

## **KNUSFORD BERHAD (380100-D)**

### **Notes to the interim financial report – 31 December 2014**

#### **A1 Basis of preparation**

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 and International Accounting Standards (IAS) 34: 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 annual periods beginning on or after 1 January 2016**

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 116, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation*
- Amendments to MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment - Agriculture: Bearer Plants*
- Amendments to MFRS 141, *Agriculture: Bearer Plants*
- Amendments to MFRS 127, *Equity Method in Separate Financial Statement*
- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012-2014 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)*
- Amendments to MFRS 101, *Disclosure Initiative*

## **A1 Basis of preparation (continue)**

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- Amendments to MFRS 10, MFRS 12 and MFRS 128, *Investment Entities: Applying the Consolidation Exception*

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- MFRS 15, *Revenue from Contracts with Customers*

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, *Financial Instruments (IFRS 9 Financial Instruments as issued by IASB in July 2014)*

The initial application of the accounting standards, amendments and interpretations is not expected to have any material financial impact to the current and prior period financial statements upon their first adoption.

## **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 year ended 31 December 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 12 months ended 31 December 2014.

## **A7 Dividends paid**

The shareholders had on 27 June 2014 approved the payment of a first and final dividend for the financial year ended 31 December 2013 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 2014 to members whose names appeared in the Record of Depositors on 29 August 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.

	12 months ended 31 December 2014 Revenue RM '000	12 months ended 31 December 2013 Revenue RM '000	12 months ended 31 December 2014 Profit/(loss) before tax RM '000	12 months ended 31 December 2013 Profit/(loss) before tax RM '000
Trading and services	331,033	241,437	41,479	27,789
Property development	39,120	19,562	15,709	10,367
Construction	44,306	48,005	(8,850)	(2,985)
Investment Property	1,879	1,041	744	77
	416,338	310,045	49,082	35,248
Inter-segment eliminations	(6,583)	(12,778)	(1,945)	(1,437)
Unallocated income	-	-	952	1,128
Unallocated expenses	-	-	(4,065)	(174)
	409,755	297,267	44,024	34,765

## 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 events subsequent to the current quarter and year ended 31 December 2014 except for:-

The wholly-owned subsidiary, Kota Ekspres Sdn Bhd had on 11 February 2015 entered into a Heads of Agreement with Greenland Malaysia Urban Development Sdn Bhd in respect of a proposed joint venture for the purpose of:-

- i) Negotiating for and concluding contracts for the execution of public and/or private sector construction projects (where applicable) in Malaysia and/or such other lands as the parties deem fit ("Works"); and
- ii) Carrying out such "Works" to finality for profit.

## A11 Changes in composition of the Group

There were no changes in contingent liabilities of the Group for the quarter and 12 months ended 31 December 2014.

## A12 Significant Related Party Transactions

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

	<b>12 months ended 31 December 2014 RM'000</b>
<b>With companies in which certain Directors of the Company, have interests:</b>	
Anjur Ekar Sdn Bhd	(332)
Aramijaya Sdn Bhd	411
Bidari Kekal Sdn Bhd	(35,397)
Danga Bay Sdn Bhd	2,978
Ekovest Berhad	(501)
Ekovest Construction Sdn Bhd	22,709
Ekovest – MRCB Construction Sdn Bhd	118
Ekovest Properties Sdn Bhd	(124)
Iskandar Waterfront City Bhd and its subsidiaries	3,493
Iskandar Waterfront Sdn Bhd	741
Para Impiana Sdn Bhd	848
Pembinaan KS Tebrau Sdn Bhd	5,521
Rampai Fokus Sdn Bhd	24,446
Sharikat Sukma Kemajuan dan Perusahaan Sdn Bhd	(151,058)
WCM Machinery Sdn Bhd	(281)

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

The Group recorded a revenue of RM409.755 million and profit before tax of RM44.024 million for the 12 months ended 31 December 2014 as compared to revenue of RM297.267 million and profit before tax of RM34.765 million for the preceding year to date.

Performance of the respective operating business segments for the 12 months ended 31 December 2014 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.

### Property development

The revenue and profit before tax for this division show a significant improvement, mainly due to completion of one of our development projects with higher gross development value during the year.

### Construction

The decrease in the revenue and additional loss compared to the preceding year is mainly due to revenue for certain contract being recognized to the extent of cost incurred in light of the uncertainty of the final contract sum and additional provision for long outstanding receivables and amount not certified by client.

### 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 RM28.090 million on a revenue of RM152.807 million as compared to a profit before taxation of RM7.024 million on a revenue of RM113.226 million for the preceding quarter. The increase in revenue and profit before tax were mainly due to increase in sales volume for trading & services and property development division.

## **B3 Prospects**

The outlook for the construction and property 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**

	<b>Current quarter ended 31 December 2014 RM '000</b>	<b>12 months ended 31 December 2014 RM '000</b>
Income tax		
Current provision	4,044	12,099
Under provision in prior year	21	428
Deferred tax	3,669	3,584
	<hr/>	<hr/>
	7,734	16,111

The Group's effective tax rate for the financial year ended 31 December 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**

	<b>As at 31 December 2014 RM '000</b>
Current:	
Bank overdraft	-
Revolving credit	-
Finance lease liabilities	1,108
	<hr/> 1,108 <hr/>
Non-current:	
Finance lease liabilities	2,330
	<hr/> 2,330 <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**

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**

	<b>Current quarter ended 31 December 2014 RM '000</b>	<b>Preceding year corresponding quarter ended 31 December 2013 RM '000</b>	<b>Cumulative 12 months ended 31 December 2014 RM '000</b>	<b>Cumulative 12 months ended 31 December 2013 RM '000</b>
Earnings	20,356	571	27,913	23,226
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)	20.43	0.57	28.01	23.31
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**

	<b>Current quarter ended 31 December 2014 RM'000</b>	<b>12 months ended 31 December 2014 RM'000</b>
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(401)	(952)
Other income including investment income	(440)	(2,551)
Interest expense	130	1,057
Depreciation and amortization	1,167	4,208
Provision for and write off of receivables	2,870	7,388
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	82	82
Foreign exchange gain or loss	-	-
Gain or loss on derivatives	-	-
Exceptional items (with details)	-	-

**B12 Realised and Unrealised Profits/Losses**

The Group retained earnings are analysed as follows:-

	<b>As at 31 December 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
Realised gain	219,587	192,932
Unrealised (loss)/gain	(1,281)	2,374
	<hr/> 218,306	<hr/> 195,306
Less: Consolidation adjustments	(46,639)	(46,570)
Total Group retained earnings as per consolidated accounts	<hr/> <hr/> 171,667	<hr/> <hr/> 148,736

The determination of realised and unrealised profits/(losses) 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.