Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed consolidated interim financial statements for the period ended 31 December 2013 have been prepared in compliance with Financial Reporting Standards ("FRS") 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

The accounting policies used in the preparation of condensed consolidated interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2012. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

2. Changes in accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2012, except for the adoption of the following:

Effective for financial periods beginning on or after 1 July 2012:
- Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013:
- FRS 10 : Consolidated Financial Statements
- FRS 11 : Joint Arrangements
- FRS 12 : Disclosure of Interests in Other Entities
- FRS 13 : Fair Value Measurement
- FRS 119 : Employee Benefits
- FRS 127 : Separate Financial Statements
- FRS 128 : Investment in Associates and Joint Ventures
- IC Interpretation 20 : Stripping Costs in the Production Phase of a Surface Mine
- Amendments to FRS 1: Government Loans
- Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 10, FRS 11 and FRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance
- Improvements to FRSs (2012)
- Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2014:
- Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities

Effective for financial periods beginning on or after 1 January 2015:
- FRS 9: Financial Instruments

2. Changes in accounting policies (Contd.)

The adoption of the above revised FRSs, IC Interpretation and Amendments do not have any significant financial impact on the Group except as disclosed below:

2.1 FRS 10 Consolidated Financial Statements

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

The application of FRS 10 affect the accounting for the Group's equity interest in Cepatwawasan Group Berhad ("CGB") which is previously treated as an associated company of the Group and accounted for using the equity method of accounting, as discussed below:

As at 1 January 2013, the Group is the majority shareholder of CGB with a 38.46% equity interest. All other shareholders individually own less than 3% of the equity shares of CGB. Historically, the other shareholders did not form a group to exercise their votes collectively. The directors have assessed that the Group has had control over CGB since the acquisition in October 2005. In accordance with the requirements of FRS 10, if measuring of the investee's assets, liabilities and non-controlling interest is impracticable, the deemed acquisition date shall be the beginning of the earliest period for which application of FRS 3 is practicable, which may be the current period.

Therefore, CGB has been accounted for as a subsidiary company of the Company on 1 January 2013.

The change in accounting of the Group's investments in CGB has been applied in accordance with the relevant transitional provisions as set out in FRS 10 as if the acquisitions of CGB had been accounted for in accordance with FRS 3 Business Combinations at 1 January 2013.

2. Changes in accounting policies (Contd.)

(i) Increase in net assets and equity of the Group as at 1 January 2013 arising from the application of FRS 10

	FRS 10 adjustments RM'000
Property, plant and equipment	428,451
Biological assets	438,850
Investment properties	37,000
Intangible assets	92,088
Land use rights	13,900
Deferred tax assets	2,443
Other receivables	5,222
Investment in associated companies	(217,915)
Inventories	20,467
Trade and other receivables	14,481
Tax recoverable	2,855
Short term investments	13,596
Deposits placed with licensed banks	15,233
Cash and bank balances	6,476
Non- controlling interest	492,484
Retained earnings	98,000
Lease rental payable	267
Long term hire purchase payables	1,127
Long term borrowings	73,898
Deferred tax liabilities	170,585
Short term hire purchase payables	1,062
Short term borrowings	12,400
Trade and other payables	22,833
Income tax payable	491

2. Changes in accounting policies (Contd.)

(ii) Impact of the application of FRS 10 on profit of the Group for the period ended 31 December 2013

	FRS 10 adjustments RM'000
Increase in revenue	129,937
Increase in cost of sales	(111,591)
Increase in other operating income	4,485
Increase in administrative expenses	(4,997)
Increase in other operating expenses	(3,548)
Increase in finance costs	(476)
Increase in income tax expense	1,409
Increase in profit for the year	15,219
Increase in profit for the year attaibutable to:	
Owners of the Company	-
Non- controlling interests	15,219

(iii) Impact of the application of FRS 10 on cash flows of the Group as at 1 January 2013

	FRS 10 adjustments RM'000
Net cash flow from operating activities	244,751
Net cash outflow from investing activities	(297,934)
Net cash flow from financing activities	88,487
Net cash inflow	35,304

During the financial year, the Group has changed its accounting policy from cost model to fair value model for its investment properties based on the valuation performed by independent professional valuers.

