

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of financial position

As At 31 December 2013

	At 31 December 2013 RM'000	At 31 December 2012 (audited) RM'000
Assets		
Property, plant and equipment	20,167	27,762
Investment properties	77,123	77,559
Investment in associate	2,000	2,000
Deferred tax assets	3,204	2,810
Total non-current assets	102,494	110,131
Inventories	34,639	28,720
Trade and other receivables	187,508	155,419
Current tax assets	3,079	707
Cash and cash equivalents	45,726	61,977
Total current assets	270,952	246,823
Total assets	373,446	356,954
Equity		
Share capital	99,645	99,645
Share premium	22,693	22,693
Retained earnings	148,736	130,492
Total equity attributable to equity holders of the Company	271,074	252,830
Liabilities		
Borrowings	1,547	1,481
Deferred tax liabilities	1,861	2,876
Total non-current liabilities	3,408	4,357
Trade and other payables	67,148	84,950
Borrowings	28,029	13,348
Current tax payable	3,787	1,469
Total current liabilities	98,964	99,767
Total Liabilities	102,372	104,124
Total equity and liabilities	373,446	356,954
Net assets per share (RM)	2.7204	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 profit or loss and other comprehensive income**
For the financial year ended 31 December 2013

	Current 3 months ended 31 December		Cumulative 12 months ended 31 December	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations				
Revenue	27,975	89,271	299,047	189,680
Cost of sales	(30,489)	(66,274)	(256,385)	(153,554)
Gross profit	(2,514)	22,997	42,662	36,126
Other income	3,556	578	5,949	6,234
Administrative expenses	(3,823)	(12,752)	(13,447)	(17,869)
Results from operating activities	(2,781)	10,823	35,164	24,491
Interest income	622	212	1,128	2,011
Interest expense	(484)	(560)	(1,527)	(706)
Profit before tax	(2,643)	10,475	34,765	25,796
Taxation	3,214	(6,207)	(11,539)	(10,360)
Profit after taxation / Total comprehensive income for the year	<u>571</u>	<u>4,268</u>	<u>23,226</u>	<u>15,436</u>
Total comprehensive income attributable to:				
Owners of the Company	571	4,268	23,226	15,436
Minority interest	-	-	-	-
Total comprehensive income for the year	<u>571</u>	<u>4,268</u>	<u>23,226</u>	<u>15,436</u>
Earnings per share attributable to equity holders of the parent				
EPS - Basic (sen)	<u>0.57</u>	<u>4.28</u>	<u>23.31</u>	<u>15.49</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 year ended 31 December 2013**

	Attributable to the Equity Holders of the Parent				Minority interest	Total Equity
	Non-distributable Share capital	Share premium	Distributable Retained profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	99,645	22,693	130,492	252,830	-	252,830
Total comprehensive income for the year	-	-	23,226	23,226	-	23,226
Dividends	-	-	(4,982)	(4,982)	-	(4,982)
At 31 December 2013	<u>99,645</u>	<u>22,693</u>	<u>148,736</u>	<u>271,074</u>	<u>-</u>	<u>271,074</u>
At 1 January 2012	99,645	22,693	119,141	241,479	-	241,479
Total comprehensive income for the year	-	-	15,436	15,436	-	15,436
Dividends	-	-	(4,085)	(4,085)	-	(4,085)
At 31 December 2012	<u>99,645</u>	<u>22,693</u>	<u>130,492</u>	<u>252,830</u>	<u>-</u>	<u>252,830</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 year ended 31 December 2013

	31 December 2013 RM'000	31 December 2012 RM'000
<i>Cash flows from operating activities</i>		
Profit before tax	34,765	25,796
Adjustments for:		
Depreciation of property, plant and equipment	4,962	4,920
Depreciation of investment property	714	706
Impairment of property, plant and equipment	4,140	0
Gain on disposal of plant and equipment	-274	-5,506
Interest expense	1,527	706
Interest income	-1,128	-2,011
Operating profit before changes in working capital	<u>44,706</u>	<u>24,611</u>
Changes in working capital:		
Properties under development	-5,919	8,259
Receivables, deposits and prepayments	-32,089	-45,708
Payables and accruals	-17,801	3,484
Cash used in operations	<u>-11,103</u>	<u>-9,354</u>
Income taxes paid	<u>-13,002</u>	<u>-20,429</u>
Net cash used in operating activities	<u><u>-24,105</u></u>	<u><u>-29,783</u></u>
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment	-1,209	-19,705
Acquisition of investment property	-278	-14,731
Interest received	1,128	2,011
Deposits released from licensed banks	7,204	7,550
Proceeds from disposal of plant and equipment	925	11,952
Proceeds from disposal of investment property	0	46
Net cash generated from investing activities	<u>7,770</u>	<u>-12,877</u>
<i>Cash flows from financing activities</i>		
Dividend paid	-4,982	-4,085
Interest paid	-1,527	-706
Proceeds from/(repayment of) borrowings	14,000	12,800
Repayment of finance lease liabilities	-775	-939
Net cash generated from financing activities	<u>6,716</u>	<u>7,070</u>
Net decrease in cash and cash equivalents	-9,619	-35,590
Cash and cash equivalents at beginning of year	54,773	90,363
Cash and cash equivalents at end of year	<u>45,154</u>	<u>54,773</u>
Cash & bank balance	33,936	15,726
Deposits with licensed banks (excluding deposits pledged)	11,790	39,047
Bank Overdraft	-572	0
	<u>45,154</u>	<u>54,773</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 – 31 December 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*

The adoption of all the other MFRSs and amendments to MFRSs did not have any financial impact to the Group.

