

**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 2014. 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 2014. 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 2014 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 2014, except for the adoption of the following standards, amendments and interpretations:

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRSs 2011-2013 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements to FRSs 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements to FRSs 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements to FRSs 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements to FRSs 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements to FRSs 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements to FRSs 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements to FRSs 2011-2013 Cycle)*

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 2 September 2014, MASB has announced that transitioning entities shall be required to apply Malaysian Financial Reporting Standard (MFRS) for annual period beginning on or after 1 January 2017.

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 2015 and 31

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December 2016. They will be prepared in compliance with MFRS from the financial year beginning on 1 January 2017.

**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 2014 in their report dated 9 April 2015.

**4 Seasonality or Cyclical 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 2015, 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 2015 of 10 sen per ordinary share (corresponding period in Year 2014: 10 sen) to be paid on 17 August 2015 to depositors whose names appear in the Record of Depositors on 20 July 2015.

A depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred into Depositor's Securities Account before 4:00 p.m. on 20 July 2015 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			
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Timber products	144,259	137,408	33,039	27,572
Oil palm	77,870	74,388	965	11,457
Reforestation	17	21	(315)	(23)
Property development	-	-	(7)	(36)
	222,146	211,817	33,682	38,970

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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**

	<b>As At 31 March 2015 RM'000</b>	<b>As At 31 December 2014 RM'000</b>
<b>Current assets</b>		
Trade receivables	42,297	37,302
Interest receivable	149	254
Other receivables	1,208	1,648
Deposits	2,028	2,075
Prepayments		
-Plant and machinery	6,529	6,291
-Land premium	6,578	5,978
-Others	6,852	8,346
Advance to a log supplier	90	90
Other advances	714	535
	<u>66,445</u>	<u>62,519</u>

**15 Capital Commitments**

	<b>As At 31 March 2015 RM'000</b>
<b>Property, plant and equipment</b>	
- Contracted but not provided for	3,314
- Authorised but not contracted for	37,624
- Authorised and contracted for	229
	<u>41,167</u>
<b>Plantation development expenditure</b>	
- Authorised but not contracted for	32,779
<b>Leasehold land held for subsidiaries' use</b>	
- Approved and contracted for	15,130
	<u>89,076</u>

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**16 Review of Performance**

For the quarter under review, a revenue of RM222.15 million was achieved compared to RM211.82 million of the corresponding quarter of 2014. Profit before tax and net profit for the quarter were RM33.68 million and RM24.94 million, compared to RM38.97 million and RM28.75 million of the corresponding quarter in 2014 respectively.

The main factor for the lower profit was the drop in the prices of oil palm fresh fruit bunches ('FFB') and crude palm oil ('CPO') despite a 28% higher CPO sales volume. Compared to the corresponding quarter in 2014, average FFB and CPO prices were 16% and 13% lower respectively.

For the timber sector, though the sales volumes were lower, the better average selling prices for plywood and export logs which increased by 6% and 16% respectively, generated a higher profit margin and profit for the sector.

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

Revenue in the quarter under review decreased by 20% from RM278.45 million of the preceding quarter to RM222.15 million. Profit before tax and net profit for the quarter increased by 16% and 22% to RM33.68 million and RM24.94 million from RM29.02 million and RM20.46 million reported in the preceding quarter respectively.

Compared to the preceding quarter, export logs sales volume in the quarter under review increased by 14%. However, the plywood, FFB and CPO sales volume dropped by 13%, 25% and 37% respectively which mainly accounted for lower revenue.

Average selling prices of FFB and CPO rose by 7% and 5% respectively while export logs and plywood average selling prices rose by 9% and 4% respectively, contributing to the better gross profit margin and net profit for the quarter under review.

**18 Current Year Prospects**

Demand for timber and timber products are expected to be sustained in the second quarter of 2015. Log supply has remained tight which is anticipated to maintain the timber and timber products selling prices.

Higher FFB and CPO production are expected in the second and third quarters as FFB production showed a rising trend.

Barring unforeseen circumstances, the Board of Directors expects satisfactory performance for both timber and palm oil sectors.

**19 Profit Forecast**

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

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## 20 Profit for the period

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		Period ended 31 March	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Profit for the period is arrived at after crediting/ (charging):</b>				
Finance income	1,845	1,224	1,845	1,224
Finance costs	(4,958)	(4,437)	(4,958)	(4,437)
Depreciation and amortisation	(19,866)	(17,658)	(19,866)	(17,658)
(Loss)/ Gain on disposal of property, plant and equipment	(14)	14	(14)	14
Property, plant and equipment written off	(82)	(21)	(82)	(21)
Foreign exchange gain/ (loss)				
- realised	591	1,141	591	1,141
- unrealised	972	(349)	972	(349)

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current tax expense	9,154	9,236	9,154	9,236
Deferred tax (income)/ expense	(409)	989	(409)	989
<b>Total tax expense</b>	<b>8,745</b>	<b>10,225</b>	<b>8,745</b>	<b>10,225</b>

