

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of financial position

As At 30 September 2013

	At 30 September 2013 RM'000	At 31 December 2012 (audited) RM'000
Assets		
Property, plant and equipment	25,501	27,762
Investment properties	77,041	77,559
Investment in associate	2,000	2,000
Deferred tax assets	481	2,810
Total non-current assets	105,023	110,131
Inventories	30,968	28,720
Trade and other receivables	208,278	155,419
Current tax assets	3,097	707
Cash and cash equivalents	39,692	61,977
Total current assets	282,035	246,823
Total assets	387,058	356,954
Equity		
Share capital	99,645	99,645
Share premium	22,693	22,693
Retained earnings	148,165	130,492
Total equity attributable to equity holders of the Company	270,503	252,830
Liabilities		
Borrowings	1,711	1,481
Deferred tax liabilities	2,876	2,876
Total non-current liabilities	4,587	4,357
Trade and other payables	64,901	84,950
Borrowings	37,582	13,348
Current tax payable	9,485	1,469
Total current liabilities	111,968	99,767
Total Liabilities	116,555	104,124
Total equity and liabilities	387,058	356,954
Net assets per share (RM)	2.7147	2.5373

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of comprehensive income

For the financial period ended 30 September 2013

	Current 3 months ended 30 September		Cumulative 3 months ended 30 September	
	2013 RM'000	2012 (restated) RM'000	2013 RM'000	2012 (restated) RM'000
Continuing operations				
Revenue	62,524	49,633	271,072	100,409
Cost of sales	(52,705)	(44,774)	(225,896)	(87,280)
Gross profit	9,819	4,859	45,176	13,129
Other income	1,097	340	2,393	5,656
Administrative expenses	(3,314)	(1,064)	(9,624)	(5,119)
Results from operating activities	7,602	4,135	37,945	13,666
Interest income	156	487	506	1,799
Interest expense	(522)	(54)	(1,043)	(146)
Profit before tax	7,236	4,568	37,408	15,319
Taxation	(4,316)	(2,023)	(14,753)	(4,151)
Profit after taxation / Total comprehensive income for the period	<u>2,920</u>	<u>2,545</u>	<u>22,655</u>	<u>11,168</u>
Total comprehensive income attributable to:				
Owners of the Company	2,920	2,545	22,655	11,168
Minority interest	-	-	-	-
Total comprehensive income for the period	<u>2,920</u>	<u>2,545</u>	<u>22,655</u>	<u>11,168</u>
Earnings per share attributable to equity holders of the parent				
EPS - Basic (sen)	<u>2.93</u>	<u>2.55</u>	<u>22.74</u>	<u>11.21</u>
EPS - Diluted (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)**Condensed consolidated statement of changes in equity
For the financial period ended 30 September 2013**

	Attributable to the Equity Holders of the Parent				Minority interest RM'000	Total Equity RM'000
	Non-distributable Share capital RM'000	Share premium RM'000	Distributable Retained profits RM'000	Total RM'000		
At 1 January 2013 (Restated)	99,645	22,693	130,492	252,830	-	252,830
Total comprehensive income for the period	-	-	22,655	22,655	-	22,655
Dividends	-	-	(4,982)	(4,982)	-	(4,982)
At 30 September 2013 (Restated)	<u>99,645</u>	<u>22,693</u>	<u>148,165</u>	<u>270,503</u>	<u>-</u>	<u>270,503</u>
At 1 January 2012 (Restated)	99,645	22,693	119,141	241,479	-	241,479
Total comprehensive income for the period	-	-	11,168	11,168	-	11,168
At 30 September 2012 (Restated)	<u>99,645</u>	<u>22,693</u>	<u>130,309</u>	<u>252,647</u>	<u>-</u>	<u>252,647</u>

