

Company No : 419232-K

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 2012. 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 2012. 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 2012 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 2012, except for the adoption of the following standards, amendments and interpretations:

- FRS 10, *Consolidated Financial Statements*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements: Transition Guidance*

The adoption of the new and revised FRSs, IC Interpretations and Amendments has no material impact 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

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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 first-mentioned entity (herein referred to as transitioning entities), may continue to apply Financial Reporting Standards (FRS) as their 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, MASB made a further announcement to allow transitioning entities to defer the adoption of MFRS for another year. Following the deferment, transitioning entities were required to migrate to the MFRS framework from the annual periods beginning on or after 1 January 2014.

On 7 August 2013, MASB has decided to allow transitioning entities to defer the adoption of MFRS for yet another year. This deferment takes into account the latest status of the International Accounting Standards Board's work plan on the two transitional issues that have yet to be resolved. Transitioning entities continue to have the option to either apply the MFRS Framework or the FRS Framework for annual periods beginning on a date before 1 January 2015.

Given that certain group entities are transitioning entities, the financial statements of the Group will continue to be prepared in compliance with FRS for the financial year ending 31 December 2013 and 31 December 2014. They will be prepared in compliance with MFRS from the financial year beginning on 1 January 2015.

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 2012 in their report dated 15 April 2013.

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 2013, the number of ordinary shares repurchased in an earlier period and retained as treasury shares is 199,400 shares.

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8 Dividend

An interim single-tier ordinary dividend of 5 sen per ordinary share for the financial year ended 31 December 2012, amounting to RM18,526,854 was paid on 28 March 2013 to depositors registered in the Record of Depositors at the close of business on 15 March 2013.

The Board of Directors has declared an interim single-tier ordinary dividend for the financial year ending 31 December 2013 of 5 sen per ordinary share (corresponding period in Year 2012: nil) to be paid on 27 December 2013 to depositors whose names appear in the Record of Depositors on 11 December 2013.

A depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred into Depositor's Securities Account before 4:00 p.m. on 11 December 2013 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	
	Period ended 30 September			
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Timber products	369,375	352,030	49,652	1,214
Oil palm	197,034	235,039	41,489	74,005
Reforestation	75	340	(797)	(70)
Property development	539	-	(23)	(196)
	<u>567,023</u>	<u>587,409</u>	<u>90,321</u>	<u>74,953</u>

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 2013 RM'000	As At 31 December 2012 RM'000
Current assets		
Trade receivables	64,835	48,577
Interest receivable	129	52
Other receivables	1,383	1,958
Deposits	911	1,267
Prepayments		
-Plant and machinery	883	551
-Land premium	6,795	5,818
-Others	9,064	6,744
Advance to a log supplier	90	170
Other advances	537	334
	84,627	65,471

15 Capital Commitments

	As At 30 September 2013 RM'000
Property, plant and equipment	
- Authorised but not contracted for	33,414
- Authorised and contracted for	20,874
	54,288
Plantation development expenditure	
- Authorised but not contracted for	24,783
Leasehold land held for subsidiaries' use	
- Approved and contracted for	15,885
	94,956

16 Review of Performance

- (a) For the quarter under review, a revenue of RM216.81 million was achieved compared to RM234.85 million of the corresponding quarter of 2012. Profit before tax increased from RM41.62 million to RM46.12 million whereas net profit increased from RM29.73 million to RM32.85 million.

A decrease in plywood sales volume by 18% and lower average selling prices of oil palm fresh fruit bunches ("FFB") and crude palm oil ("CPO") by 22% mainly accounted for the drop in revenue. The lower FFB and CPO average selling prices resulted in a 30% drop in profit of the palm oil sector in the quarter under review, despite sales volumes of FFB and CPO increased by 4% and 17% respectively. However, higher profit contribution from timber sector, mainly from logging division whose export logs volume and average price increased by 3% and 25% respectively, more than offset the decrease in palm oil sector's profit.

- (b) For the first 9 months of 2013, the revenue of RM567.02 million was 3% lower than RM587.41 million of 2012, mainly due to palm oil sector revenue dropping by 16%. Sales volumes of FFB and CPO were 7% and 19% higher but average selling prices were 29% and 26% lower respectively. With the narrower margin, palm oil sector profit in 2013 decreased by 44% compared to 2012. Timber sector on the other hand, improved its profit contribution with logging division recording a 51% higher profit, a better performance of plywood division and compensation received by the Tasmanian subsidiary from the Australian Government.

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17 Variation of Results as compared to the Preceding Quarter

Revenue in the quarter under review increased by 8% from RM199.93 million of the preceding quarter to RM216.81 million. Profit before tax and net profit for the quarter were RM46.12 million and RM32.85 million against RM38.15 million and RM23.90 million reported in the preceding quarter respectively.

Better overall performance of the operating units accounted for the higher revenue. Logging division and palm oil sector were the main contributors to the increased profit, with significantly higher sales volume and average selling prices marginally higher. Export logs sales volume was 33% higher while the oil palm peak crop season produced 57% more FFB and 59% higher CPO sales volume than the preceding quarter.

18 Current Year Prospects

For the final quarter of 2013, demand for timber and timber products is expected to be sustained. Selling price is anticipated at current or higher level as the log supply will likely to be lower in the year end rainy season.

With the passing of peak crop season, FFB production will recede from the third quarter high but palm oil sector will remain a main contributor to the Group's revenue and profit, especially with the recent rise in the CPO price.

