

## KNUSFORD BERHAD (380100-D)

### Notes to the interim financial report – 30 September 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 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 Statements*
- Amendments to MFRS 10 and MFRS 128, *Sale or Contribution of Assets between and 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)*

**A1 Basis of preparation (continue)**

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

The initial application of the accounting standards, amendments and interpretations is not expected to have any material financial impacts 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 period ended 30 September 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 9 months ended 30 September 2014.

**A7 Dividends paid**

The shareholders have 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 appear 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.

	9 months ended 30 September 2014 Revenue	9 months ended 30 September 2013 Revenue	9 months ended 30 September 2014 Profit before tax	9 months ended 30 September 2013 Profit before tax
	RM '000	RM '000	RM '000	RM '000
Trading and services	228,946	224,172	26,721	32,403
Property development	-	19,292	(1,182)	9,069
Construction	31,380	37,351	(7,214)	(2,606)
Investment Property	1,418	682	601	(223)
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	261,744	281,497	18,926	38,643
Inter-segment eliminations	(4,796)	(10,425)	-	3,000
Unallocated income	-	-	551	506
Unallocated expenses	-	-	(3,543)	(4,741)
	<hr/>	<hr/>	<hr/>	<hr/>
	256,948	271,072	15,934	37,408
	<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 the quarter and 9 months ended 30 September 2014.

## 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 2014  
RM'000

Guarantees and contingencies relating to  
Borrowings of subsidiaries (unsecured)

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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:-

	<b>9 months ended 30 September 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	568
Bidari Kekal Sdn Bhd	(24,445)
Danga Bay Sdn Bhd	2,432
Ekovest Berhad	(354)
Ekovest Construction Sdn Bhd	19,731
Iskandar Waterfront Sdn Bhd	554
Pembinaan KS Tebrau Sdn Bhd	3,515
Rampai Fokus Sdn Bhd	5,391
Sharikat Sukma Kemajuan dan Perusahaan Sdn Bhd	(105,139)
Iskandar Waterfront City Bhd and its subsidiaries	2,398

## **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 RM256.948 million and profit before tax of RM15.934 million for the 9 months ended 30 September 2014 as compared to revenue of RM271.072 million and profit before tax of RM37.408 million for the preceding year corresponding period.

Performance of the respective operating business segments for the 9 months ended 30 September 2014 as compared to the preceding year corresponding period are analysed as follows :-

#### Trading and services

Despite an increase in revenue, the profit before tax was lower mainly due to the increase in trading of certain products with a lower profit margin.

#### Property development

No revenue was recognised for the current period ended 30 September 2014 due to the adoption of IC Interpretation 15 in 2012 whereby the property development revenue and profit can only be recognised upon delivery of vacant possession to buyers. No product was completed with vacant possession during the current period ended 30 September 2014.

#### Construction

The decrease in the revenue and further loss compared to the preceding year corresponding period is mainly due to lesser construction activities and reversal of sub-contractor fees which were over provided in the preceding year corresponding period. Revenue for certain contract was also recognized 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 RM7.024 million on a revenue of RM113.226 million as compared to a profit before taxation of RM6.407 million on a revenue of RM80.960 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 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 30 September 2014 RM '000</b>	<b>9 months ended 30 September 2014 RM '000</b>
Income tax		
Current provision	2,194	8,055
Under provision in prior year	439	407
Deferred tax	-	(85)
	<hr/>	<hr/>
	2,633	8,377

The Group's effective tax rate for the financial period ended 30 September 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 30 September 2014 RM '000</b>
Current:	
Bank overdraft	25
Revolving credit	-
Finance lease liabilities	1,079
	<hr/> 1,104 <hr/>
Non-current:	
Finance lease liabilities	2,566
	<hr/> 2,566 <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 30 September 2014.

**B10 Earnings per share**

	<b>Current quarter ended 30 September 2014 RM '000</b>	<b>Preceding year corresponding quarter ended 30 September 2013 RM '000</b>	<b>Cumulative 3 months ended 30 September 2014 RM '000</b>	<b>Cumulative 9 months ended 30 September 2013 RM '000</b>
Earnings	4,391	2,920	7,557	22,655
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)	4.41	2.93	7.58	22.74
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 30 September 2014 RM'000</b>	<b>9 months ended 30 September 2014 RM'000</b>
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(175)	(551)
Other income	(768)	(2,111)
Interest expense	362	927
Depreciation	964	3,041
Gain on disposal of property, plant and equipment	(162)	(105)
Impairment loss on investment in associates	-	2,000

There were no other gains/losses on disposal or impairment of quoted and unquoted securities, investments, properties and/or derivatives included in the results.

**B12 Realised and Unrealised Profits/Losses**

The retained earnings are analysed as follows:-

	<b>As at 30 September 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
Realised gain	196,750	192,932
Unrealised gain	2,387	2,374
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	199,137	195,306
Less: Consolidation adjustments	(47,826)	(46,570)
Total Group retained earnings as per consolidated accounts	<hr/> <b>151,311</b>	<hr/> <b>148,736</b>

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.