Third Quarter Report 2022

UNITED PLANTATIONS BERHAD

(Company Registration No. 191701000045 (240 A))

Jendarata Estate • 36009 Teluk Intan • Perak Darul Ridzuan • Malaysia

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2022

(The figures have not been audited)

	Quarter ended 30 September			9 Months ended 30 September		
(RM'000)	2022	2021	Changes (%)	2022	2021	Changes (%)
Revenue	649,621	525,500	23.6%	1,993,787	1,407,023	41.7%
Operating expenses	(352,155)	(330,160)	6.7%	(1,381,873)	(947,202)	45.9%
Other operating income	(1,941)	3,842	-150.5%	18,740	14,048	33.4%
Finance costs	(281)	(7)	3914.3%	(1,605)	(20)	7925.0%
Interest income	3,184	2,349	35.5%	5,643	4,700	20.1%
Share of results of joint venture	3,550	(1,863)	290.6%	2,956	(303)	1075.6%
Profit before taxation	301,978	199,661	51.2%	637,648	478,246	33.3%
Income tax expense	(104,894)	(44,695)	134.7%	(193,230)	(110,863)	74.3%
Profit after taxation	197,084	154,966	27.2%	444,418	367,383	21.0%
Profit for the period	197,084	154,966	27.2%	444,418	367,383	21.0%
Net profit attributable to:						
Equity holders of the parent	196,722	154,146	27.6%	441,047	364,756	20.9%
Non-controlling interests	362	820	-55.9%	3,371	2,627	28.3%
	197,084	154,966	27.2%	444,418	367,383	21.0%
Earnings per share						
(i) Basic - based on an average 414,784,984 (2021:414,784,984) ordinary shares (sen)	47.43	37.16	27.6%	106.33	87.94	20.9%
(ii) Fully diluted (not applicable)	-	-	-	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2021.

Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2022

(The figures have not been audited)

(RM'000)	Quarter ended 30 September 2022	Quarter ended 30 September 2021	Changes (%)	9 Months ended 30 September 2022	9 Months ended 30 September 2021	Changes (%)
Profit for the period	197,084	154,966	27.2%	444,418	367,383	21.0%
Other comprehensive income:						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation	7,131	5,828	22.4%	10,624	3,406	211.9%
Cash flow hedge						
- changes in fair value	239,676	(86,830)	376.0%	41,693	(168,823)	124.7%
- transfers to profit or loss	(27,815)	33,470	-183.1%	180,630	118,680	52.2%
Total Comprehensive income	416,076	107,434	287.3%	677,365	320,646	111.3%
Total comprehensive income attributable to:						
Equity holders of the parent	415,357	106,322	290.7%	673,466	317,849	111.9%
Non-controlling interests	719	1,112	-35.3%	3,899	2,797	39.4%
	416,076	107,434	287.3%	677,365	320,646	111.3%

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2021.

United Plantations Berhad

Condensed Consolidated Statement of Financial Position as at 30 September 2022

(The figures have not been audited)

(RM'000)	30 September 2022	31 December 2021
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,225,551	1,209,944
Right-of-use assets	396,864	395,415
Associated company	50	50
Joint Venture	43,158	40,201
Goodwill	356,856	356,856
Other receivables	1,608	5,196
Derivatives	53,934	-
Deferred tax assets	3,797	2,705
Total non-current assets	2,081,818	2,010,367
Current Assets		
Biological assets	49,619	48,044
Inventories	249,200	139,269
Trade & other receivables	244,343	437,386
Prepayments	9,889	7,420
Tax recoverable	56	21,989
Derivatives	95,856	10,837
Cash and bank balances	485,414	299,662
Short term funds	387,727	178,170
Total current assets	1,522,104	1,142,777
Total assets	3,603,922	3,153,144
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	390,054	390,054
Treasury shares	(18,668)	(18,668)
Other reserves	128,457	(103,962)
Retained profits	2,495,860	2,407,380
	2,995,703	2,674,804
Non-controlling interests	14,568	10,669
Total equity	3,010,271	2,685,473
Non-Current Liabilities		
Deferred tax liabilities	203,722	136,671
Retirement benefit obligations	15,050	13,908
Derivatives	4,959	22,898
Total non-current liabilities	223,731	173,477
Current Liabilities		
Trade & other payables	240,016	121,556
Tax payable	96,381	48,476
Retirement benefit obligations	2,341	2,341
Derivatives	31,182	121,820
Bank borrowings	-	1
Total current liabilities	369,920	294,194
Total liabilities	593,651	467,671
Total equity and liabilities	3,603,922	3,153,144
Net assets per share (RM)	7.22	6.44

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2021.

