

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 2011. 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 2011. 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 2011 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 in the audited financial statements for the year ended 31 December 2011, except for the adoption of the following standards, amendments and interpretations:

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*

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 (hereinafter referred to as transitioning entity), and the entity that consolidates or equity accounts or proportionately consolidates the transitioning entity, may continue to apply Financial Reporting Standards (FRS) as its financial reporting framework for annual reporting periods beginning on or after 1 January 2012. These entities shall however comply with the MFRS framework for annual periods beginning on or after 1 January 2013.

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In view of the foregoing, entities of the Group which are not transitioning entities will migrate to the MFRS framework from the financial year beginning on 1 January 2012 while the rest of the Group, including the Company, will migrate to the MFRS framework from the financial year beginning on 1 January 2013.

The financial statements of the Group will continue to be prepared in compliance with FRS for the financial year ending 31 December 2012. They will be prepared in compliance with MFRS from the financial year beginning on 1 January 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 2011 in their report dated 16 April 2012.

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 March 2012, the number of ordinary shares repurchased and retained as treasury shares is 199,400 shares.

8 Dividend

A second interim single-tier ordinary dividend of 10 sen per ordinary share for the financial year ended 31 December 2011, amounting to RM30,878,125 was paid on 30 March 2012 to depositors registered in the Record of Depositors at the close of business on 14 March 2012.

No dividend has been proposed by the Directors for the financial quarter under review (corresponding period in Year 2011: nil)

9 Segmental Reporting

	Revenue from external customers		Profit before tax	
	Period ended 31 March			
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Timber products	102,918	112,787	1,696	9,670
Oil palm	61,595	68,023	13,921	28,788
Reforestation	54	269	(66)	136
Property development	-	359	(80)	63
	164,567	181,438	15,471	38,657

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, other than as disclosed in Note 25.

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 31 March 2012 RM'000	As At 31 December 2011 RM'000
Non-current assets		
Staff loans	-	2,315
Current assets		
Trade receivables	38,780	17,596
Interest receivable	11	114
Other receivables	1,066	1,163
Deposits	1,410	1,479
Prepayments		
-Plant & machinery	1,860	2,980
-Land premium	5,743	5,743
-Others	7,014	6,550
Advance to a log supplier	170	170
Other advances	427	292
Staff loans	2,485	95
	<u>58,966</u>	<u>36,182</u>
	<u>58,966</u>	<u>38,497</u>

15 Capital Commitments

	As At 31 March 2012 RM'000
Property, plant and equipment	
- Authorised but not contracted for	101,960
- Authorised and contracted for	23,286
	<u>125,246</u>
Plantation Development Expenditure	
- Authorised but not contracted for	55,325
Leasehold land held for subsidiaries' use	
- Approved and contracted for	17,308
	<u>197,879</u>

16 Review of Performance

For the quarter under review, a revenue of RM164.57 million was achieved compared to RM181.44 million of the corresponding quarter of 2011. Profit before tax decreased from RM38.66 million to RM15.47 million whereas net profit decreased from RM27.45 million to RM10.58 million.

Overall lower selling prices in the quarter for export logs, plywood and crude palm oil accounted for the lower revenue and profit. Plywood product sales volume fell by 18% with selling prices marginally lower than 2011. Sales volume of export log, fresh fruit bunches and crude palm oil were 30%, 23% and 13% higher but at average prices 20%, 23% and 16% respectively lower than the corresponding quarter of preceding year.

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17 Variation of Results as compared to the Preceding Quarter

Compared to the preceding quarter, the production and sales volume of fresh fruit bunches and crude palm oil dropped by more than 30% reducing the profit of oil palm sector by more than half. Coupled with lower export log and plywood average selling prices, by 16% and 14% respectively, the profit before tax for the quarter decreased by 65% to RM15.47 million.

18 Current Year Prospects

Demand for log is expected to remain strong in 2012 as log resource is getting scarcer. This however is subject to the economic condition of the main buyer country, India and performance of Rupee. Plywood market remains challenging, though the anticipated township reconstruction in Japan when commenced, is expected to improve the plywood demand.

Oil palm sector will continue to be the main profit contributor with higher FFB production from growing mature palms and CPO price projected to maintain above RM3,000 level.

Barring unforeseen circumstances, the Group's performance in 2012 is expected to be satisfactory.

19 Profit forecast

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

20 Profit for the period

	Individual Quarter		Cumulative Quarter	
	31 March 2012	31 March 2011	Current Year To Date 31 March 2012	Preceding Year Corresponding Period 31 March 2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	598	251	598	251
Interest expenses	(3,761)	(2,544)	(3,761)	(2,544)
Depreciation and amortisation	(18,065)	(14,409)	(18,065)	(14,409)
Gain on disposal of property, plant and equipment	29	36	29	36
Foreign exchange gain/ (loss)				
- realised	513	674	513	674
- unrealised	(177)	450	(177)	450

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 under review are as follows:

	Individual Quarter		Cumulative Quarter	
	31 March 2012	31 March 2011	Current Year To Date 31 March 2012	Preceding Year Corresponding Period 31 March 2011
	RM'000	RM'000	RM'000	RM'000
Current tax expense	3,565	4,826	3,565	4,826
Deferred tax expense	1,325	6,386	1,325	6,386
Total	4,890	11,212	4,890	11,212