The following MFRSs, Amendments to MFRSs and IC Interpretation have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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 the deferment of adoption of the New MFRS to 1 January 2015 and instead chose for earlier adoption on the financial year ended 31 December 2012. The earlier adoption did 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 resulted in change of accounting policy which recognition of revenue from the property development activities of the Group were changed from the percentage of completion method to the completed method.

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 ended 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 31 December 2012

	As previously reported 31 December 2012 RM’000	Audit Adjustments RM’000	Effects of transition to MFRSs RM’000	As restated 31 December 2012 RM’000
Revenue	105,095	-	(15,824)	89,271
Profit before tax	16,857	1,119	(7,501)	10,475
Tax expense	(8,387)	256	1,924	(6,207)

b) Reconciliation of Comprehensive Income for the year ended 31 December 2012

	As previously reported 31 December 2012 RM'000	Audit Adjustments RM'000	Effects of transition to MFRSs RM'000	As audited 31 December 2012 RM'000
Revenue	210,003	-	(20,323)	189,680
Profit before tax	35,326	1,120	(10,650)	25,796
Tax expense	(13,325)	254	2,711	(10,360)

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 year ended 31 December 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 12 months ended 31 December 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
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The said dividend was 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.

	12 months ended 31 December 2013 Revenue RM '000	12 months ended 31 December 2012 Revenue RM '000	12 months ended 31 December 2013 Profit before tax RM '000	12 months ended 31 December 2012 Profit before tax RM '000
Trading and services	241,436	124,961	24,997	12,139
Property development	19,563	20,149	9,044	4,652
Construction	49,641	57,025	(2,892)	10,450
Investment Property	1,045	791	(142)	(350)
	311,685	202,926	31,007	26,891
Inter-segment eliminations	(12,638)	(13,246)	2,977	(700)
Unallocated income	-	-	1,128	2,011
Unallocated expenses	-	-	(347)	(2,406)
	299,047	189,680	34,765	25,796

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 12 months ended 31 December 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 31 December 2013
	RM'000
Guarantees and contingencies relating to Borrowings of subsidiaries (unsecured)	10,000
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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:-

	12 months ended 31 December 2013 RM'000
With companies in which certain Directors of the Company, have interests:	
Aramijaya Sdn Bhd	2,201
Danga Bay Sdn Bhd	2,991
Ekovest Construction Sdn Bhd	8,942
Palma Harta Sdn Bhd	(5,784)
Pembinaan KS Tebrau Sdn Bhd	3,851
Rampai Fokus Sdn Bhd	12,680
Tebrau Teguh Bhd and its subsidiaries	4,835
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 revenue of RM299.047 million and profit before tax of RM34.765 million for the 12 months ended 31 December 2013 as compared to revenue of RM189.680 million and profit before tax of RM25.796 million for the preceding year to date.

Performance of the respective operating business segments for the 12 months ended 31 December 2013 as compared to the preceding year is analysed as follows :-

Trading and services

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

Property development

The profit before tax for this division shows an improvement despite a reduction in revenue, mainly due to completion of certain project with better profit margin.

Construction

The decrease in the revenue and profit before tax was due to lesser revenue generated from existing contracts with lower profit margin and that the profit was insufficient to cover its overhead and maintenance cost incurred for the Coastal Highway projects during the defect liability period.

Investment property

The increase in revenue was due to rental from new tenancies for certain properties of the Group.

B2 Comparison with preceding quarter results

For the quarter under review, the Group recorded a loss before taxation of RM2.643 million on a revenue of RM27.975 million as compared to a profit before taxation of RM7.236 million on a revenue of RM62.524 million for the preceding quarter. The decrease in revenue and profit before tax were mainly due to decrease in sales volume and provision for impairment of property, plant and equipment for trading and services division.

B3 Prospects

The outlook for the construction and development industry on which 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 31 December 2013 RM '000	12 months ended 31 December 2013 RM '000
Current provision	523	11,873
Under provision in prior year	-	1,074
Deferred tax	(3,737)	(1,408)
	<u>(3,214)</u>	<u>11,539</u>

The Group's effective tax rate for the financial year ended 31 December 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 31 December 2013 RM '000
Current:	
Bank overdraft	572
Revolving credit	26,800
Finance lease liabilities	657
	<hr/> 28,029 <hr/>
Non-current:	
Finance lease liabilities	<hr/> 1,547 <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

The Directors have proposed, subject to the shareholders approval in the forthcoming annual general meeting to be convened, a first and final single tier dividend of 5%. The date for the payment of dividend shall be announced in due course.

B10 Earnings per share

	Current quarter ended 31 December 2013 RM '000	Preceding year corresponding quarter ended 31 December 2012 RM '000	Cumulative 12 months ended 31 December 2013 RM '000	Cumulative 12 months ended 31 December 2012 RM '000
Earnings	571	4,268	23,226	15,436
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)	0.57	4.28	23.31	15.49
Diluted earning per ordinary shares (sen)	N/A	N/A	N/A	N/A

B11 Notes to the statement of profit or loss and other comprehensive income

	Current quarter ended 31 December 2013 RM'000	12 months ended 31 December 2013 RM'000
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(622)	(1,128)
Other income	(3,556)	(5,949)
Interest expense	484	1,527
Depreciation	1,411	5,676
Impairment of assets	4,140	4,140
Write off of receivables	17	906
Gain on disposal of property, plant and equipment	(139)	(274)

B12 Realised and Unrealised Profits/Losses

The retained earnings are analysed as follows:-

	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
Realised gain	195,064	181,298
Unrealised gain	2,374	966
	<hr/>	<hr/>
	197,438	182,264
Less: Consolidation adjustments	(48,702)	(51,772)
Total Group retained earnings as per consolidated accounts	<hr/> <hr/> 148,736	<hr/> <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.