## Reconciliation of tax expense

Profit for the period	24,937	28,745	24,937	28,745
Total tax expense	8,745	10,225	8,745	10,225
Profit excluding tax	33,682	38,970	33,682	38,970
Tax calculated using Malaysian tax rate of 25%				
- Prima facie income tax expense	8,421	9,743	8,421	9,743
- Non-deductible expenses	1,864	1,998	1,864	1,998
- Double deduction for certain expenses	(1,540)	(1,516)	(1,540)	(1,516)
Tax expense for the period	8,745	10,225	8,745	10,225

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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 2015 RM'000	As at 31 March 2014 RM'000
Cash in hand	35	29
Cash at banks	167,207	95,428
Fixed deposits with original maturities not exceeding three months	134,296	198,773
	<u>301,538</u>	<u>294,230</u>

23 Other Investments

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
Fixed deposits with original maturities exceeding three months	19,450	20,950
Fixed deposits pledged to banks	1,107	837
	<u>20,557</u>	<u>21,787</u>

Fixed deposits of subsidiaries amounting to RM1,107,388 (2014: RM837,271) are pledged to licensed banks for bank facilities granted thereto.

24 Unquoted Investment and Properties

There was no sale of unquoted investments and/or properties during the financial quarter under review.

25 Quoted Investments

There was no purchase or disposal of quoted securities during the financial quarter under review.

26 Status of Corporate Proposal

There were no corporate proposals announced or pending completion as at the date of this announcement.

27 Group Borrowings and Debt Securities

Total Group borrowings as at 31 March 2015 were as follows: -

		As at 31 March 2015 RM'000
<b>Current</b>		
<i>Denominated in Ringgit Malaysia</i>		
<b>Unsecured -</b>	Bankers' acceptances/ Export Credit Refinancing	16,497
	Revolving Credits	76,000
	Term loans	
	- Conventional	29,432
	- Islamic	6,000
<b>Secured -</b>	Finance lease liabilities	14,159
<i>Denominated in Japanese Yen</i>		
<b>Unsecured -</b>	Foreign currency loans	8,793
		<u>150,881</u>

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27 Group Borrowings and Debt Securities (continued)

		As at 31 March 2015
		RM'000
<b><u>Non-current</u></b>		
<i>Denominated in Ringgit Malaysia</i>		
<b>Unsecured -</b>	Term loans	
	- Conventional	140,629
	- Islamic	194,000
<b>Secured -</b>	Term loans	16,070
	Finance lease liabilities	15,025
		<hr/>
		365,724
<b>Total</b>		<b>516,605</b>

28 Material Litigation

There are no pending material litigations as at the date of this announcement.

29 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 30), during the current financial period:

	Period ended 31 March	
	2015 RM'000	2014 RM'000
<b>Transactions with an associate</b>		
Sales of logs and timber products	(2,195)	(3,179)
<b>Transactions with companies connected to certain Directors of the Company and its subsidiaries</b>		
Contract fees and fuel surcharge	9,418	16,077
Food ration expenses	878	857
Handling fees, transportation & freight charges	5,107	4,978
Hiring of equipment	1	135
Insurance premium	1,054	844
Purchase of fresh fruit bunches	-	554
Purchase of property, plant and equipment	107	-
Rental of premises paid	12	11
Purchase of spare parts, fertilizer & consumables	4,571	3,310
Purchase of logs and timber products	377	-
Security charges	21	21
Computer hardware & software development fees	365	122
Purchase of diesel and lubricants	4,394	5,549
Road toll received	(33)	(54)
Sales of logs and timber products	(2,532)	(1,930)
Sales of fresh fruit bunches	(6,949)	(9,283)
Sales of spare parts, fertilizer & consumables	(45)	-
Empty bunch subsidised	(3)	(1)
Hiring income	(10)	(4)
Income from rental of premises	(33)	(33)
Handling fee received	(403)	(600)
Transport subsidised	(302)	(253)
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**30 Key Management Personnel Compensation**

Compensations to key management personnel are as follows:

	Period ended 31 March	
	2015 RM'000	2014 RM'000
Directors		
- Fees	260	182
- Remunerations	2,317	568
- Other short-term employee benefits	370	134
	<u>2,947</u>	<u>884</u>
Other key management personnel		
- Fees	29	28
- Remunerations	698	1,296
- Other short-term employee benefits	72	138
	<u>799</u>	<u>1,462</u>
Total	<u>3,746</u>	<u>2,346</u>

**31 Earnings Per Share**

	3 months ended 31 March 2015	Period ended 31 March 2015
(a) <b>Basic</b>		
Net profit attributable to ordinary owners of the Company ('000)	<u>RM27,081</u>	<u>RM27,081</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>7.31</u>	<u>7.31</u>
(b) <b>Diluted</b>	<u>7.31</u>	<u>7.31</u>

**32 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 2015.

**33 Realised and Unrealised Profits Disclosure**

The retained earnings is analysed as follows:

	As at 31 March 2015 RM'000	As at 31 March 2014 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	1,004,477	940,531
- Unrealised	(83,963)	(83,075)
	<u>920,514</u>	<u>857,456</u>
Less: Consolidation adjustments	(210,656)	(195,755)
Total Group retained earnings as per consolidated accounts	<u>709,858</u>	<u>661,701</u>

**34 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 27 May 2015.