

**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:

- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Group Cash-settled Share-based Payment Transactions*
- 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 Malaysian Financial Reporting Standards (MFRS) Framework**

The Malaysian Accounting Standards Board (MASB), in furtherance of its objective of converging the accounting framework for entities other than private entities in Malaysia with International Financial Reporting Standards (IFRS), announced on 19 November 2011 the issuance of Malaysian Financial Reporting Standards (MFRS). Entities other than private entities shall apply the MFRS framework for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/ or IC Interpretation 15 *Agreement for the Construction of Real Estate*.

An entity subject to the application of MFRS 141 and/or IC Interpretation 15 may continue to apply Financial Reporting Standards (FRS) as its financial reporting framework for annual reporting periods beginning on or after 1 January 2012. The entity shall comply with the MFRS framework for annual periods beginning on or after 1 January 2013.

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An entity that consolidates or equity accounts or proportionately consolidates another entity that has chosen to apply FRSs as its financial reporting framework may itself choose to apply FRSs as its financial reporting framework for annual periods beginning on or after 1 January 2012. The entity shall comply with the MFRS framework for annual periods beginning on or after 1 January 2013.

The Company is assessing the impact of MFRSs, in particular MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*, on the financial statements of the Group and of its components. The Company will adopt MFRSs to prepare consolidated financial statements from the year ending 31 December 2013.

**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.

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

**8 Dividend**

An interim ordinary dividend of 10 sen per ordinary share tax-exempt for the financial year ending 31 December 2011, amounting to RM30,878,125 was paid on 30 September 2011 to depositors registered in the Record of Depositors at the close of business on 12 September 2011.

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 30 September			
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Timber products	449,980	429,404	47,726	17,416
Oil palm	261,371	176,868	125,806	48,585
Reforestation	607	768	400	212
Property development	2,424	684	165	(128)
	714,382	607,724	174,097	66,085

**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**

Winding up of the subsidiary in China, Ta Ann Eco-Timber Industries (YZ) Pty Ltd has been approved by the authorities in China on 14 November 2011, and, thus Ta Ann Eco-Timber Industries (YZ) Pty Ltd ceases to be a subsidiary of the Company.

Other than the above, 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 reporting date.

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14 Trade and Other Receivables

	As At 30 September 2011 RM'000	As At 31 December 2010 RM'000
<b>Non-current assets</b>		
Staff loans	2,241	2,291
<b>Current assets</b>		
Trade receivables	37,642	24,569
Interest receivable	23	16
Other receivables	2,989	1,392
Deposits	790	1,518
Prepayments		
-Plant & machinery	4,207	9,173
-Land premium	6,513	5,743
-Others	8,354	7,195
Advance to a log supplier	170	170
Advance to sub-contractor	1,641	1,641
Staff loans	155	400
	62,484	51,817
	64,725	54,108

'Advance 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 30 September 2011 RM'000
<b>Property, plant and equipment</b>	
- Authorised but not contracted for	58,546
- Authorised and contracted for	4,524
	63,070
<b>Plantation Development Expenditure</b>	
- Authorised but not contracted for	26,941
<b>Leasehold land held for subsidiaries' use</b>	
- Approved and contracted for	15,497
	105,508

16 Review of Performance

For the quarter under review, a revenue of RM254.44 million was achieved, 10% higher than the RM231.32 million of the corresponding quarter of 2010. Profit before tax increased by 47% from RM44.05 million to RM64.96 million. Profit for the period also increased by 57% to RM49.74 million from RM31.75 million obtained in the corresponding quarter of 2010.

For the financial year-to-date, the revenue and net profit increased by 18% and 179% from RM607.72 million and RM46.23 million of the corresponding period in 2010 to RM714.38 million and RM129.09 million respectively.

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The creditable performance in the quarter under review was mainly attributed to the strong profit contribution from the oil palm division which recorded a 70% higher profit compared to the corresponding quarter in 2010. Higher yield of fresh fruit bunches from more mature palms and increased production of crude palm oil, in peak crop season, by 30% and 19% respectively and better average selling prices accounted for the higher profitability.

The performance in the quarter was also contributed by an increase in plywood prices which rose by 21%, although overall sales volume for timber and timber products fell by 9%, quarter on quarter.

**17 Variation of Results as compared to the Preceding Quarter**

Compared to the preceding quarter, Group revenue in the quarter under review decreased by RM24.07 million or 9% to RM254.44 million whereas profit before tax decreased by 8% from RM70.48 million in the preceding quarter to RM64.96 million.

A drop in export log average selling price, by 12% in Ringgit terms, mainly accounted for the lower profit.

**18 Current Year Prospects**

Demand for timber and timber products is expected to moderate in the last quarter of 2011.