Reconciliation of tax expense

	Individual Quarter		Cumulative Quarter	
	31 March 2012	31 March 2011	Current Year To Date 31 March 2012	Preceding Year Corresponding Period 31 March 2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period	10,581	27,445	10,581	27,445
Total tax expense	4,890	11,212	4,890	11,212
Profit excluding tax	15,471	38,657	15,471	38,657
Tax calculated using Malaysian tax rate of 25%				
- Prima facie income tax expense	3,868	9,664	3,868	9,664
- Non-deductible expenses	1,276	2,298	1,276	2,298
- Double deduction for certain expenses	(1,329)	(1,413)	(1,329)	(1,413)
- Tax exempt income	(21)	(37)	(21)	(37)
- Depreciation capitalised	(51)	(57)	(51)	(57)
- Movements in unrecognised deferred tax assets	1,147	757	1,147	757
Income tax expense for the period	4,890	11,212	4,890	11,212

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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 March 2012 RM'000	As at 31 March 2011 RM'000
Cash in hand	28	29
Cash at bank	82,104	67,931
Fixed deposits with original maturities not exceeding 3 months	20,386	60,336
	102,518	128,296

Fixed deposits of subsidiaries amounting to RM1,018,457 (2011: RM519,651) 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

On 19 April 2012, the Company announced a bonus issue of one (1) bonus share for every five (5) existing ordinary shares held at an entitlement date to be determined by the Board. Approval for the listing and quotation of the bonus shares to be issued was approved by Bursa Malaysia on 27 April 2012. The bonus issue was approved by shareholders in the extraordinary general meeting held today. The entitlement date has been fixed by the Board to be on 18 June 2012.

There were no other 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 March 2012 were as follows: -

<u>Current</u>	As at 31 March 2012 RM'000
<i>Denominated in Ringgit Malaysia</i>	
Unsecured - Bankers' acceptances/ Export Credit Refinancing	33,183
Revolving Credits	97,000
Term loans	28,582
Secured - Finance lease liabilities	15,126
Term loans	3,050
<i>Denominated in US Dollar</i>	
Unsecured - Foreign currency loans	14,033
<i>Denominated in Japanese Yen</i>	
Unsecured - Foreign currency loans	20,601
	211,575

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Non-current

Denominated in Ringgit Malaysia

Unsecured -	Revolving Credits	3,000
	Term loans	150,688
Secured -	Finance lease liabilities	14,277
	Term loans	83,241
		251,206
Total		462,781

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	
	2012	2011
	RM'000	RM'000
Transactions with associates		
Contract fees	-	1,890
Handling fees, transportation & freight charges	-	8
Hiring of equipment	-	62
Income from rental of premises	-	(5)
Sales of logs and timber products	(757)	(567)
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	12,499	7,199
Food ration expenses	1,084	1,173
Handling fees, transportation & freight charges	6,057	4,246
Hiring of equipment	-	16
Insurance premium	1,061	957
Purchase of property, plant and equipment	2	5
Rental of premises paid	14	7
Purchase of spare parts, fertilizer & consumables	2,463	5,636
Purchase of logs and timber products	783	2,197
Purchase of seedlings	-	22
Security charges	21	21
Computer hardware & software development fees	28	108
Purchase of fresh fruit bunches	-	275
Purchase of diesel and lubricants	5,024	4,047
Road toll received	(87)	(72)
Sales of logs and timber products	(3,841)	(3,619)
Sales of seeds & seedlings	(14)	-
Sales of consumables	-	(6)
Sales of fresh fruit bunches	(14,064)	(716)
Income from rental of premises	(31)	(19)
Handling fee received	(424)	(8)
Transport subsidised	(521)	(11)

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29 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	Period ended 31 March	
	2012 RM'000	2011 RM'000
Directors		
- Fees	228	243
- Remunerations	774	786
- Other short-term employee benefits	138	137
	<u>1,140</u>	<u>1,166</u>
Other Key Management Personnel		
- Salaries, allowances and bonuses	830	680
- Other short-term employee benefits	114	71
	<u>944</u>	<u>751</u>
Total	<u>2,084</u>	<u>1,917</u>

30 Earnings Per Share

	Current quarter ended 31 March 2012	Current Year-To-Date 31 March 2012
(a) Basic		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM11,439</u>	<u>RM11,439</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>3.70</u>	<u>3.70</u>
(b) Diluted – before the proposed bonus issue as disclosed in Note 25	<u>3.70</u>	<u>3.70</u>
(c) Diluted – after the proposed bonus issue as disclosed in Note 25	<u>3.09</u>	<u>3.09</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 2012.

32 Realised and unrealised profits disclosure

The retained earnings may be analysed as follows:

	As at end of current quarter 31 March 2012 RM'000	As at end of preceding quarter 31 December 2011 RM'000
- Realised	680,220	698,312
- Unrealised	(84,171)	(82,824)
	<u>596,049</u>	<u>615,488</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 24 May 2012.