

**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 *Agreements for the Construction of Real Estate*.

An entity subject to the application of MFRS 141 and/or IC Interpretation 15, and the entity that consolidates or equity accounts or proportionately consolidates the transitioning entity (herein referred to as transitioning entities), 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 were required however, in accordance with MASB's announcement on 19 November 2011, to comply with the MFRS framework for annual periods beginning on or after 1 January 2013.

On 30 June 2012, the MASB made a further announcement to allow transitioning entities to defer the adoption of the MFRS for another year. MFRS will therefore be mandated for all entities other than private entities for annual periods beginning on or after 1 January 2014. This decision was made after an

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extensive deliberation by MASB and taking into account both local and international developments on accounting standards. Following the deliberation, MASB has decided to give transitioning entities an option to continue with the existing FRS Framework for another year.

The financial statements of the Group will continue to be prepared in compliance with FRS for the financial year ending 31 December 2012 and 31 December 2013. They will be prepared in compliance with MFRS from the financial year beginning on 1 January 2014.

**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 30 September 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)

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**9 Segmental Reporting**

	Revenue from external customers		Profit before tax	
	9 months ended 30 September			
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Timber products	352,030	449,980	1,214	47,726
Oil palm	235,039	261,371	74,005	125,806
Reforestation	340	607	(70)	400
Property development	-	2,424	(196)	165
	587,409	714,382	74,953	174,097

**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 reporting date.

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## 14 Trade and Other Receivables

	As At 30 September 2012 RM'000	As At 31 December 2011 RM'000
<b>Non-current assets</b>		
Staff loans	-	2,315
<b>Current assets</b>		
Trade receivables	76,026	17,596
Interest receivable	6	114
Other receivables	733	1,163
Deposits	1,720	1,479
Prepayments		
-Plant & machinery	1,612	2,980
-Land premium	5,748	5,743
-Others	8,936	6,550
Advance to a log supplier	170	170
Other advances	565	292
Staff loans	2,180	95
	97,696	36,182
	97,696	38,497

## 15 Capital Commitments

	As At 30 September 2012 RM'000
<b>Property, plant and equipment</b>	
- Authorised but not contracted for	69,765
- Authorised and contracted for	54,038
	123,803
<b>Plantation Development Expenditure</b>	
- Authorised but not contracted for	27,842
<b>Leasehold land held for subsidiaries' use</b>	
- Approved and contracted for	17,308
	168,953

## 16 Review of Performance

- (a) For the quarter under review, the Group recorded a revenue of RM234.85 million, 8% lower than the RM254.44 million of the corresponding quarter of 2011. Profit before tax and net profit for the quarter were RM41.62 million and RM29.73 million, compared to RM64.96 million and RM49.74 million achieved in the corresponding quarter of 2011 respectively.

Sales volume of plywood products, export logs and fresh fruits bunches ('FFB') increased by 5%, 18% and 15% respectively in the quarter. However their lower average selling prices, which decreased by 14%, 16% and 12% respectively resulted in a drop in revenue. With a reduced profit margin, a lower profit before tax and net profit were achieved in the quarter under review.

- (b) For the first nine months of 2012, the revenue, profit before tax and net profit were RM587.41 million, RM74.95 million and RM51.61 million, compared to RM714.38 million, RM174.10 million and RM129.09 million respectively of corresponding period in 2011.

The main factor accounting for the lower revenue and profit was the weaker product selling prices which were 20%, 11% and 13% lower for export logs, plywood products and FFB respectively, compared to 2011.

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

Revenue in the quarter under review increased by 25% from RM187.99 million of preceding quarter to RM234.85 million. Profit before tax and net profit for the quarter increased by 133% and 163% from RM17.87 million and RM11.31 million in the preceding quarter to RM41.62 million and RM29.73 million respectively.

The main contributor to revenue and profit increase is the oil palm sector. In the third quarter peak crop season, FFB production and sales rose by 60%, and CPO sales volume was 55% higher. Though the average CPO selling price fell by 8%, the higher sales volume generated a 40% rise in revenue and 139% better profit for the oil palm sector.

For the timber sector, sales volume of logs and plywood products increased by 6% and 17% respectively, and average selling price of plywood products was 4% higher. However, export logs average selling price decreased by 3%, resulting in a lower contribution from the sales of export logs.

**18 Current Year Prospects**

For the final quarter of 2012, the oil palm sector will remain the main revenue and profit contributor, though the end of peak crop season may reduce the quantum of contribution.

Global economic uncertainty will continue to affect demand for timber and timber products. Plywood prices in Japan have increased marginally, prompted by an improvement in housing starts. However, there is no indication of township reconstruction commencement that is expected to move the plywood market. Nevertheless, with the approaching year end monsoonal season, a reduction in log supply is anticipated to push up the price of logs.

Given the challenging operating environment, the Group will continue to revise its marketing strategy, introduce new operating measures and apply cost savings drive to meet and overcome these challenges.

