010)
- IC Interpretation 4, *Determining whether an Arrangement Contains a Lease*

The adoption of the 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.

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 and after the respective dates indicated herein.

FRS / Interpretation / Amendment	Effective date
IC Interpretation 19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2011
Amendments to IC Interpretation 14, <i>Prepayments of a Minimum Funding Requirement</i>	1 July 2011
IC Interpretation 15, <i>Agreements for the Construction of Real Estate</i>	1 January 2012
FRS 124, <i>Related Party Disclosures</i>	1 January 2012

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The Group plans to apply from the annual period beginning on 1 January 2012 those standards, amendments and interpretations as listed above that are effective for annual periods beginning on and after 1 January 2011, except for Amendments to ICI 14 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 its first adoption.

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.

The revised FRS 124 simplifies the definition of related party, clarifies its intended meaning and eliminates inconsistencies from the definition. The changes from current practice among others include a partial exemption from disclosures for government-related entities. It requires disclosure of related party transactions between government-related entities only if the transactions are individually or collectively significant.

Prior to the issuance of the revised FRS 124, no disclosure is required in financial statements of state-controlled entities of transactions with other state-controlled entities. The partial exemption from disclosures for government-related activities as permitted in the revised FRS 124 is intended to put users on notice that such related party transactions have occurred and to give an indication of their extent.

IC Interpretation 19 provides guidance on accounting for debt for equity swaps. Equity instruments issued to a creditor to extinguish all or a part of a financial liability would be "consideration paid" in accordance with paragraph 41 of FRS 139. The equity instruments would be measured initially at the fair value of those equity instruments unless that fair value cannot be reliably measured, in which case the equity instruments should be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability and the initial measurement of the equity instruments would be recognised as gain or loss in profit or loss.

The adoption of IC Interpretation 19 will result in a change in accounting policy which will be applied retrospectively in accordance with FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*.

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.

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 2010 in their report dated 19 April 2011.

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.

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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 2011, the number of ordinary shares repurchased and retained as treasury shares are 199,400 shares.

8 Dividend

A second interim ordinary dividend of 5 sen per ordinary share made up of 2 sen per ordinary share less tax at 25% and 3 sen per ordinary share tax-exempt for the financial year ended 31 December 2010, amounting to RM11,579,312 was paid on 14 January 2011 to depositors registered in the Record of Depositors at the close of business on 22 December 2010.

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			
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Timber products	112,787	130,533	9,670	3,570
Oil palm	68,023	48,763	28,788	8,198
Reforestation	269	237	136	56
Property development	359	399	63	(37)
	181,438	179,932	38,657	11,787

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.

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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 31 March 2011 RM'000	As At 31 December 2010 RM'000
Non-current assets		
Staff loans	2,251	2,291
Current assets		
Trade receivables	29,263	24,569
Interest receivable	12	16
Other receivables	1,167	1,392
Deposits	1,052	1,518
Prepayments		
-Plant & machinery	4,048	9,173
-Land premium	6,482	5,743
-Others	8,272	7,195
Advance to a log supplier	170	170
Advance to sub-contractors	1,641	1,641
Staff loans	155	400
	52,262	51,817
	54,513	54,108

'Advances to sub-contractor' is the balance of unsecured, interest-free advances previously made to a logging 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-contractor.

15 Capital Commitments

	As At 31 March 2011 RM'000
Property, plant and equipment	
- Authorised but not contracted for	58,517
- Authorised and contracted for	4,727
	63,244
Plantation Development Expenditure	
- Authorised but not contracted for	76,235
- Authorised and contracted for	-
Leasehold land held for subsidiaries' use	
- Approved and contracted for	15,497
	154,976

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16 Review of Performance

For the quarter under review, a revenue of RM181.44 million was achieved, marginally higher than the RM179.93 million reported in the corresponding quarter of 2010. Profit before tax increased by 228% from 11.79 million to RM38.66 million. Profit for the period also jumped by 269% to RM27.45 million from RM7.44 million obtained in the corresponding quarter of 2010.

The higher overall selling prices of timber products coupled with the increased tonnage of fresh fruit bunches sold at much higher prices improved the profit margin substantially and resulted in a surge in profit.

17 Variation of Results as compared to the Preceding Quarter

Compared to the preceding quarter's revenue and net profit of RM220.19 million and 29.38 million, the revenue and net profit for the quarter fell by 17.6% and 6.6% respectively.

