

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 2013. 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 2013. 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 2013 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 2013, except for the adoption of the following standards, amendments and interpretations:

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*

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

On 7 August 2013, MASB has decided to allow transitioning entities to defer the adoption of Malaysian Financial Reporting Standards (MFRS). Transitioning entities will have to adopt MFRS when mandated by the MASB.

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 ended 31 December 2014 and will adopt new and or amended FRSs and IC Interpretations as and when effective.

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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 2013 in their report dated 7 April 2014.

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 2014, the number of ordinary shares repurchased in an earlier period and retained as treasury shares is 199,400 shares.

8 Dividend

The Board of Directors has declared an interim single-tier ordinary dividend for the financial year ending 31 December 2014 of 10 sen per ordinary share (corresponding period in Year 2013: nil) to be paid on 27 June 2014 to depositors whose names appear in the Record of Depositors on 10 June 2014.

A depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred into Depositor's Securities Account before 4:00 p.m. on 10 June 2014 in respect of transfers; and
- (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 31 March			
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Timber products	137,408	96,133	27,572	1,086
Oil palm	74,388	53,567	11,457	4,990
Reforestation	21	43	(23)	(91)
Property development	-	539	(36)	75
	211,817	150,282	38,970	6,060

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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.

14 Trade and Other Receivables

	As At 31 March 2014 RM'000	As At 31 December 2013 RM'000
Current assets		
Trade receivables	65,813	53,790
Interest receivable	43	75
Other receivables	812	1,482
Deposits	2,087	1,931
Prepayments		
-Plant and machinery	1,496	853
-Land premium	5,743	5,818
-Others	5,991	4,682
Advance to a log supplier	90	90
Other advances	465	378
	<u>82,540</u>	<u>69,099</u>

15 Capital Commitments

	As At 31 March 2014 RM'000
Property, plant and equipment	
- Authorised but not contracted for	31,074
- Authorised and contracted for	4,677
	<u>35,751</u>
Plantation development expenditure	
- Authorised but not contracted for	40,651
Leasehold land held for subsidiaries' use	
- Approved and contracted for	15,421
	<u>91,823</u>

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16 Review of Performance

For the quarter under review, a revenue of RM211.82 million was achieved compared to RM150.28 million of the corresponding quarter of 2013. Profit before tax for the quarter increased from RM6.06 million in the corresponding quarter of 2013 to RM38.97 million and net profit also surged from RM2.74 million to RM28.75 million.

The following factors mainly contributed to the performance of the quarter under review:

- i. Higher average selling prices of export logs by 28%, plywood products by 14%, oil palm fresh fruit bundles ('FFB') by 33% and crude palm oil ('CPO') by 18%; and
- ii. Sales volume of products increased by between 19% and 43%.

17 Variation of Results as compared to the Preceding Quarter

Revenue in the quarter under review rose by 2% from RM207.14 million of the preceding quarter to RM211.82 million. Profit before tax was RM38.97 million compared to RM24.38 million in the preceding quarter. Net profit was RM28.75 million compared to RM31.98 million reported in the preceding quarter.

Better average selling prices of export logs which increased by 14%, plywood products by 10%, FFB by 6% and CPO by 9% coupled with the higher sales volume of export logs and plywood products mainly accounted for the increased in profit before tax.

18 Current Year Prospects

Demand for timber and timber products which picked up in the first quarter is likely to be carried forward into the second quarter.

Oil palm production is expected to increase with the peak crop season approaching towards the end of the second quarter. With CPO price projected to maintain at RM2,600/mt level, a higher profit contribution is anticipated from the palm oil sector in the next quarter.

Barring unforeseen circumstances, the Director expects the Group to sustain its performance in the second quarter.

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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 31 March		Period ended 31 March	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Finance income	1,224	480	1,224	480
Finance costs	(4,437)	(3,680)	(4,437)	(3,680)
Depreciation and amortisation	(17,658)	(18,270)	(17,658)	(18,270)
Gain on disposal of property, plant and equipment	14	105	14	105
Property, plant and equipment written off	(21)	(9)	(21)	(9)
Foreign exchange gain/ (loss)				
- realised	1,141	(24)	1,141	(24)
- unrealised	(349)	(8)	(349)	(8)

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 Tax expense

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		Period ended 31 March	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax expense	9,236	2,379	9,236	2,379
Deferred tax expense	989	940	989	940
Total tax expense	10,225	3,319	10,225	3,319