United Plantations Berhad

Condensed Statement of Changes in Equity
for the Nine Months Ended 30 September 2022
(The figures have not been audited)

(RM'000)	Attributable to Equity Holders of the Parent								
	Share Capital	Treasury shares	Retained profits	Cash flow hedge reserve	Capital reserve	Translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2022	390,054	(18,668)	2,407,380	(109,825)	21,798	(15,935)	2,674,804	10,669	2,685,473
Total comprehensive income for the period	-	-	441,047	222,323	-	10,096	673,466	3,899	677,365
Dividends, representing total transaction with owners	-	-	(352,567)	-	-	-	(352,567)	-	(352,567)
Balance at 30 September 2022	**390,054**	**(18,668)**	**2,495,860**	**112,498**	**21,798**	**(5,839)**	**2,995,703**	**14,568**	**3,010,271**
Balance at 1 January 2021	390,054	(18,668)	2,288,440	(40,476)	21,798	(21,176)	2,619,972	10,931	2,630,903
Total comprehensive income for the period	-	-	364,756	(50,143)	-	3,236	317,849	2,797	320,646
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Dividends, representing total transaction with owners	-	-	(269,610)	-	-	-	(269,610)	-	(269,610)
Dividends to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	(1,042)	(1,042)
Balance at 30 September 2021	**390,054**	**(18,668)**	**2,383,586**	**(90,619)**	**21,798**	**(17,940)**	**2,668,211**	**12,686**	**2,680,897**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2021.

United Plantations Berhad

Condensed Consolidated Cash Flow Statements
for the Nine Months Ended 30 September 2022

(The figures have not been audited)

	9 Months ended 30 September	
(RM'000)	2022	2021
Operating Activities		
-Receipts from operations	1,984,122	1,378,689
-Operating payments	(1,225,999)	(954,660)
-(Placement)/recovery of deposits in derivative operations	166,443	51,925
Cash flow from operations	924,566	475,954
Other operating receipts	14,049	13,099
Taxes paid	(127,507)	(64,777)
Cash flow from operating activities	811,108	424,276
Investing Activities		
- Proceeds from sale of property, plant and equipment	573	949
- Interest received	5,714	4,324
- Purchase of property, plant and equipment	(88,560)	(69,875)
- Payment for right-of-use assets	(211)	(185)
- Net change in short term funds	(209,557)	4,458
Cash flow from investing activities	(292,041)	(60,329)
Financing Activities		
- Dividends paid	(352,567)	(269,610)
- Dividends paid to non-controlling shareholders of a subsidiary	-	(1,042)
- Finance costs paid	(1,605)	(20)
- Associated company	(8)	(8)
- Joint venture	20,866	7,518
Cash flow from financing activities	(333,314)	(263,162)
Net Change in Cash & Cash Equivalents	185,753	100,785
Cash & Cash Equivalents at beginning of year	299,661	128,437
Cash & Cash Equivalents at end of period	485,414	229,222

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021.

Short Term Funds of RM387,727,000 (2021: RM331,825,000) are excluded from Cash Flow Statements due to reclassification of Short Term Funds from Cash & Cash Equivalents.

Notes To The Interim Financial Report

A1) ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim financial statements of the Group for the financial period ended 30 September 2022 are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2021.

At the date of authorization of these interim financial statements, the following MFRSs were issued but not yet effective and have not been applied by the Group:

MFRS	Effective for annual periods beginning on or after
• Amendments to MFRS 101: Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 Jan 2023
• MFRS 17 Insurance Contracts	1 Jan 2023
• Amendments to MFRS 17: Insurance Contracts	1 Jan 2023
• Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendment to MFRS 17 Insurance Contracts)	1 Jan 2023
• Amendments to MFRS 101: Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)	1 Jan 2023
• Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 Jan 2023
• Amendments to MFRS 112: Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 Jan 2023
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A2) AUDIT REPORT

The auditor's report on the financial statements for the financial year ended 31 December 2021 was not qualified.

