

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

During the financial year, a bonus issue of one new share for every five existing ordinary shares held totaling 51,463,206 shares were issued by the Company pursuant to shareholders' approval on 27 May 2011. The bonus shares were listed and quoted on Bursa Malaysia Securities Berhad on 17 June 2011.

**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.

The Board of Directors has declared a second interim single-tier ordinary dividend for the financial year ending 31 December 2011 of 10 sen per ordinary share (corresponding period in Year 2010: nil) to be paid on 30 March 2012 to depositors whose names appear in the Record of Depositors on 14 March 2012. The total dividends declared to date for the financial year ending 31 December 2011 are 20 sen per ordinary share.

A depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred into Depositor's Securities Account before 4:00 p.m. on 14 March 2012 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

**9 Segmental Reporting**

	Revenue from external customers		Profit before tax	
	Year ended 31 December			
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Timber products	568,179	562,803	50,776	16,448
Oil palm	356,270	260,163	166,698	81,107
Reforestation	506	565	218	55
Property development	3,031	3,747	371	1,249
	927,986	827,278	218,063	98,859

**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**

The Company announced on 17 November 2011 that Ta Ann Eco-Timber Industries (YZ) Pty Ltd ceased to be a subsidiary of the Company, following the withdrawal of the China project. Other than the above, 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 31 December 2011 RM'000	As At 31 December 2010 RM'000
<b>Non-current assets</b>		
Staff loans	-	2,291
<b>Current assets</b>		
Trade receivables	17,119	24,569
Interest receivable	137	16
Other receivables	811	1,392
Deposits	713	1,518
Prepayments		
-Plant & machinery	8,897	9,173
-Land premium	6,564	5,743
-Others	4,892	7,195
Advance to a log supplier	170	170
Advance to sub-contractor	-	1,641
Staff loans	2,564	400
	<u>41,867</u>	<u>51,817</u>
	<u>41,867</u>	<u>54,108</u>

## 15 Capital Commitments

	As At 31 December 2011 RM'000
<b>Property, plant and equipment</b>	
- Authorised but not contracted for	110,242
- Authorised and contracted for	17,508
	<u>127,750</u>
<b>Plantation Development Expenditure</b>	
- Authorised but not contracted for	64,411
<b>Leasehold land held for subsidiaries' use</b>	
- Approved and contracted for	15,497
	<u>207,658</u>

## 16 Review of Performance

For the quarter under review, a revenue of RM213.60 million was achieved, lower than the RM219.55 million of the corresponding quarter of 2010. However, profit before tax increased by 34% from RM32.77 million to RM43.97 million. Profit for the period was higher at RM30.08 million compared to RM26.07 million obtained in the corresponding quarter of 2010.

Lower timber products sales resulted a drop in revenue more than offsetting a higher revenue contribution from increased production of fresh fruit bunches in the oil palm sector. Better overall profit margin due to significantly higher plywood average selling price resulted in an increase in profit from operation.

For the financial year-to-date, the revenue and net profit increased by 12% and 120% from RM827.28 million and RM72.30 million of the corresponding period in 2010 to RM927.99 million and RM159.17 million respectively.

A 47% increase in fresh fruit bunch sales at better average selling price contributed mainly to the higher revenue. Profit of the oil palm division in 2011 doubled that attained in 2010. Coupled with higher export log and plywood average selling prices, a record profit was achieved for the year under review.

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

Compared to the preceding quarter, Group revenue in the quarter under review decreased by RM40.84 million or 16% to RM213.60 million whereas profit before tax decreased by 32% from RM64.96 million in the preceding quarter to RM43.97 million.

A drop in the sales volume of timber products and fresh fruit bunches ('FFB') as well as their average selling prices in the quarter under review resulted in a lower revenue and profit. Heavy rainfall in the last quarter hampered logging operation affecting production volume, and lower FFB production was experienced by oil palm plantations in off-peak season. The provision of asset impairment in view of uncertainty in plywood market in 2012 also contributed to the lower profit.

