

KNUSFORD BERHAD (380100-D)

Notes to the interim financial report – 31 March 2014

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 2013. 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 2013.

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 2013 except for the following :-

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 Interest 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*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

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*

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the Group except for MFRS 9, but the adoption date is yet to be confirmed by MASB.

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 period ended 31 March 2014.

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 3 months ended 31 March 2014.

A7 Dividends paid

No dividend was paid for the current quarter and 3 months ended 31 March 2014.

A8 Segmental information

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

	3 months ended 31 March 2014 Revenue	3 months ended 31 March 2013 Revenue	3 months ended 31 March 2014 Profit before tax	3 months ended 31 March 2013 Profit before tax
	RM '000	RM '000	RM '000	RM '000
Trading and services	49,636	48,206	5,450	2,858
Property development	-	3,586	(419)	1,662
Construction	14,592	4,225	(1,835)	(1,336)
Investment Property	357	206	98	(125)
	<hr/>	<hr/>	<hr/>	<hr/>
	64,585	56,223	3,294	3,059
Inter-segment eliminations	(1,823)	(2,700)	-	-
Unallocated income	-	-	193	243
Unallocated expenses	-	-	(984)	(750)
	<hr/>	<hr/>	<hr/>	<hr/>
	62,762	53,523	2,503	2,552
	<hr/>	<hr/>	<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 current quarter and 3 months ended 31 March 2014, except for the following:

- i) On 12 February 2014, the Group acquired 2 ordinary shares of RM1.00 each in Tetap Aman Kapital Sdn Bhd for a cash consideration of RM2.00 representing 100% of the issued and paid-up share capital of RM2.00.

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 March 2014
	RM'000
Guarantees and contingencies relating to Borrowings of subsidiaries (unsecured)	8,800
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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:-

	3 months ended
	31 March 2014
	RM'000
With companies in which certain Directors of the Company, have interests:	
Aramijaya Sdn Bhd	287
Bidari Kekal Sdn Bhd	(5,649)
Danga Bay Sdn Bhd	823
Ekovest Construction Sdn Bhd	752
Pembinaan KS Tebrau Sdn Bhd	468
Rampai Fokus Sdn Bhd	1,250
Sharikat Sukma Kemajuan dan Perusahaan Sdn Bhd	(23,831)

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 RM62.762 million and profit before tax of RM2.503 million for the 3 months ended 31 March 2014 as compared to revenue of RM53.523 million and profit before tax of RM2.552 million for the preceding year corresponding period.

Performance of the respective operating business segments for the 3 months ended 31 March 2014 as compared to the preceding year corresponding period are analysed as follows :-

Trading and services

Despite a marginal increase in the revenue, the profit before tax was increased much higher mainly due to the increase in supply of certain products with a better profit margin.

Property development

No revenue was recognised for the current quarter ended 31 March 2014 due to the adoption of IC Interpretation 15 resulted in change of accounting policy whereby the property development revenue and profit can only be recognised upon delivery of vacant possession to buyers. No products was completed with vacant possession during the current quarter.

Construction

Despite an increase in the revenue, the division incurred further loss compared to the preceding year corresponding period, mainly due to the recognition of revenue for certain contract to the extent of cost incurred in light of the uncertainty of the final contract sum.

Investment property

The increase in revenue was due to additional rental income from a new tenancy for certain investment property of the Group.

B2 Comparison with preceding quarter results

For the quarter under review, the Group recorded a profit before taxation of RM2.503 million on a revenue of RM62.762 million as compared to a loss before taxation of RM2.643 million on a revenue of RM26.195 million for the preceding quarter. The increase in revenue and profit before tax were mainly due to increase in sales volume 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 Group will continue to look into other development plans and will continue to tender for new potential projects in order to maintain satisfactory results.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 31 March 2014 RM '000	3 months ended 31 March 2014 RM '000
Current provision	1,567	1,567
Under provision in prior year	-	-
Deferred tax	(85)	(85)
	<u>1,482</u>	<u>1,482</u>

The Group's effective tax rate for the financial period ended 31 March 2014 was 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 March 2014 RM '000
Current:	
Bank overdraft	6,807
Revolving credit	8,800
Finance lease liabilities	561
	<hr/> 16,168 <hr/>
Non-current:	
Finance lease liabilities	<hr/> 1,398 <hr/>

B8 Changes in material litigation.

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 ended 31 March 2014.

B10 Earnings per share

	Current quarter ended 31 March 2014 RM '000	Preceding year corresponding quarter ended 31 March 2013 RM '000	Cumulative 3 months ended 31 March 2014 RM '000	Cumulative 3 months ended 31 March 2013 RM '000
Earnings	1,021	1,160	1,021	1,160
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)	1.02	1.16	1.02	1.16
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 March 2014 RM'000	3 months ended 31 March 2014 RM'000
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(193)	(193)
Other income	(594)	(594)
Interest expense	417	417
Depreciation	1,068	1,068
Gain on disposal of property, plant and equipment	(25)	(25)

B12 Realised and Unrealised Profits/Losses

The retained earnings are analysed as follows:-

	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
Realised gain	193,915	192,932
Unrealised gain	2,387	2,374
	<hr/> 196,302	<hr/> 195,306
Less: Consolidation adjustments	(46,545)	(46,570)
Total Group retained earnings as per consolidated accounts	<hr/> <hr/> 149,757	<hr/> <hr/> 148,736

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.