A3) SEASONAL AND CYCLICAL NATURE OF GROUP'S PRODUCTS AND OPERATIONS

The prices for the Group's products are not within the total control of the Group but are determined by the global supply and demand situation for edible oils and it is somewhat related to the price of mineral oil.

Crop production is seasonal. Based on statistics, the Group's production of crude palm oil ("CPO") and palm kernel ("PK") gradually increases from March, peaking around July to September, and then declines from October to February. This pattern can be affected by severe global weather conditions such as El-Nino and La Nina.

The prices obtainable for the Group's products as well as the volume of production, which is cyclical in nature, will determine the profits for the Group.

Notes To The Interim Financial Report

A4) EXCEPTIONAL AND EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the current period.

A5) CHANGES IN ESTIMATES

There were no material changes to estimates made in prior period.

A6) EQUITY AND DEBT SECURITIES

As at 30 September 2022, the number of treasury shares held was 1,483,548 shares as there were no share buy-back nor any cancellation, re-sale or distribution of treasury shares in the current period. There was also no issuance of new shares or debt instruments in the current period.

A7) DIVIDENDS PAID

The following dividends were paid on 7 May 2022 in respect of the financial year ended 31 December 2021: -

Ordinary	RM'000
Final Dividend of 65 sen paid	269,610
Special Dividend of 20 sen paid	82,957
Total	352,567

A8) SEGMENTAL INFORMATION

Segmental information for the current period:

(RM'000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External sales	566,180	1,427,607	-	-	1,993,787
Inter-segment sales	397,687	-	-	(397,687)	-
	963,867	1,427,607	-	(397,687)	1,993,787
Segment Results:					
Profit/(loss) before tax	525,791	112,733	(876)	-	637,648

A9) VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2021.

A10) EVENTS AFTER THE BALANCE SHEET DATE

There were no material events after the balance sheet date.

A11) CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group for the period including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

A12) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 7 November 2022.

B1) DIRECTORS' ANALYSIS OF THE GROUP'S PERFORMANCE FOR 9 MONTHS ENDED 30 SEPTEMBER 2022

The Group's revenue for the current period at RM1,993.8 million was higher by 41.7% as compared to RM1,407.0 million recorded in the corresponding period, due to the increases in revenues for the plantation and refinery segments by 23.1% and 50.9% respectively in the current period.

The Group's profit before tax at RM637.6 million for the current period was higher by 33.3% as compared to RM478.2 million in the corresponding period. The analysis of the performance in accordance to the segments are as follows:

<u>Plantations</u>

This major segment of the Group's revenue increased by 23.1% to RM963.9 million in the current period from RM783.2 million in the corresponding period due to higher CPO and PK prices. Average CPO price at RM3,839 per mt was 25.7% higher whereas average PK price at RM2,905 per mt was 38.9% higher when compared to the corresponding period. CPO production was lower by 1.3%, whereas PK production was marginally higher by 0.9% in the current period. As the result of higher fertilizer prices, higher minimum wages and the newly concluded collective agreement, the cost of production of CPO and PK were 44.6% and 26.6% higher.

With CPO price surging to more than RM7,500 per mt before correcting to RM3,418 per mt as at 30 September 2022, windfall tax increased by 46.7% to RM55.5 million in the current period from the corresponding period.

The profit before tax of this segment increased by 15.0% in the current period as compared to the corresponding period. The average selling prices of CPO and PK for the current period and the corresponding period are as shown below.

Countries	Products	September 2022 Current Period (RM/MT)	September 2021 Corresponding Period (RM/MT)
Malaysia	CPO	**3,852**	3,087
Indonesia	CPO	**3,780**	2,899
Average	CPO	**3,839**	3,053
Malaysia	PK	**2,927**	2,127
Indonesia	PK	**2,815**	1,926
Average	PK	**2,905**	2,091

Group net interest income at RM5.6 million was 20.1% higher than RM4.7 million recorded in the corresponding period as a result of higher deposits and higher interest rates.

Notes To The Interim Financial Report

The effective tax rate of the Group was higher than the corresponding period due to the provision of the Prosperity Tax (Cukai Makmur) at 33% for statutory income above RM100 million for the Malaysian plantation segment.

