

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.

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

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

8 Dividend

An interim single-tier ordinary dividend of 10 sen per ordinary share for the financial year ended 31 December 2014, amounting to RM37,053,708 was paid on 27 June 2014 to depositors registered in the Record of Depositors at the close of business on 10 June 2014.

No dividend has been proposed by the Directors for the financial quarter under review (corresponding period in Year 2013: nil).

9 Segmental Reporting

	Revenue from external customers		Profit before tax	
	Period ended 30 June			
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Timber products	283,750	241,083	53,609	32,499
Oil palm	173,804	108,539	24,863	11,907
Reforestation	30	48	57	(215)
Property development	-	539	(212)	14
	457,584	350,209	78,317	44,205

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

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 30 June 2014 RM'000	As At 31 December 2013 RM'000
Current assets		
Trade receivables	59,842	53,790
Interest receivable	53	75
Other receivables	2,096	1,482
Deposits	2,080	1,931
Prepayments		
-Plant and machinery	1,505	853
-Land premium	5,978	5,818
-Others	8,737	4,682
Advance to a log supplier	90	90
Other advances	562	378
	<u>80,943</u>	<u>69,099</u>

15 Capital Commitments

	As At 30 June 2014 RM'000
Property, plant and equipment	
- Authorised but not contracted for	26,452
- Authorised and contracted for	5,114
	<u>31,566</u>
Plantation development expenditure	
- Authorised but not contracted for	29,630
Leasehold land held for subsidiaries' use	
- Approved and contracted for	15,421
	<u>76,617</u>

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

16 Review of Performance

- (a) A higher revenue of RM245.77 million was achieved in the quarter under review compared to RM199.93 million of the corresponding quarter in 2013. Profit before tax and net profit for the quarter were RM39.35 million and RM28.37 million, compared to RM38.15 million and RM23.90 million of the corresponding quarter in 2013 respectively.

The following factors mainly accounted for the performance of the quarter under review:

- (i) Higher average selling prices in Ringgit or Ringgit equivalent of export logs by 3%, plywood by 7%, oil palm fresh fruit bunches ('FFB') by 23% and crude palm oil ('CPO') by 17%;
- (ii) Sales volume of logs increased by 30%, FFB by 9% and CPO by 65% but plywood sales volume was 18% lower.

The operational performance of the quarter under review was a considerable improvement as the result of the corresponding quarter in 2013 had included the first tranche compensation payment received from the Australian Government, having a net income effect of RM21.48 million.

- (b) Compared to the first half year of 2013, the revenue of RM457.58 million achieved for the first half year of 2014 was 31% higher. Profit before tax increased by 77% from RM44.21 million to RM78.32 million, while net profit of RM57.12 million was more than double the RM26.64 million of 2013.

The significantly higher products sales volume (except plywood products) and average selling prices accounted for the better performance of the first half year of 2014.

17 Variation of Results as compared to the Preceding Quarter

Compared to the revenue of RM211.82 million for the preceding quarter, revenue in the quarter under review increased by 16%, mainly attributed to the significantly higher CPO output with the commissioning of a new CPO mill. Profit before tax of RM39.35 million and net profit of RM28.37 million were marginally lower than RM38.97 million and RM28.75 million respectively reported in the preceding quarter.

Though the revenue had increased, the drop in sales volume of higher-margin export log sales and the new CPO mill operating at below capacity resulted in the profit maintaining at the preceding quarter's level.

18 Current Year Prospects

Continuing improvement in the performance of both timber and palm oil sectors are anticipated in the second half of 2014.

In log market, the selling prices of Keruing and MLH logs have risen by USD90/m³ and USD20/m³ respectively following a log export ban imposed in April by Myanmar. Stronger log demand and price are expected in the second half year.

Plywood demand is expected to ease in the third quarter after the rush in Japanese buying in the first half to beat the sales tax increase. Buying is anticipated to resume in the fourth quarter, with an uptrend in infrastructure and construction projects.

For palm oil sector, the peak crop season will increase FFB and CPO production and raise the sector's contribution to the Group revenue. However, the movement of the CPO price will determine the sector's contribution to the Group profit.

Barring unforeseen circumstances, the Directors expect a comparable second half year performance for the Group.