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21 Tax expense (continued)

Reconciliation of tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		Period ended 31 March	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the period	28,745	2,741	28,745	2,741
Total tax expense	10,225	3,319	10,225	3,319
Profit excluding tax	38,970	6,060	38,970	6,060
Tax calculated using Malaysian tax rate of 25%				
- Prima facie income tax expense	9,743	1,515	9,743	1,515
- Non-deductible expenses	1,998	1,298	1,998	1,298
- Double deduction for certain expenses	(1,516)	(1,306)	(1,516)	(1,306)
- Movements in unrecognised deferred tax assets	-	1,812	-	1,812
Tax expense for the period	10,225	3,319	10,225	3,319

22 Cash and Cash Equivalents

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

	As at 31 March 2014 RM'000	As at 31 March 2013 RM'000
Cash in hand	29	35
Cash at banks	95,428	52,460
Fixed deposits with original maturities not exceeding 3 months	198,773	128,505
	<u>294,230</u>	<u>181,000</u>

Fixed deposits of subsidiaries amounting to RM1,230,507 (2013: RM1,296,300) 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.

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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 March 2014 were as follows: -

		As at 31 March 2014
		RM'000
<u>Current</u>		
<i>Denominated in Ringgit Malaysia</i>		
Unsecured -	Bankers' acceptances/ Export Credit Refinancing	4,508
	Revolving Credits	70,000
	Term loans	19,892
Secured -	Finance lease liabilities	11,528
	Revolving Credits	17,000
	Term loans	15,850
<i>Denominated in Japanese Yen</i>		
Unsecured -	Foreign currency loans	27,519
		<u>166,297</u>
<u>Non-current</u>		
<i>Denominated in Ringgit Malaysia</i>		
Unsecured -	Term loans	285,338
Secured -	Finance lease liabilities	11,689
	Term loans	68,944
		<u>365,971</u>
Total		<u>532,268</u>

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	
	2014	2013
	RM'000	RM'000
Transactions with associates		
Sales of logs and timber products	(3,179)	(2,226)
Transactions with companies connected to certain Directors of the Company and its subsidiaries		
Contract fees and fuel surcharge	16,077	10,964
Food ration expenses	857	911
Handling fees, transportation & freight charges	4,978	5,931

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28 Significant Related Party Transactions (continued)

Hiring of equipment	135	24
Insurance premium	844	603
Purchase of fresh fruit bunches	554	-
Purchase of property, plant and equipment	-	18
Rental of premises paid	11	11
Purchase of spare parts, fertilizer & consumables	3,310	2,680
Purchase of logs and timber products	-	1,046
Security charges	21	21
Computer hardware & software development fees	122	90
Purchase of diesel and lubricants	5,549	5,166
Road toll received	(54)	(52)
Sales of logs and timber products	(1,930)	(2,407)
Sales of fresh fruit bunches	(9,283)	(9,103)
Empty bunch subsidized	(1)	(3)
Hiring income	(4)	(4)
Income from rental of premises	(33)	(31)
Handling fee received	(600)	(486)
Transport subsidised	(253)	(423)
	=====	=====

29 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	Period ended 31 March	
	2014 RM'000	2013 RM'000
Directors		
- Fees	182	201
- Remunerations	568	568
- Other short-term employee benefits	134	139
	<u>884</u>	<u>908</u>
Other Key Management Personnel		
- Fees	28	21
- Remunerations	1,296	968
- Other short-term employee benefits	138	139
	<u>1,462</u>	<u>1,128</u>
Total	<u>2,346</u>	<u>2,036</u>

30 Earnings Per Share

	3 months ended 31 March 2014	Period ended 31 March 2014
(a) Basic		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM28,664</u>	<u>RM28,664</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>7.74</u>	<u>7.74</u>
(b) Diluted	<u>7.74</u>	<u>7.74</u>

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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 2014.

32 Realised and unrealised profits disclosure

The retained earnings is analysed as follows:

	As at 31 March 2014 RM'000	As at 31 March 2013 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	940,531	836,150
- Unrealised	(83,075)	(83,676)
	<hr/> 857,456	<hr/> 752,474
Less: Consolidation adjustments	(195,755)	(188,129)
Total Group retained earnings as per consolidated accounts	<hr/> 661,701	<hr/> 564,345

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 26 May 2014.