Refinery

The revenue for the refinery segment, due to higher CPO and CPKO prices, increased by 50.9% to RM1,427.6 million in the current period from RM945.9 million in the corresponding period. The profit before tax for this segment has seen a significant recovery in the third quarter of the year, surging by 397.8% to RM112.7 million from RM22.6 million in the corresponding period. This was due to the refinery recovering a significant part of the hedging losses incurred in the previous quarters with the deliveries of finished goods produced with cheaper raw material.

The profit before tax of the refinery segment as reported above includes the share of profit of the joint-venture, Unifuji Sdn Bhd which has been equity accounted. The share of results of the joint venture increased by 1,075.7% to a profit of RM2.96 million in the current period from a loss of RM0.3 million in the corresponding period mainly due to the better product contribution.

Others

The other segments of the Group recorded a loss before taxation of RM0.9 million in the current period mainly as a result of the realized losses in BMD positions in the current period. These BMD positions are for hedging of the sales price of our CPO production in Indonesia.

B2) COMPARISON OF RESULTS WITH PRECEDING QUARTER

(RM'000)	Current Quarter 30/9/2022	Preceding Quarter 30/6/2022	Changes %
Revenue	649,621	701,258	(7.4%)
Interest income	3,184	1,399	127.6%
Profit Before Tax	301,978	258,919	16.6%
Profit After Tax	197,084	185,724	6.1%

The Group's revenue for the current quarter at RM649.6 million was lower by 7.4% as compared to RM701.3 million recorded in the preceding quarter mainly as a result of the revenue from plantation and refinery segments being lower by 9.9% and 5.8% respectively.

The profit before tax for the current quarter at RM302.0 million was higher by 16.6% as compared to RM258.9 million recorded in the preceding quarter due a strong recovery from the refinery segment. The quarterly segmental analysis are as follows:

Plantations

The plantation segment registered a 9.9% drop in revenue in the current quarter from the preceding quarter due to lower CPO and PK prices. Group CPO and PK average prices decreased by 14.4% and 25.7% respectively. The lower prices were somewhat mitigated by higher CPO and PK production by 3.3% and 0.3% respectively. CPO and PK production costs were 18.7% and 7.5% higher respectively due to higher application of fertilisers and higher wages in the current quarter. Consequently, the profit before tax of this segment decreased by 21.9% in the current quarter from the preceding quarter. With lower MPOB CPO prices in the current quarter, the windfall tax incurred at RM8.1 million was 70.3% lower than the previous quarter.

Interest income for the Group jumped by 127.6% in the current quarter from the preceding quarter due to higher deposits and higher interest rates for deposits in the current quarter.

The effective tax rate of the Group was higher than the preceding quarter due to the provision of the Prosperity Tax (Cukai Makmur) at 33% for statutory income which exceeded RM100 million for the Malaysian plantation segment in the current quarter.

Refinery

The refinery segment recorded a 5.8% decrease in revenue in the current quarter due to lower selling prices. This decrease in revenue was partially offset by the increase in sales volume by 16% in the current quarter.

This segment made a strong turnaround and recorded a profit before tax of RM145.7 million which was 151.0% higher than the preceding quarter. This was due to the refinery had in the current quarter recovered a significant part of the hedging losses incurred in the previous quarters with the deliveries of finished goods produced with cheaper raw material.

The profit before tax of the refinery segment as reported above includes the share of profit of RM3.6 million in the current quarter against a RM0.2 million profit in the preceding quarter mainly due to the higher product contribution in the current quarter.

B3) PROSPECTS AND OUTLOOK

With the bearish economic outlook prevailing combined with the ongoing conflict between Russia and Ukraine, commodity prices have, during the third quarter of 2022, reached new lows for the year thereby continuing the fall from historic highs experienced during the first half of 2022. The sharp fall in commodity prices marks a turnaround from the rallies in commodities arising from post pandemic surge in demand combined with supply constraints.

The steep declines have come mainly as a function of the major central banks initiating a much tighter monetary policy by increasing interest rates in an attempt to curb inflation, which has touched its highest level in 40 years. The negative global economic sentiments have been exacerbated by Russia´s invasion of Ukraine triggering the Eurozone's energy crisis. This and more has resulted in a rather bleak outlook for the largest economies, namely the US, the eurozone and China which globally are today the primary economic engines.