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

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 June		6 months ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Finance income	1,834	1,108	3,058	1,588
Finance costs	(5,832)	(4,561)	(10,269)	(8,241)
Depreciation and amortisation	(21,121)	(18,657)	(38,779)	(36,927)
Gain on disposal of property, plant and equipment	245	2	259	107
Impairment of property, plant and equipment	-	(31,077)	-	(31,077)
Property, plant and equipment written off	(163)	(173)	(184)	(182)
Foreign exchange gain/ (loss)				
- realised	448	226	1,589	202
- unrealised	106	154	(243)	146

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 30 June		6 months ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax expense	10,366	14,981	19,602	17,360
Deferred tax expense	610	(732)	1,599	208
Total tax expense	10,976	14,249	21,201	17,568

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

21 Tax expense (continued)

Reconciliation of tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the period	28,371	23,896	57,116	26,637
Total tax expense	10,976	14,249	21,201	17,568
Profit excluding tax	<u>39,347</u>	<u>38,145</u>	<u>78,317</u>	<u>44,205</u>
Tax calculated using Malaysian tax rate of 25%				
- Prima facie income tax expense	9,836	9,536	19,579	11,051
- Non-deductible expenses	2,873	2,859	4,871	4,157
- Double deduction for certain expenses	(1,733)	(1,978)	(3,249)	(3,284)
- Movements in unrecognised deferred tax assets	-	3,832	-	5,644
Tax expense for the period	<u>10,976</u>	<u>14,249</u>	<u>21,201</u>	<u>17,568</u>

22 Cash and Cash Equivalents

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

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Cash in hand	39	29
Cash at banks	116,633	96,216
Fixed deposits with original maturities not exceeding 3 months	<u>156,470</u>	<u>138,922</u>
	<u>273,142</u>	<u>235,167</u>

Fixed deposits of subsidiaries amounting to RM1,243,213 (2013: RM1,300,529) 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.

Company No : 419232-K

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

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 June 2014 were as follows: -

		As at 30 June 2014
		RM'000
<u>Current</u>		
<i>Denominated in Ringgit Malaysia</i>		
Unsecured -	Bankers' acceptances/ Export Credit Refinancing	2,286
	Revolving Credits	76,000
	Term loans	19,892
Secured -	Finance lease liabilities	11,611
	Revolving Credits	17,000
	Term loans	17,900
<i>Denominated in US Dollar</i>		
Unsecured -	Foreign currency loans	10,097
<i>Denominated in Japanese Yen</i>		
Unsecured -	Foreign currency loans	16,318
		<u>171,104</u>
<u>Non-current</u>		
<i>Denominated in Ringgit Malaysia</i>		
Unsecured -	Term loans	280,481
Secured -	Finance lease liabilities	11,521
	Term loans	63,443
		<u>355,445</u>
Total		<u>526,549</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:

	6 months ended 30 June	
	2014	2013
	RM'000	RM'000
Transactions with associates		
Sales of logs and timber products	(6,547)	(5,380)

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

28 Significant Related Party Transactions (continued)

Transactions with companies connected to certain Directors of the Company and its subsidiaries

Contract fees and fuel surcharge	32,932	27,127
Food ration expenses	1,739	1,716
Handling fees, transportation & freight charges	11,974	12,373
Hiring of equipment	142	35
Insurance premium	1,917	1,505
Purchase of fresh fruit bunches	554	-
Purchase of property, plant and equipment	8	25
Rental of premises paid	22	22
Purchase of spare parts, fertilizer & consumables	8,054	6,743
Purchase of logs and timber products	-	1,046
Security charges	42	42
Computer hardware & software development fees	141	202
Purchase of diesel and lubricants	10,697	10,056
Road toll received	(98)	(96)
Sales of logs and timber products	(4,903)	(4,969)
Sales of fresh fruit bunches	(19,577)	(17,118)
Empty bunch subsidized	(2)	(11)
Hiring income	(27)	(4)
Income from rental of premises	(66)	(63)
Handling fee received	(1,326)	(986)
Transport subsidised	(504)	(751)
	=====	=====

29 Key Management Personnel Compensation

Compensations to key management personnel are as follows:

	6 months ended 30 June	
	2014	2013
	RM'000	RM'000
Directors		
- Fees	369	399
- Remunerations	1,826	1,136
- Other short-term employee benefits	368	293
	<u>2,563</u>	<u>1,828</u>
Other Key Management Personnel		
- Fees	61	50
- Remunerations	2,317	1,881
- Other short-term employee benefits	276	247
	<u>2,654</u>	<u>2,178</u>
Total	<u>5,217</u>	<u>4,006</u>

30 Earnings Per Share

	3 months ended 30 June 2014	6 months ended 30 June 2014
(a) Basic		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM29,770</u>	<u>RM58,434</u>
Weighted average number of ordinary shares in issue ('000)	<u>370,537</u>	<u>370,537</u>

Company No : 419232-K

TA ANN HOLDINGS BERHAD

Notes to the interim financial report

30 Earnings Per Share (continued)

Basic earnings per ordinary share (sen)	<u>8.03</u>	<u>15.77</u>
(b) Diluted	<u>8.03</u>	<u>15.77</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 June 2014.

32 Realised and unrealised profits disclosure

The retained earnings is analysed as follows:

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	936,089	859,858
- Unrealised	<u>(83,338)</u>	<u>(83,733)</u>
	852,751	776,125
Less: Consolidation adjustments	(198,334)	(187,576)
Total Group retained earnings as per consolidated accounts	<u>654,417</u>	<u>588,549</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 29 August 2014.