**18 Current Year Prospects**

The year 2012 is expected to be challenging for the Group owing to uncertainty in world economy.

The performance of the Group in 2012 will be dependent on the extent of market improvement in the timber sector and the sustainability of crude palm oil ('CPO') price at current level. A recovery in demand of timber and timber products to 2011 level and maintenance of CPO price at current level will boost the performance in 2012 to a higher level.

**19 Profit forecast**

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

**20 Profit for the period/ year**

	Individual Quarter		Cumulative Quarter	
	31 December 2011	31 December 2010	Current Year To Date 31 December 2011	Preceding Year Corresponding Period 31 December 2010
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period/ year is arrived at after crediting/ (charging):</b>				
Interest income	1,552	2,228	3,188	3,114
Interest expenses	(4,756)	(3,692)	(13,943)	(12,788)
Depreciation and amortisation	(19,088)	(12,550)	(67,584)	(57,796)
Write down of inventories	(3,000)	(4,397)	(3,000)	(4,397)
Gain on disposal of property, plant and equipment	33	90	220	276
Gain on disposal of investment in an associate	-	-	1,348	-
Foreign exchange gain/ (loss)				
- realised	(915)	1,789	3,547	2,349
- unrealised	3,521	(1,172)	507	(1,583)
Impairment of property, plant and equipment	(9,722)	-	(9,722)	-

Save as disclosed above, the other items required to be disclosed under Appendix 9B, Part A(16) of the Bursa Listing Requirements are not applicable.

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## 21 Taxation

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

	Individual Quarter		Cumulative Quarter	
	31 December 2011	31 December 2010	Current Year To Date 31 December 2011	Preceding Year Corresponding Period 31 December 2010
	RM'000	RM'000	RM'000	RM'000
Current tax expense	13,075	5,168	53,046	19,973
Deferred tax expense	811	1,536	5,843	6,583
<b>Total</b>	<b>13,886</b>	<b>6,704</b>	<b>58,889</b>	<b>26,556</b>

## Reconciliation of tax expense

	Individual Quarter		Cumulative Quarter	
	31 December 2011	31 December 2010	Current Year To Date 31 December 2011	Preceding Year Corresponding Period 31 December 2010
	RM'000	RM'000	RM'000	RM'000
Profit for the year	30,080	26,070	159,174	72,303
Total tax expense	13,886	6,704	58,889	26,556
Profit excluding tax	43,966	32,774	218,063	98,859
Tax calculated using Malaysian tax rate of 25%				
- Income tax expense	10,992	8,194	54,516	24,715
- Non-deductible expenses	2,125	2,553	5,336	6,746
- Double deduction for certain expenses	(1,392)	(1,737)	(6,096)	(7,130)
- Tax exempt income	(25)	(53)	(37)	(3,804)
- Depreciation capitalised	-	-	-	(255)
- Movements in unrecognised deferred tax assets	2,186	(2,251)	5,170	6,220
- Tax effect of utilisation of previously unrecognised deferred tax assets	-	(2)	-	(2)
- Under/(Over) provision in prior years	-	-	-	66
	<b>13,886</b>	<b>6,704</b>	<b>58,889</b>	<b>26,556</b>

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22 Cash and Cash Equivalents

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

	As at 31 December 2011 RM'000	As at 31 December 2010 RM'000
Deposits (excluding pledged deposits)	83,788	68,999
Cash and bank balances	95,280	72,794
	179,068	141,793

Fixed deposits of subsidiaries amounting to RM1,367,349 (2010: RM1,367,349) are pledged to licensed banks for bank facilities granted thereto.