Oil palm sector's performance will be boosted by the recovery in crude palm oil price to above RM3,000/mt level and retain its position as the main profit contributor.

Barring unforeseen circumstances, the Board expects year 2011 to deliver a record performance.

**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:

	Individual Quarter		Cumulative Quarter	
	30 September 2011	30 September 2010	Current Year To Date 30 September 2011	Preceding Year Corresponding Period 30 September 2010
	RM'000	RM'000	RM'000	RM'000
<b>Current tax expense</b>				
- Current	26,386	5,702	39,971	14,435
- Prior	-	370	-	370
<b>Deferred tax (income)/ expense</b>	(11,170)	6,229	5,032	5,047
<b>Total</b>	<b>15,216</b>	<b>12,301</b>	<b>45,003</b>	<b>19,852</b>

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**21 Cash and Cash Equivalents**

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

	<b>As at 30 September 2011 RM'000</b>	<b>As at 30 September 2010 RM'000</b>
Deposits (excluding pledged deposits)	116,340	44,974
Cash and bank balances	61,750	81,848
	178,090	126,822

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**

On 23 September 2011, a subsidiary, Ta Ann Plantation Sdn Bhd sold its entire holding of 400,000 ordinary shares representing 40% of shareholding in Tatatze Sdn Bhd at a disposal price of RM948,000.00. Profit on disposal to the Group amounted to RM948,000.00 as the carrying amount of investment on group basis had been previously written down to zero by accumulated losses.

**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 30 September 2011 were as follows: -

		<b>Repayable within 12 months</b>	<b>Repayable after 12 months</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Unsecured -</b>	Foreign currency loans	42,240	5,864
	Bankers' acceptances/Export Credit Refinancing	13,268	-
	Revolving Credits	97,000	4,500
	Term loans	23,832	152,975
<b>Secured -</b>	Finance lease liabilities	20,556	13,984
	Term loans	1,500	84,794
<b>Total</b>		198,396	262,117

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

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**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:

	<b>Period ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions with associates</b>		
Contract fees	7,520	7,585
Handling fees, transportation & freight charges	28	68
Hiring of equipment	130	40
Purchase of consumables	478	-
Income from rental of premises	(14)	(14)
Freight charges received	(5)	-
Sales of logs and timber products	(5,719)	(5,172)
<b>Transactions with companies connected to certain Directors of the Company and its subsidiaries</b>		
Contract fees and fuel surcharge	32,828	36,847
Food ration expenses	3,660	3,544
Handling fees, transportation & freight charges	17,263	16,874
Hiring of equipment	333	18
Insurance premium	3,427	3,180
Purchase of equipment	8	3
Rental of premises paid	21	85
Purchase of spare parts, fertilizer & consumables	18,248	17,416
Purchase of logs and timber products	7,876	18,600
Purchase of seedlings	22	-
Purchase of petty asset	3	-
Security charges	63	63
Computer hardware & software development fees	509	595
Purchase of fresh fruit bunches	275	11,675
Purchase of diesel and lubricants	13,438	9,888
Road toll received	(81)	(481)
Sales of logs and timber products	(12,745)	(13,776)
Sales of seeds & seedlings	-	(238)
Sales of consumables	(7)	(5)
Sales of fresh fruit bunches	(15,926)	-
Income from rental of premises	(55)	(3)
Handling fee received	(20)	(9)

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**29 Key Management Personnel Compensation**

Compensations to key management personnel are as follows:

	Period ended 30 September	
	2011 RM'000	2010 RM'000
Directors		
- Fees	722	746
- Remunerations	2,782	2,623
- Other short-term employee benefits	739	624
	<u>4,243</u>	<u>3,993</u>
Other Key Management Personnel		
- Salaries, allowances and bonuses	2,062	2,020
- Other short-term employee benefits	273	259
	<u>2,335</u>	<u>2,279</u>
Total	<u>6,578</u>	<u>6,272</u>

**30 Earnings Per Share**

	Current quarter ended 30 September 2011	Current Year-To-Date 30 September 2011
(a) <b>Basic</b>		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM47,931</u>	<u>RM125,226</u>
Weighted average number of ordinary shares in issue ('000)	<u>308,781</u>	<u>308,781</u>
Basic earnings per ordinary share (sen)	<u>15.52</u>	<u>40.55</u>
(b) <b>Diluted</b>	<u>15.52</u>	<u>40.55</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 30 September 2011.

**32 Realised and unrealised profits disclosure**

The retained earnings may be analysed as follows:

	As at end of current quarter 30 September 2011 RM'000	As at end of preceding quarter 30 June 2011 RM'000
- Realised	670,364	661,914
- Unrealised	(82,423)	(91,026)
	<u>587,941</u>	<u>570,888</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 23 November 2011.