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of cash flows

For the financial period ended 30 September 2013

	30 September 2013	30 September 2012 (restated)
	RM'000	RM'000
<i>Cash flows from operating activities</i>		
Profit before tax	37,408	15,319
Adjustments for:		
Depreciation of property, plant and equipment	3,735	5,062
Depreciation of investment property	530	488
Gain on disposal of plant and equipment	-135	-5,263
Interest expense	1,043	146
Interest income	-506	-1,799
Operating profit before changes in working capital	<u>42,075</u>	<u>13,953</u>
Changes in working capital:		
Inventories	-2,247	-15,195
Receivables, deposits and prepayments	-52,858	-36,706
Payables and accruals	-20,048	5,662
Cash used in operations	<u>-33,078</u>	<u>-32,286</u>
Income taxes paid	-6,800	-19,229
Net cash used in operating activities	<u>-39,878</u>	<u>-51,515</u>
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment	-1,173	-16,851
Acquisition of investment property	-13	-57
Interest received	506	1,799
Deposits released from licensed banks	7,204	7,606
Proceeds from disposal of plant and equipment	784	11,664
Net cash generated from investing activities	<u>7,308</u>	<u>4,161</u>
<i>Cash flows from financing activities</i>		
Dividend paid	-4,982	-4,085
Interest paid	-1,043	-146
Proceeds from/(repayment of) borrowings	17,200	12,800
Repayment of finance lease liabilities	-603	-770
Net cash generated from financing activities	<u>10,572</u>	<u>7,799</u>
Net decrease in cash and cash equivalents	-21,998	-39,555
Cash and cash equivalents at beginning of period	54,773	90,363
Cash and cash equivalents at end of period	<u>32,775</u>	<u>50,808</u>
Cash & bank balance	24,840	15,156
Deposits with licensed banks (excluding deposits pledged)	14,851	35,665
Bank Overdraft	-6,916	-13
	<u>32,775</u>	<u>50,808</u>

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)

Notes to the interim financial report – 30 September 2013

A MFRS 134 – Interim Financial Reporting

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements are to be read in conjunction with the audited financial statements for the year ended 31 December 2012. The 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 financial year ended 31 December 2012.

The accounting policies, method of computation and basis of consolidation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2012 except for the following :-

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, *Presentation of Financial Statements – Presentations of Items of Other Comprehensive Income*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interest in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

The initial application of the new MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012 and 1 January 2013 is not expected to have any material financial impacts to the Group's consolidated financial statements of the current and prior periods financial statements upon their first adoption.

Significant Accounting Policies

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

The MFRS 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 subject to the application of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein referred to as ‘Transitioning Entities’).

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

The Group falls within the definition of Transitioning Entities. However the Group has not opted for defer adoption of the New MFRS to 1 January 2015 and instead choose for earlier adoption on the financial year ended 31 December 2012. The earlier adoption will not have material impact on the Group’s except for:-

- i) IC Interpretation 15 Agreements for Construction of Real Estate (IC15).

IC Interpretation 15 supersedes the existing FRS 201₂₀₀₄, Property Development Activities and provides guidance on how to account for revenue from construction of real estate. The adoption of IC Interpretation 15 will result in change of accounting policy which recognition of revenue from the property development activities of the Group will be changed from the percentage of completion method to the completed method.

The financial statements for financial year end 31 December 2012 are the Group first financial statements prepared in accordance with MFRS. MFRS 1- First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS”) has been applied. As a result of the adoption of IC Interpretation 15, the development revenue and development cost recognised based on the percentage of completion method previously have now been recognised based on the completed method in financial year ended 31 December 2012.

There was a deviation of 29.8% between the Group’s audited profit after tax for the financial year ended 31 December 2012 and the Group’s unaudited profit after tax for the fourth quarter results ended 31 December 2012 which was announced on 28 February 2012. The deviation is mainly attributable to mis-interpretation of the revenue recognition rule as per IC Interpretation 15. As of 31 December 2012, one of the Group’s property development projects had been physically completed and letters from the authorities had given support for the application of the Certificate of Completion and Compliance (“CCC”). However, the control of these completed property units have not been transferred to the purchaser. The Group had subsequently obtained the CCC dated 29 March 2013 and vacant possession has been delivered to purchaser. Accordingly, the profits from this project will be recognised in the following financial year ending 31 December 2013. The corresponding tax adjustment in respect of taxation effect on the said deviation in profits amounts RM2.711 million. The impact of this deviation and other audit adjustments are as follow:

- a) Reconciliation of Comprehensive Income for the quarter ended 30 September 2012