CPO prices for the third-month benchmark contract plunged to near 20-month lows of RM3,220 in September, weighed down by erosions in the external vegetable oil markets amid the bearish global market sentiment. The seasonal higher yields and rising stocks reaching a new high for the year in Malaysia and Indonesia´s decision to remove the Export Levy and reduce export taxes also impacted global palm prices negatively as supply into the world market improved.

However, recent concerns on supply constrains due to wetter weather in Malaysia and parts of Indonesia combined with the huge price discount of palm oil versus competing oils (e.g., soybean oil) and the weak Malaysian Ringgit against the US dollar led to stronger buying activities thereby reversing the bearish sentiments. In addition to this global trade in vegetable oils have over the last 8-12 months according to Oil World reported a surge in demand for soybean oil in the US market where the production of biodiesel/HVO have resulted in soyoil consumption increasing by 0.7 million MT in 2021/2022 and a further increase at 0.4 million MT this season. As a result of this, CPO prices have rebounded from the recent lows edging above RM4,000/MT for the third-month benchmark contract.

Labour shortages experienced in Malaysia have also turned a corner with the Malaysian Government finally opening up avenues for recruitment to take place. This will nevertheless not create much relief in 2022 due to the prolonged onboarding process and at best case, the industry will only feel the positive impact of this during the first quarter of 2023.

A fundamental aspect impacting the supply and demand complex of key commodities is the war between Russia, a key supplier of crude oil, natural gas, fertilizers and wheat, and Ukraine, also a key exporter of wheat and oilseeds. The recent escalation of geopolitical conflict between Russia and Ukraine has raised concerns over supplies for key ingredients such as fertilisers that are essential for global crop production including the oil palm that today accounts for about 37% of the world's total edible oil production. This is a factor which is creating much concern as inadequate supplies of the much-needed fertilisers will remove the building blocks required to sustain and increase yields thereby affecting global food production.

The Board continues to view the labour shortages as being the primary risks during the remaining part of 2022, as the risks of Covid-19 disruptions have fallen significantly.

With UP´s positive liquidity and conservative capital resources, the Board believes that the Company based on the present fundamentals will be able to perform satisfactorily without the need for any asset impairments arising from the current global market developments.

UP will, in accordance with its replanting policy, continue to replant areas of its older and less productive oil palm stands in Malaysia during 2022 and into 2023. Cost efficiencies and improved productivities including optimizing all possible steps of mechanization will continue as a vital part of sustaining our positive development going forward.

With the significant uncertainties relating to the global economic outlook only worsened by the consequences of the Russia-Ukraine War and the labour shortages in Malaysia, it is difficult to predict the results for 2022. However, based on the current palm oil prices and the company's ability to minimize significant crop losses so far in spite of the acute labour shortages, the Board of Directors expect that the results for the year will be satisfactory and better than in 2021.

B4) PROFIT FORECASTS

The Group has not issued any profit forecasts for the period under review.

B5) OPERATING PROFIT

Included in the operating profit are the following:

(RM'000)	*Current Quarter*	*Current year-to-date*
Depreciation and amortisation	(26,434)	(78,995)
Realised foreign exchange gains/(losses)	2,227	2,737
Realised gains/(losses) on commodities futures contracts	70,256	(132,418)
Fair value gains/(losses):		
- Forward foreign exchange contracts	(18,452)	(30,236)
- Commodities futures contracts	(6,195)	(14,031)
Gain/(loss) on disposal of property, plant and equipment	214	(28)

The year-to-date realised loss of RM132.4 million from commodities futures contracts was a result of hedging losses due to timing differences of raw material hedges versus delivery of finished goods as explained under Notes B1 and B2. The hedging loss was because of the significant increase in CPO prices since entering into the earlier BMD commodity futures sales. Upon buying back of the earlier entered BMD commodity futures sales there are immediate losses, a significant portion of these hedging losses had been recovered in the second and third quarters and will continue to be reversed in the coming quarters through significantly higher contributions upon delivery of finished goods based on earlier purchased CPO at lower prices as part of the raw material hedge.