The construction of CPO mill at Igan is near completion and expected to be commissioned in December, which will reduce the FFB transportation cost from Igan Estate. Installation of a plywood line for processing plywood products for the Australian market at our Tasmania veneer mill is in progress, and expected to be operational in mid-2014.

Barring unforeseen circumstances, the Directors expect a better performance for 2013 than the preceding year.

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Finance income	1,429	489	3,017	1,508
Finance costs	(4,736)	(3,957)	(12,977)	(11,257)
Depreciation and amortisation	(18,876)	(18,814)	(55,803)	(55,156)
(Loss)/ Gain on disposal of property, plant and equipment	(16)	229	91	406
Property, plant and equipment written off	(98)	(535)	(280)	(905)
Impairment of property, plant and equipment	-	-	(31,077)	-
Foreign exchange gain/ (loss)				
- realised	958	2,027	1,160	2,153
- unrealised	407	567	553	(124)

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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.

21 Income tax expense

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current tax expense	12,622	10,533	29,982	19,890
Deferred tax expense	648	1,356	856	3,449
Total	13,270	11,889	30,838	23,339

Reconciliation of income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		9 months ended 30 September	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit for the period	32,846	29,726	59,483	51,614
Total tax expense	13,270	11,889	30,838	23,339
Profit excluding tax	46,116	41,615	90,321	74,953
Tax calculated using Malaysian tax rate of 25%				
- Prima facie income tax expense	11,529	10,404	22,580	18,739
- Non-deductible expenses	3,204	1,666	7,361	4,815
- Double deduction for certain expenses	(1,463)	(1,754)	(4,747)	(4,420)
- Tax exempt income	-	(13)	-	(40)
- Depreciation capitalised	-	(51)	-	(153)
- Movements in unrecognised deferred tax assets	-	1,637	5,644	4,398
Income tax expense for the period	13,270	11,889	30,838	23,339

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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 30 September 2013 RM'000	As at 30 September 2012 RM'000
Cash in hand	33	33
Cash at banks	62,585	53,853
Fixed deposits with original maturities not exceeding 3 months	176,340	68,383
	<u>238,958</u>	<u>122,269</u>

Fixed deposits of subsidiaries amounting to RM1,214,749 (2012: RM1,292,927) 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 2013 were as follows: -

	As at 30 September 2013 RM'000
<u>Current</u>	
<i>Denominated in Ringgit Malaysia</i>	
Unsecured - Bankers' acceptances/ Export Credit Refinancing	1,318
Revolving Credits	70,000
Term loans	59,392
Secured - Finance lease liabilities	12,002
Revolving Credits	17,000
Term loans	11,850
<i>Denominated in US Dollar</i>	
Unsecured - Foreign currency loans	14,940
<i>Denominated in Japanese Yen</i>	
Unsecured - Foreign currency loans	28,648
	<u>215,150</u>

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<u>Non-current</u>		
<i>Denominated in Ringgit Malaysia</i>		
Unsecured -	Term loans	225,693
Secured -	Finance lease liabilities	8,915
	Term loans	77,894
		<hr/>
		312,502
		<hr/>
Total		527,652
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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:

	9 months ended 30 September	
	2013	2012
	RM'000	RM'000
Transactions with associates		
Sales of logs and timber products	(9,121)	(3,600)
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	42,430	49,316
Food ration expenses	2,504	3,083
Handling fees, transportation & freight charges	19,122	19,811
Hiring of equipment	42	96
Insurance premium	2,863	3,883
Repair and maintenance	-	3
Purchase of property, plant and equipment	35	2
Rental of premises paid	33	41
Purchase of spare parts, fertilizer & consumables	11,853	12,695
Purchase of logs and timber products	1,046	2,773
Security charges	63	63
Computer hardware & software development fees	253	476
Purchase of diesel and lubricants	15,153	16,825
Road toll received	(134)	(281)
Sales of logs and timber products	(7,706)	(9,459)
Sales of seeds & seedlings	-	(56)
Sales of fresh fruit bunches	(29,696)	(46,943)
Sales of property, plant and equipment	(12)	(8)
Sales of spare parts, fertilizer & consumables	(28)	-
Empty bunch subsidized	(18)	-
Hiring income	(30)	-
Income from rental of premises	(98)	(92)
Handling fee received	(1,680)	(1,438)
Transport subsidised	(1,277)	(1,741)
	=====	=====

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29 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	9 months ended 30 September	
	2013	2012
	RM'000	RM'000
Directors		
- Fees	582	717
- Remunerations	1,798	2,196
- Other short-term employee benefits	437	473
	<u>2,817</u>	<u>3,386</u>
Other Key Management Personnel		
- Fees	77	-
- Remunerations	2,945	2,417
- Other short-term employee benefits	370	457
	<u>3,392</u>	<u>2,874</u>
Total	<u>6,209</u>	<u>6,260</u>

30 Earnings Per Share

	3 months ended	9 months ended
	30 September 2013	30 September 2013
(a) Basic		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM33,262</u>	<u>RM61,493</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>8.98</u>	<u>16.60</u>
(b) Diluted	<u>8.98</u>	<u>16.60</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 2013.

32 Realised and unrealised profits disclosure

The retained earnings is analysed as follows:

	As at	As at
	30 September 2013	30 September 2012
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	901,815	855,013
- Unrealised	(83,980)	(86,361)
	<u>817,835</u>	<u>768,652</u>
Less: Consolidation adjustments	(195,925)	(192,079)
Total Group retained earnings as per consolidated accounts	<u>621,910</u>	<u>576,573</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 25 November 2013.