Statement of financial position	Balance as at 31.12.2011 As previously reported RM'000	Effects of changes in accounting policy RM'000	Balance as at 01.01.2012 As restated RM'000
Non-current assets			
Investment properties	4,041	555	4,596
Investment in associates	206,987	5,013	212,000
Equity			
Retained earnings	125,725	5,540	131,265
Non-current liabilities			
Deferred tax liabilities	3,116	28	3,144

Statement of financial position	Balance as at 31.12.2012 As previously reported RM'000	Effects of changes in accounting policy RM'000	Balance as at 01.01.2013 As restated RM'000
Non-current assets			
Investment properties	4,026	1,275	5,301
Investment in associates	211,805	6,109	217,914
Equity			
Retained earnings	85,152	7,321	92,473
Non-current liabilities			
Deferred tax liabilities	3,089	63	3,152

2.2 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2015.

3. Auditors' report

The auditor's report on the preceding annual financial statements was not qualified.

4. Seasonal and cyclical factors

The business of the Group is cyclical in nature and the third quarter is normally the peak production season.

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 31 December 2013.

6. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results.

7. Equity and debt securities

There were no issuance, cancellation, resale, repurchase and repayment of equity or debt securities during the financial period ended 31 December 2013.

8. Dividend paid

A final single-tier dividend of 2.25% in respect of the financial year ended 31 December 2012 on 196,543,970 ordinary shares, amounting to a dividend payable of RM4,422,239 (2.25 sen per share) was paid on 30 May 2013.

No interim dividend has been paid during the current quarter ended 31 December 2013.

9. Segment information

The Group has three reportable segments, as described below, which are the Group's strategies business units. The strategic business units offer different products and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

a. Plantation - Cultivation of oil palm
b. Oil Mill - Milling and sales of oil palm products
c. Power Plant – Power Generation

Information about reportable segments

	Results for 3 months ended 31 December			
	Plantation	**Oil Mill**	**Power Plant**	**Total**
	31.12.2013	**31.12.2013**	**31.12.2013**	**31.12.2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
External revenue	5,073	81,739	-	86,812
Inter-segment revenue	17,082	-	178	17,260
Segment profit	9,235	2,690	(732)	11,193

Segment profit is reconciled to consolidated profit before tax as follows:	2013 RM'000
Segment profit	11,193
Other non-reportable segments	453
Amortisation of group land cost	(1,131)
Elimination of inter-segment profits	(116)
Unallocated corporate income	4,661
Unallocated corporate expenses	(229)
Consolidated profit before tax	14,831

	Results for 12 months ended 31 December			
	Plantation 31.12.2013 RM'000	**Oil Mill 31.12.2013 RM'000**	**Power Plant 31.12.2013 RM'000**	**Total 31.12.2013 RM'000**
External revenue	18,670	250,311	-	268,981
Inter-segment revenue	60,130	-	437	60,567
Segment profit	22,125	6,638	(1,449)	27,314

Segment profit is reconciled to consolidated profit before tax as follows:	2013 RM'000
Segment profit	27,314
Other non-reportable segments	1,759
Amortisation of group land cost	(4,645)
Elimination of inter-segment profits	(447)
Unallocated corporate income	4,661
Unallocated corporate expenses	(333)
Consolidated profit before tax	28,309

Segment information is not presented for the preceding year corresponding quarter and cumulative quarter as the Group operated solely in Malaysia and the combined revenues, profit or loss and assets employed of business segments other than the plantation segment represent less than 10% of the Group's combined revenues, profit or loss and assets employed respectively in the preceding year corresponding period.

9. Changes in the composition of the Group

There were no changes in the composition of the Group since the end of the reporting quarter except as disclosed in Note 2.1 to the condensed consolidated interim financial statements.