23 Unquoted Investment and Properties

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

24 Quoted Investments

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

25 Status of Corporate Proposal

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

26 Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2011 were as follows: -

		As at 31 December 2011	
		¥'000	RM'000
<b><u>Current</u></b>			
<i>Denominated in Ringgit Malaysia</i>			
<b>Unsecured -</b>	Bankers' acceptances/Export	-	37,933
	Credit Refinancing		
	Revolving Credits	-	97,000
	Term loans	-	21,332
<b>Secured -</b>	Finance lease liabilities	-	18,007
	Term loans	-	1,500
<i>Denominated in Japanese Yen</i>			
<b>Unsecured -</b>	Foreign currency loans	304,330	12,316
		304,330	188,088
<b><u>Non-current</u></b>			
<i>Denominated in Ringgit Malaysia</i>			
<b>Unsecured -</b>	Revolving Credits	-	3,750
	Term loans	-	156,720
<b>Secured -</b>	Finance lease liabilities	-	14,669
	Term loans	-	85,291
<i>Denominated in Japanese Yen</i>			
<b>Unsecured -</b>	Foreign currency loans	22,691	919
		22,691	261,349
<b>Total</b>		<b>327,021</b>	<b>449,437</b>

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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:

	<b>Year ended 31 December</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions with associates</b>		
Contract fees	7,520	11,480
Handling fees, transportation & freight charges	28	94
Hiring of equipment	130	54
Purchase of consumables	478	-
Income from rental of premises	(14)	(18)
Freight charges received	(5)	-
Sales of logs and timber products	(6,777)	(6,961)
Sale of property, plant and equipment	-	(5)
<b>Transactions with companies connected to certain Directors of the Company and its subsidiaries</b>		
Contract fees and fuel surcharge	49,261	49,200
Food ration expenses	4,831	4,675
Handling fees, transportation & freight charges	25,198	21,796
Hiring of equipment	377	62
Insurance premium	4,344	3,829
Purchase of property, plant and equipment	13	14
Rental of premises paid	32	31
Purchase of spare parts, fertilizer & consumables	22,139	20,621
Purchase of logs and timber products	9,539	20,736
Purchase of seedlings	22	-
Purchase of petty asset	4	-
Security charges	84	84
Computer hardware & software development fees	927	943
Forklift rental expense	-	12
Purchase of waste wood	260	293
Purchase of fresh fruit bunches	275	16,775
Purchase of diesel and lubricants	19,520	13,485
Road toll received	(403)	(647)
Sales of logs and timber products	(16,559)	(19,948)
Sales of seeds & seedlings	-	(208)
Sales of consumables	(7)	(6)
Sales of fresh fruit bunches	(32,495)	-
Income from rental of premises	(87)	(72)
Handling fee received	(1,396)	(8)
Service charge	-	(1)



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**29 Key Management Personnel Compensation**

Compensations to key management personnel are as follows:

	Year ended 31 December	
	2011 RM'000	2010 RM'000
Directors		
- Fees	1,007	1,048
- Remunerations	3,910	5,048
- Other short-term employee benefits	966	29
	<u>5,883</u>	<u>6,125</u>
Other Key Management Personnel		
- Salaries, allowances and bonuses	3,240	2,900
- Other short-term employee benefits	443	-
	<u>3,683</u>	<u>2,900</u>
Total	<u>9,566</u>	<u>9,025</u>

**30 Earnings Per Share**

	Current quarter ended 31 December 2011	Current Year-To-Date 31 December 2011
(a) <b>Basic</b>		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM28,043</u>	<u>RM153,269</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>9.08</u>	<u>49.64</u>
(b) <b>Diluted</b>	<u>9.08</u>	<u>49.64</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 December 2011.

**32 Realised and unrealised profits disclosure**

The retained earnings may be analysed as follows:

	As at end of current quarter 31 December 2011 RM'000	As at end of preceding quarter 30 September 2011 RM'000
- Realised	695,852	670,364
- Unrealised	(79,868)	(82,423)
	<u>615,984</u>	<u>587,941</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 28 February 2012.