Notes To The Interim Financial Report

B6) TAXATION

The charge for taxation for the period ended 30 September 2022 comprises:

(RM '000)	*Current Quarter*	*Current year-to-date*
Current taxation	98,410	197,346
Deferred taxation	6,484	(4,116)
	104,894	193,230
Profit before taxation	301,978	637,648
Tax at the statutory income tax rate of 24%	72,474	153,035
Tax effect of higher tax rate due to Prosperity Tax	33,972	48,388
Tax effect of different tax rate in other country	(187)	(1,734)
Tax effects of expenses not deductible / (income not taxable) in determining taxable profit:		
Depreciation on non-qualifying assets	268	804
Double deductions for research and development	(60)	(180)
Reinvestment allowance	(3,800)	(11,400)
Under provision of tax in prior financial year	3,496	3,496
Others	(1,269)	821
Tax expense	104,894	193,230

B7) CORPORATE PROPOSALS

There were no corporate proposals which were announced but not completed as at 7 November 2022.

B8) GROUP BORROWINGS

There were no group borrowings as at 30 September 2022.

B9) FINANCIAL INSTRUMENTS

a) Derivatives

Derivatives not designated as hedging instruments

The Group uses forward currency contracts and commodity futures contracts to manage its exposure to currency and price risks, as well as to take advantage of favourable market conditions. The forward currency contract is not designated as cash flow or fair value hedges and is entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Derivatives designated as hedging instruments – Cash flow hedge

Commencing from 1 October 2018, the Group has designated certain commodity futures contracts as hedging derivatives to reduce the volatility attributable to price fluctuations of crude palm oil ("CPO"). Hedging of the price volatility of forecast CPO is in accordance with the risk management strategy outlined by the Board of Directors.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity price and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships between the CPO sold and the forward commodity contracts as the underlying risk of the commodity price and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The fair values of these derivatives as at 30 September 2022 are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Assets RM'000	Liabilities RM'000
Current			
Non-hedging derivatives:			
Forward currency contracts	334,904	-	(31,182)
Commodity futures contracts	(409,706)	1,766	-
Hedging derivatives:			
Commodity futures contracts	722,122	94,090	-
		95,856	(31,182)
Non-current			
Non-hedging derivatives:			
Commodity futures contracts	(433,939)	-	(4,959)
Hedging derivatives:			
Commodity futures contracts	255,523	53,934	-
		53,934	(4,959)
Total derivatives		149,790	(36,142)

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 31 December 2021.

The description, notional amount and maturity profile of each derivative are shown below:

i) Forward currency contracts

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date.

The forward currency contracts are stated at fair value. Fair value of the forward currency contracts is determined by reference to the difference between the contracted rate and the market rate as at the reporting date.

As at 30 September 2022, the notional amount, fair value and maturity tenor of the forward currency contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	334,904	(31,182)
- 1 year to less than 3 years	-	-
- More than 3 years	-	-
	334,904	(31,182)

ii) Commodity futures contracts

Commodity futures contracts are used to manage and hedge the Group's exposure to adverse price movements in vegetable oil commodities

The commodity futures contracts are stated at fair value. Fair value of the commodity futures contracts is determined by reference to the difference between the contracted rate and the forward rate as at the reporting date.

As at 30 September 2022, the notional amount, fair value and maturity tenor of the commodity futures contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	312,416	95,856
- 1 year to less than 3 years	(178,416)	48,975
- More than 3 years	-	-
	134,000	144,831

b) Fair Value Changes of Financial Liabilities

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

B10) MATERIAL LITIGATION

There was no material litigation as at 7 November 2022.

B11) PROPOSED DIVIDENDS

The Directors have, in accordance to the Dividend Policy, declared an interim dividend of 40 sen per share (2021: interim dividend of 30 sen per share) for the year ending 31 December 2022 on the issued ordinary share capital of the Company. The dividend is payable on 5 December 2022.

B12) EARNINGS PER SHARE (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM441,046,000 (2021: RM364,756,000) and the weighted average number of ordinary shares of 414,784,984 (2021: 414,784,984) in issue during the period.

By Order of the Board

Ng Eng Ho
Company Secretary

Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

7 November 2022

Contact information

United Plantations Berhad
Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

Company Secretary:	Mr. Ng Eng Ho
E-mail:	up@unitedplantations.com
Phone:	006 05 6411411
Fax:	006 05 6411876
Website:	www.unitedplantations.com