10. Contingent Assets and Liabilities

There were no contingent assets and contingent liabilities at the end of this quarter and as at the date of this report.

11. Capital commitments

	RM'000
Capital expenditure	
Approved and contracted for	29,544
Approved but not contracted for	9,093
	38,637

12. Subsequent event

a) On 10 February 2014, the subsidiary company, Cepatwawasan Group Berhad ("CWG"), acquired 2 ordinary shares of RM 1.00 each in Aspenglade Sdn. Bhd., representing its entire equity interest for a total consideration of RM 2, resulting in the latter becoming a wholly-owned subsidiary company of CWG.

b) On 10 February 2014, the subsidiary company, Cepatwawasan Group Berhad, acquired 2 ordinary shares of RM 1.00 each in Ekuiti Etika Sdn. Bhd., representing its entire equity interest for a total consideration of RM 2, resulting in the latter becoming a wholly-owned subsidiary company of CWG.

Information required by BMSB Listing Requirements

1. Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a revenue of RM87.75 million and profit before tax of RM14.83 million for the current quarter ended 31 December 2013 as compare to a revenue of RM5.54 million and profit before tax of RM2.84 million in the preceding year quarter ended 31 December 2012 The substantial increase in revenue and profit before tax is mainly due to the consolidation of Cepatwawasan Group Berhad ("CGB") as a subsidiary company on 1 January 2013 as a result of the adoption of FRS 10 Consolidated Financial Statements as disclosed in Note 2.1 to the condensed consolidated interim financial statements. In additions, the profitability for the current quarter is higher than the preceding year quarter due to higher prices of CPO and kernel by 12% and 41% respectively.

Performance of the respective operating business segments for this quarter under review as compared to the previous corresponding quarter is analysed as follows:

(i) Plantation – Generally, the plantation segment recorded a higher profit before tax for the current quarter mainly due to increase in prices of FFB by approximately 30% despite a decrease in production by 1.7%.

(ii) Oil Mill – The oil mill segment recorded a profit before tax of RM2.69 million for the current quarter as compare to RMNil in the preceding year corresponding quarter. The oil mill segment is derived from the consolidation of CGB and commencement of the operation of a new oil mill at the beginning of 2013.

(iii) Power Plant – The power plant segment recorded a loss before tax of RM0.73 million for the current quarter as compare to RMNil in the preceding year corresponding quarter. The power plant segment is derived from the consolidation of CGB at the beginning of 2013 and the losses were attributed to higher operating cost incurred as a result of the initial commencement of the operation.

Current Year-to date vs. Previous Year-to-date

The Group recorded a revenue of RM272.60 million and profit before tax of RM28.31 million for the cumulative quarter ended 31 December 2013 as compare to a revenue of RM28.09 million and profit before tax of RM21.10 million in the preceding year cumulative quarter ended 31 December 2012 The substantial increase in revenue and profit before tax is mainly due to the consolidation of Cepatwawasan Group Berhad ("CGB") as a subsidiary company on 1 January 2013 as a result of the adoption of FRS 10 Consolidated Financial Statements as disclosed in Note 2.1 to the condensed consolidated interim financial statements.

However, the profitability for the current cumulative quarter is lower than the preceding year cumulative quarter due to lower prices of CPO and kernel by 19% and 14% respectively and an amortisation of group land cost of RM4.64 million arising from the consolidation of CGB despite an increase in FFB production by 3%.

Performance of the respective operating business segments for this quarter under review as compared to the previous corresponding quarter is analysed as follows:

(i) Plantation – Generally, the plantation segment recorded lower profit before tax for the current cumulative quarter mainly due to prices of FFB falling by approximately 18% despite an increase in FFB production by 3%.

(ii) Oil Mill – The oil mill segment recorded a profit before tax of RM6.64 million for the current cumulative quarter as compare to RMNil in the preceding year cumulative quarter. The oil mill segment is derived from the consolidation of CGB and commencement of the operation of a new oil mill at the beginning of 2013.