	As previously reported 30 September 2012 RM’000	Effects of transition to MFRSs RM’000	As restated 30 September 2012 RM’000
Revenue	53,045	(3,412)	49,633
Profit before tax	7,183	(2,615)	4,568
Tax expense	(2,677)	654	(2,023)

b) Reconciliation of Comprehensive Income for the period ended 30 September 2012

	As previously reported 30 September 2012 RM'000	Effects of transition to MFRSs RM'000	As restated 30 September 2012 RM'000
Revenue	104,908	(4,499)	100,409
Profit before tax	18,468	(3,149)	15,319
Tax expense	(4,938)	787	(4,151)

c) Reconciliation of Statement of Financial Position as at 31 December 2012

	As previously reported 31 December 2012 RM'000	Audit Adjustments RM'000	Effects of transition to MFRSs RM'000	As audited RM'000
Property, plant and development	26,149	1,613	-	27,762
Investment property	41,473	-	36,086	77,559
Land held for property development	41,945	-	(41,945)	-
Deferred tax assets	35	113	2,662	2,810
Property development cost	11,409	-	(11,409)	-
Inventories	2,273	-	26,447	28,720
Trade and other receivables	154,809	611	-	155,420
Current tax assets	443	264	-	707
Retained profit	137,057	1,917	(8,482)	130,492
Deferred tax liabilities	(2,788)	(88)	-	(2,876)
Current tax payable	(1,485)	16	-	(1,469)
Payable and accruals	(64,016)	(611)	(20,323)	(84,950)

A2 Auditors' report

There was no qualification on the audited report of the Group's preceding annual financial statements.

A3 Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A4 Unusual items due to their nature, size or incidence

There were no unusual items for the current quarter and period ended 30 September 2013.

A5 Changes in estimates

Not applicable.

A6 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and 9 months ended 30 September 2013.

A7 Dividends paid

The shareholders have on 28 June 2013 approved the payment of a first and final dividend for the financial year ended 31 December 2012 as follows :-

	RM
First and final single tier dividend of 5 sen per ordinary shares	4,982,250.10
	=====

The said dividend will be paid on 18 September 2013 to members whose names appear in the Record of Depositors on 30 August 2013.

A8 Segmental information

Segmental information is presented in respect of the Group's business segment. Inter-segment pricing is determined based on negotiated terms.

	9 months ended 30 September 2013 Revenue RM '000	9 months ended 30 September 2012 Revenue (restated) RM '000	9 months ended 30 September 2013 Profit before tax RM '000	9 months ended 30 September 2012 Profit before tax (restated) RM '000
Trading and services	224,172	73,062	32,403	6,251
Property development	19,292	2,966	9,069	184
Construction	37,351	30,776	(2,606)	8,883
Investment Property	682	586	(223)	(311)
	<hr/> 281,497	<hr/> 107,390	<hr/> 38,643	<hr/> 15,007
Inter-segment eliminations	(10,425)	(6,981)	3,000	(489)
Unallocated income	-	-	506	1,799
Unallocated expenses	-	-	(4,741)	(998)
	<hr/> 271,072	<hr/> 100,409	<hr/> 37,408	<hr/> 15,319
	<hr/> <hr/>			

A9 Valuation of property, plant and equipment

Valuation of property, plant and equipment has been brought forward, without amendment from the preceding annual financial statements.

A10 Event subsequent to the balance sheet date

There were no material events subsequent to the balance sheet date.

A11 Changes in composition of the Group

There were no changes in the composition of the Group for the quarter and 9 months ended 30 September 2013.

A12 Changes in contingent liabilities

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	As at 30 September 2013
	RM'000
Guarantees and contingencies relating to	10,000
Borrowings of subsidiaries (unsecured)	=====

A13 Significant Related Party Transactions

The group has significant related party transactions with companies in which certain directors of the Company have interest, as follows:-

	9 months ended 30 September 2013 RM'000
With companies in which certain Directors of the Company, have interests:	
Aramijaya Sdn Bhd	1,777
Danga Bay Sdn Bhd	1,770
Ekovest Construction Sdn Bhd	7,374
Palma Harta Sdn Bhd	(5,784)
Pembinaan KS Tebrau Sdn Bhd	2,780
Rampai Fokus Sdn Bhd	11,327
Tebrau Teguh Bhd and its subsidiaries	3,991
Lantas Setia Sdn Bhd	2,705
Gemilang Lighting Sdn Bhd	2,468

B Bursa Malaysia listing requirements – Revised Part A of Appendix 9B

B1 Detailed analysis of the performance of all operating segment of the Group

The Group recorded a turnover of RM271.072 million and profit before tax of RM37.408 million for the 9 months ended 30 September 2013 as compared to turnover of RM100.409 million (restated) and profit before tax of RM15.319 million (restated) for the preceding year corresponding period.