**19 Profit forecast**

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

**20 Profit for the period**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		9 months ended 30 September	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Profit for the period is arrived at after crediting/ (charging):</b>				
Interest income	489	707	1,508	1,636
Interest expenses	(3,957)	(2,956)	(11,257)	(9,187)
Depreciation and amortisation	(18,814)	(16,414)	(55,156)	(48,495)
Gain/ (loss) on disposal of property, plant and equipment	229	(22)	406	186
Foreign exchange gain/ (loss)				
- realised	2,027	2,133	2,153	4,427
- unrealised	567	(2,498)	(124)	(3,014)

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	
	3 months ended 30 September		9 months ended 30 September	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current tax expense	10,533	26,386	19,890	39,971
Deferred tax expense	1,356	(11,170)	3,449	5,032
<b>Total</b>	<b>11,889</b>	<b>15,216</b>	<b>23,339</b>	<b>45,003</b>

## Reconciliation of tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		9 months ended 30 September	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit for the period	29,726	49,740	51,614	129,094
Total tax expense	11,889	15,216	23,339	45,003
Profit excluding tax	41,615	64,956	74,953	174,097

Tax calculated using  
Malaysian tax rate of  
25%

- Prima facie income tax expense	10,404	16,239	18,739	43,524
- Non-deductible expenses	1,666	(22)	4,815	4,974
- Double deduction for certain expenses	(1,754)	(1,685)	(4,420)	(4,971)
- Tax exempt income	(13)	(106)	(40)	(157)
- Depreciation capitalised	(51)	(57)	(153)	(171)
- Movements in unrecognised deferred tax assets	1,637	847	4,398	1,804
Income tax expense for the period	11,889	15,216	23,339	45,003

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**22 Cash and Cash Equivalents**

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

	<b>As at 30 September 2012 RM'000</b>	<b>As at 30 September 2011 RM'000</b>
Cash in hand	33	27
Cash at bank	53,853	61,723
Fixed deposits with original maturities not exceeding 3 months	68,383	116,340
	<u>122,269</u>	<u>178,090</u>

Fixed deposits of subsidiaries amounting to RM1,272,752 (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**

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 30 September 2012 were as follows: -

	<b>As at 30 September 2012 RM'000</b>
<b><u>Current</u></b>	
<i>Denominated in Ringgit Malaysia</i>	
<b>Unsecured -</b> Bankers' acceptances/ Export Credit Refinancing	66,628
Revolving Credits	97,000
Term loans	28,082
<b>Secured -</b> Finance lease liabilities	13,007
Term loans	5,500
<i>Denominated in US Dollar</i>	
<b>Unsecured -</b> Foreign currency loans	4,554
<i>Denominated in Japanese Yen</i>	
<b>Unsecured -</b> Foreign currency loans	43,083
	<u>257,854</u>

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<b><u>Non-current</u></b>		
<i>Denominated in Ringgit Malaysia</i>		
<b>Unsecured -</b>	Revolving Credits	1,500
	Term loans	150,093
<b>Secured -</b>	Finance lease liabilities	12,328
	Term loans	82,193
		246,114
<b>Total</b>		<b>503,968</b>

**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>9 months ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions with associates</b>		
Contract fees	-	7,520
Handling fees, transportation & freight charges	-	28
Hiring of equipment	-	130
Purchase of consumables	-	478
Income from rental of premises	-	(14)
Freight charges received	-	(5)
Sales of logs and timber products	(3,600)	(5,719)
<b>Transactions with companies connected to certain Directors of the Company and its subsidiaries</b>		
Contract fees and fuel surcharge	49,316	32,828
Food ration expenses	3,083	3,660
Handling fees, transportation & freight charges	19,811	17,853
Hiring of equipment	96	333
Insurance premium	3,883	3,427
Repair and maintenance	3	-
Purchase of property, plant and equipment	2	8
Rental of premises paid	41	21
Purchase of spare parts, fertilizer & consumables	12,695	18,248
Purchase of logs and timber products	2,773	7,876
Purchase of seedlings	-	22
Purchase of petty assets	-	3
Security charges	63	63
Computer hardware & software development fees	476	509
Purchase of fresh fruit bunches	-	275
Purchase of diesel and lubricants	16,825	13,438
Road toll received	(281)	(308)
Sales of logs and timber products	(9,459)	(12,745)
Sales of seeds & seedlings	(56)	-



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Sales of consumables	-	(7)
Sales of fresh fruit bunches	(46,943)	(15,926)
Sales of property, plant and equipment	(8)	-
Income from rental of premises	(92)	(55)
Handling fee received	(1,438)	(9)
Transport subsidised	(1,741)	(816)
	=====	=====

**29 Key Management Personnel Compensation**

Compensations to key management personnel are as follows:

	9 months ended 30 September	
	2012	2011
	RM'000	RM'000
Directors		
- Fees	717	722
- Remunerations	2,196	2,782
- Other short-term employee benefits	473	739
	<u>3,386</u>	<u>4,243</u>
Other Key Management Personnel		
- Salaries, allowances and bonuses	2,417	2,062
- Other short-term employee benefits	457	273
	<u>2,874</u>	<u>2,335</u>
Total	<u>6,260</u>	<u>6,578</u>

**30 Earnings Per Share**

	3 months ended	9 months ended
	30 September 2012	30 September 2012
(a) <b>Basic</b>		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM30,463</u>	<u>RM55,219</u>
Weighted average number of ordinary shares in issue ('000)	<u>370,537</u>	<u>370,537</u>
Basic earnings per ordinary share (sen)	<u>8.22</u>	<u>14.90</u>
(b) Diluted	<u>8.22</u>	<u>14.90</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 2012.

**Company No : 419232-K**

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**32 Realised and unrealised profits disclosure**

The retained earnings is analysed as follows:

	<b>As at end of current quarter 30 September 2012 RM'000</b>	<b>As at end of current quarter 30 June 2012 RM'000</b>
- Realised	664,435	633,214
- Unrealised	(86,361)	(85,603)
	<hr/> 578,074 <hr/>	<hr/> 547,611 <hr/>

**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 20 November 2012.