(iii) Power Plant – The power plant segment recorded a loss before tax of RM1.45 million for the current cumulative quarter as compare to RMNil in the preceding year corresponding quarter. The power plant segment is derived from the consolidation of CGB at the beginning of 2013 and the losses were attributed to higher operating cost incurred as a result of the initial commencement of the operation.

2. Variation of results against preceding quarter

The profitability for the current quarter is higher than the immediate preceding quarter mainly due to higher CPO and PK prices by 7% and 18% respectively, a 14% increase in FFB production and a gain from the fair value adjustment of investment properties amounting to RM4.66 million.

3. Current year prospects

Barring any unforeseen circumstances, the Board is optimistic on the Group's prospects in view that palm oil prices have stabilised to around RM2,650 per MT.

4. Profit forecast

Not applicable as there was no profit forecast published.

5. Profit before taxation

This is arrived at after crediting/ (charging):

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bad debts written off	(1)	-	(258)	-
Gain on disposal of investment in securities	11	145	23	145
Interest income	184	16	686	33
Interest expense	(806)	(176)	(2,626)	(958)
Depreciation and amortisation	(3,794)	(333)	(14,631)	(1,136)
Dividend	11	10	31	76
Gain on fair value of investment properties	4,661	685	4,661	685
Property, plant and equipment written off	(105)	-	(105)	-
Gain/(Loss) on disposal of property, plant and equipment	22	(40)	33	(40)
Gain on foreign exchange	105	-	426	-

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

6. Income tax expense

Taxation is provided at the prevailing statutory rate based on the operating profit for the quarter as follows.

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax				
- Current provision	1,274	(39)	6,596	2,763
- Under/(Over) provision of tax in prior years	-	(1)	372	(24)
	1,274	(40)	6,968	2,739
Deferred tax				
- Relating to orgination and reversal of temporary differences	1,824	66	44	(38)
- Relating to change in tax rate	(6,982)	-	(6,982)	-
- Under provision of tax in prior years	189	11	189	11
	(3,695)	37	219	2,712

The Group’s effective tax rate for the current quarter and cumulative quarter ended 31 December 2013 was lower than the statutory rate of 25% principally due to reversal of deferred tax relating to change in tax rate in YA 2016 and certain income was exempted for tax purposes.

7. Corporate proposal

There was no corporate proposal for the current quarter under review.

8. Borrowings

The total borrowings incurred by the Group and outstanding as at end of the current quarter are as follows

Current - Secured	RM'000
Revolving credit	33,700
Term loan	9,950

	43,650
Non-current - Secured	RM'000
Term loan	105,309
Total borrowings	148,959

9. Disclosure of derivatives

The Group did not enter into any derivative contact and accordingly there were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 December 2013.

10. Changes in material litigation

There was no pending material litigation as at end of this quarter and as at the date of this report.

11. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 31December 2013 (31 December 2012: Nil).

12. Basic earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of 196,543,970 (2012 – on the enlarged share capital of 196,543,970 after the bonus issue of 56,155,420 ordinary shares of RM1 each) in issue during the financial period.

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31.12.2013 RM'000	**31.12.2012 RM'000 (Restated)**	**31.12.2013 RM'000**	**31.12.2012 RM'000 (Restated)**
Profit attributable to the owners of the Company	8,000	2,793	12,281	18,345
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	4.07	1.42	6.25	9.33

(b) Diluted

The Group has no potential ordinary shares in issue as at balance sheet and therefore, diluted earnings per share have not been presented.

13. Breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 31.12.2013 RM' 000	**As at 31.12.2012 (Restated) RM' 000**
Total retained profits of the Company and its subsidiaries		
- Realised	194,680	20,027
- Unrealised	5,590	(2,159)
	200,270	17,868
Total retained profits of associated companies		
- Realised	-	59,269
- Unrealised	-	(12,468)
Consolidation adjustments	(1,938)	27,804
Total group retained profits as per consolidation accounts	198,332	92,473

14. Authorisation for issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2014.