Performance of the respective operating business segments for the 9 months ended 30 September 2013 as compared to the preceding year corresponding period are analysed as follows :-

Trading and services

The increase in revenue and profit before tax were mainly due to the increase in sales volume and revision in selling price for one of the major product in this division during the period.

Property development

The increase in revenue and profit before tax were due to the recognition of development revenue and profit based on completed method after the vacant possessions of the development units were handed over to purchasers during the period.

Construction

Despite the increase in revenue, the division recorded a loss before tax. This was due to work done on certain contracts with lower profit margin and the profit earned was not sufficient to cover its overheads and maintenance costs incurred for the Coastal Highway projects during the defect liability period.

Investment property

The increase in revenue was due to additional new tenancies for certain units of Group's investment properties.

B2 Comparison with preceding quarter results

For the quarter under review, the Group recorded a profit before taxation of RM7.236 million on a turnover of RM62.524 million as compared to a profit before taxation of RM27.620 million on a turnover of RM155.025 million for the preceding quarter. The decrease in revenue and profit before tax were mainly due to decrease in sales volume during the quarter especially for trading and services division.

B3 Prospects

The outlook for the construction and development industry whereby the Group business substantially relies on remains competitive and challenging. Nevertheless, the Board will continue to look into other development plans and will continue to tender for new potential projects especially from the Government sector in order to maintain satisfactory results.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 30 September 2013 RM '000	9 months ended 30 September 2013 RM '000
Current provision	3,242	11,350
Under provision in prior year	1,074	1,074
Deferred tax	-	2,329
	<hr/> 4,316	<hr/> 14,753

The Group's effective tax rate for the current quarter and period ended 30 September 2013 is higher than the prima facie tax rate mainly due to the losses incurred by certain subsidiaries and disallowable expenses.

B6 Corporate proposals

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

B7 Group borrowings

	As at 30 September 2013 RM '000
Current:	
Bank overdraft	6,916
Revolving credit	30,000
Finance lease liabilities	666
	<hr/> <hr/> 37,582 <hr/> <hr/>
Non-current:	
Finance lease liabilities	<hr/> <hr/> 1,711 <hr/> <hr/>

B8 Changes in material litigations.

Neither the Company nor its subsidiaries is engaged in any material litigation, claims or arbitration, either as a plaintiff or defendant, and the Directors are not aware of any proceedings, pending or threatened against the Company and its subsidiaries or any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company and its subsidiaries.

B9 Dividends declared

No interim dividend has been declared for the current quarter and period ended 30 September 2013.

B10 Earnings per share

	Current quarter ended 30 September 2013 RM '000	Preceding year corresponding quarter ended 30 September 2012 (restated) RM '000	Cumulative 9 months ended 30 September 2013 RM '000	Cumulative 9 months ended 30 September 2012 (restated) RM '000
Earnings	2,920	2,545	22,655	11,168
Issued ordinary shares at beginning of period	99,645	99,645	99,645	99,645
Effect of shares issued for the period	-	-	-	-
Weighted average number of shares at end of period	99,645	99,645	99,645	99,645
Basic earning per ordinary shares (sen)	2.93	2.55	22.74	11.21
Diluted earning per ordinary shares (sen)	N/A	N/A	N/A	N/A

B11 Notes to the statement of comprehensive income

	Current quarter ended 30 September 2013 RM'000	9 months ended 30 September 2013 RM'000
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(156)	(506)
Other income	(1,097)	(2,393)
Interest expense	522	1,043
Depreciation	1,415	4,265
Gain on disposal of property, plant and equipment	(36)	(135)

B12 Realised and Unrealised Profits/Losses

The retained earnings are analysed as follows:-

	As at 30 September 2013 RM'000	As at 31 December 2012 (restated) RM'000
Realised gain	198,231	181,298
Unrealised gain	(1,362)	966
	<hr/>	<hr/>
	196,869	182,264
Less: Consolidated adjustments	(48,704)	(51,772)
Total Group retained earnings as per consolidated accounts	<hr/> 148,165	<hr/> 130,492

The determination of realised and unrealised profits is based on the Guidance of 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*, issued by Malaysia Institute of Accountants on 20 December 2010.