A drop in sales volume, in particular, log export and crude palm oil (CPO) sales, resulted in the lower revenue for quarter under review, but the higher selling prices increased the overall profit margin.

18 Current Year Prospects

Demand for timber and timber products are projected to remain strong in 2011. Reduced supply of logs in the market place and strong demand have pushed up the log price. Average plywood selling price has moved up by more than USD 100/M³ compared to year 2010's average selling price of USD 471/M³. Demand for plywood is expected to sustain in the year under review, with the improved housing starts and expected commencement of rebuilding of township damaged by tsunami and earthquake in Japan.

Coupled with the expected higher production of fresh fruit bunches and CPO, the board is confident that the performance of the year 2011 will be better, barring unforeseen circumstances.

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 2011	31 March 2010	Current Year To Date 31 March 2011	Preceding Year Corresponding Period 31 March 2010
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current	4,826	4,348	4,826	4,348
- Prior	-	-	-	-
Deferred tax expense	6,386	-	6,386	-
Total	11,212	4,348	11,212	4,348

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21 Cash and Cash Equivalents

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

	As at 31 March 2011 RM'000	As at 31 March 2010 RM'000
Deposits (excluding pledged deposits)	66,593	37,702
Cash and bank balances	61,703	49,428
	128,296	87,130

Fixed deposits of subsidiaries amounting to RM1,367,349 (2010: RM1,367,349) 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

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 2011 were as follows: -

		Repayable within 12 months RM'000	Repayable after 12 months RM'000
Unsecured -	Foreign currency loans	7,274	8,367
	Bankers' acceptances/Export Credit Refinancing	73,900	-
	Revolving Credits	96,750	6,250
	Term loans	24,399	157,781
Secured -	Hire purchase loans	19,388	10,023
	Term loans	1,250	80,375
Total		222,961	262,796

All borrowings are denominated in Ringgit Malaysia except for the foreign currency loans which are denominated in Japanese Yen 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.

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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 31 March	
	2011	2010
	RM'000	RM'000
Transactions with associates		
Contract fees	1,890	2,544
Handling fees, transportation & freight charges	8	1
Hiring of equipment	62	1
Income from rental of premises	(5)	(5)
Sales of logs and timber products	(567)	(800)
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	7,199	11,902
Food ration expenses	1,173	1,097
Handling fees, transportation & freight charges	4,246	5,142
Hiring of equipment	16	8
Insurance premium	957	875
Purchase of equipments	5	-
Rental of premises paid	7	29
Purchase of spare parts, fertilizer & consumables	5,636	7,700
Purchase of logs and timber products	2,197	4,628
Purchase of seedlings	22	-
Security charges	21	21
Computer hardware & software development fees	108	168
Purchase of fresh fruit bunches	275	3,139
Purchase of diesel and lubricants	4,047	3,219
Road toll received	(72)	(159)
Sales of logs and timber products	(3,619)	(5,741)
Sales of seeds & seedlings	-	(87)
Sales of consumables	(6)	(27)
Sales of fresh fruit bunches	(716)	-
Sales of property, plant and equipment	-	(220)
Income from rental of premises	(19)	(1)
Handling fee received	(19)	(5)

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29 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	Period ended 31 March	
	2011 RM'000	2010 RM'000
Directors		
- Fees	243	156
- Remunerations	786	683
- Other short-term employee benefits	137	157
	<u>1,166</u>	<u>996</u>
Other Key Management Personnel		
- Salaries, allowances and bonuses	680	594
- Other short-term employee benefits	71	120
	<u>751</u>	<u>714</u>
Total	<u>1,917</u>	<u>1,710</u>

30 Earnings Per Share

	Current quarter ended 31 March 2011	Current Year-To-Date 31 March 2011
(a) Basic		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM26,561</u>	<u>RM26,561</u>
Weighted average number of ordinary shares in issue ('000)	<u>257,318</u>	<u>257,318</u>
Basic earnings per ordinary share (sen)	<u>10.32</u>	<u>10.32</u>
(b) Diluted	<u>10.32</u>	<u>10.32</u>

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 ended 31 March 2011.

32 Realised and unrealised profits disclosure

The retained earnings may be analysed as follows:

	As at end of current quarter 31 March 2011 RM'000	As at end of preceding quarter 31 December 2010 RM'000
- Realised	650,679	618,281
- Unrealised	(80,845)	(75,008)
	<u>569,834</u>	<u>543,273</u>

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 27 May 2011.