

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUG 2014

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIA FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysia Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standard Board.

The interim financial statements should be read in conjunction with the audited financial statements of Homeritz Corporation Berhad (“Homeriz” or the “Company”) and its subsidiaries (“Group”) for the financial year ended 31 August 2013 and the accompanying explanatory notes attached to these interim financial statements.

These 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 August 2013.

The audited financial statements of the Group for the year ended 31 August 2013 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”). The significant accounting policies and method of computations adopted in preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 August 2013.

2. Auditors’ Report on Preceding Annual Financial Statements

There was no qualified report issued by the auditors in the financial statements of the Group for the financial year ended 31 August 2013.

3. Seasonality or Cyclicity of Operations

There were no material seasonal or cyclical factors affecting the business operations of the Group in the current quarter.

4. Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial quarter under review.

5. Material Changes In Estimates

There were no material changes in estimates amount that had a material effect for the current financial period under review.

6. Issuance, Cancellation, Repurchase, Resale or Repayment of Debt and/or Equity Securities

There were no issuances, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial quarter under review.

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7. Dividend Paid

A single tier final dividend of 13.75% per share amounting to RM5.5 million in respect of financial year ended 31 August 2013 was approved by the shareholders during the Annual General Meeting held on 19 February 2014 and subsequently paid on 17 March 2014.

On 28 April 2014, the Board of directors declared a first interim single tier tax-exempt dividend of 5.0% equivalent to 1 sen per share amounting RM2 million in respect of financial year ended 31 August 2014 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 28 May 2014 and subsequently paid on 13 Jun 2014.

8. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

9. Material Event Subsequent to the End of the Current Financial Quarter

There were no materials events subsequent to the current quarter ended 31 Aug 2014 that have not been reflected in this report.

10. Changes in the Composition Of the Group

There were no other changes in the composition of the Group during the current quarter under review.

11. Contingent Liabilities

There were no material contingent liabilities as at 31 Aug 2014.

12. Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1 : Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : Fair value measurements derive from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 Aug 2014, the Group's financial instruments carried at fair values are analysed as below:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivatives assets:				
- Forward foreign currency contracts	-	18	-	18

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13. Capital Commitments

The material capital commitments of the Group as at 31 Aug 2014 are as follow;

Property, plant and equipment	RM'000
Approved but not contracted for	481

14. Segment Information

The Group operates in a single industry in the business of design, manufacture and sale of upholstery furniture products in Malaysia. Accordingly, segmental information by industry and geographical segments has not been presented.

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B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

The Group's performance for the fourth quarter ended 31 Aug 2014 (Q4FY2014) and year ended 31 Aug 2014 (FY2014) compared with the previous corresponding fourth quarter ended 31 Aug 2013 (Q4FY2013) and year ended 31 Aug 2013 (FY2013) are tabled below:

Description	Q4FY2014 RM'000	Q4FY2013 RM'000	Variance %	FY2014 RM'000	FY2013 RM'000	Variance %
Revenue	33,237	35,974	-7.6	127,176	112,905	12.6
Profit before tax	6,233	9,440	-34.0	26,450	20,566	28.6

The Group's revenue for FY2014 rose by 12.6% to RM127.18 million compared to RM112.91 million recorded in FY2013. The increase of revenue in FY2014 was attributed by the increase in volume of product sold and strengthening in US Dollar. As of the improvement in revenue and strengthening in US Dollar ("USD") against Ringgit Malaysia ("RM"), the profit before tax ("PBT") for FY2014 had improved 28.6% to RM26.45 million compared with FY2013.

The Group's revenue for the Q4FY2014 declined by 7.6% to RM33.237 million compared with the corresponding period last financial quarter. The PBT of Q4FY2014 declined by 34% to RM6.233 million from RM9.44 million in Q4FY2013, mainly due to lower of sales and a forex loss of RM0.318 million in current quarter, instead of a forex gain of RM0.811 million in Q4FY2013.

2. Comparison with Preceding Quarter's Results

The Group's performance for the current year fourth quarter ended 31 Aug 2014 (Q4FY2014) compared to third quarter ended 31 May 2014 (Q3FY2014) are tabled below:

Description	Q4FY2014 RM'000	Q3FY2014 RM'000	Variance %
Revenue	33,237	29,611	12.2
Profit before tax	6,233	5,942	4.9

The Group's revenue for the Q4FY2014 increased by 12.2% to RM33.237 million compared with the preceding quarter Q3FY2014. The increase was due to the increase of volume of product sold.

The PBT for the Q4FY2014 also increase slightly by 4.9% to RM6.233 million compared with the Q3FY2014. The increase of PBT not in tandem with the increase in revenue as of the weaker of USD against RM in current quarter in compared with Q3FY2014.

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3. Current Year Prospects

The Group is operating in global economic uncertainties as well as facing increases in its raw materials costs and fluctuation in foreign exchange rates.

Given the above scenario, the Group will continue to remain focused in its core business of design, manufacture, and sale of upholstered home furniture which includes upholstered sofas, upholstered dining chairs and upholstered bed frames. The Group is continuing with concerted efforts to develop new products, new design for existing products, derive better cost efficiencies and effective cost management across all functions. Barring unforeseen circumstances, the Board believes that the Group's prospects for the financial year ending 31 August 2015 would remain profitable.

4. Variance on Forecast Profit/Profit Guarantee

The Group has not issued any profit forecast or profit guarantee.

5. Taxation

	Current Quarter	Period To Date
	RM'000	RM'000
Income Tax	(456)	2,147

Notes:

The effective tax rate was lower than the statutory tax rate principally due to the utilisation of certain tax incentives enjoyed by the Group.

6. Profit on Sale of Unquoted Investments and/or Properties

There was no sale of investments and properties for the current quarter and financial period-to-date.

7. Purchases and Sales of Quoted Securities

There was no purchase or disposal of quoted securities by the Group during the current financial quarter and current financial period to-date under review.

8. Status of Corporate Proposals Announced

There were no corporate proposals announced which remain uncompleted during the quarter under review as at the date of this report.

9. Group Borrowings and Debt Securities

The Group borrowings as at 31 Aug 2014 are as follow:

	Amount
	RM'000
Short term	548
Long term	1,928
	2,476

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUG 2014**10. Derivative Financial Instruments**

During the financial period, the Group entered into forward foreign exchange contracts to hedge exposures to currency risk for receivables which are denominated in a currency other than the functional currency of the Group.

The details of the outstanding foreign currency forward contracts agreement as at 31 Aug 2014 are as follows:

	Notional Amount RM'000	Derivative Financial Asset / (Liability) RM'000
Foreign currency forward contracts: Less than one year	807	18

The above instruments are executed with credit worthy financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

There are also no cash requirements risks as the Group only uses forward foreign currency contracts as its hedging instruments.

11. Material Litigation

There were no material litigations pending since the last annual reporting date.

12. Realised and Unrealised Profits/Losses

The breakdown of the retained profits of the Group as at 31 Aug 2014, into realised and unrealised profits, pursuant to a directive issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows :

	As at 31 Aug 2014 RM'000	As at 31 May 2014 RM'000
Total retained profits of the Homeritz Corporation Berhad and its subsidiaries:		
- Realised	51,574	48,316
- Unrealised	(2,441)	(2,375)
Total group retained profits as per consolidated accounts	49,133	45,941

The determination of realised and unrealised profits is made based on the Guidance on Special Matter No. 1, *determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

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13. Notes to the Statement of Comprehensive Income:

Profit for the period has been arrived at after (crediting) / charging:

	Current Year Quarter Ended 31 Aug 2014 RM'000	Current Year To Date 31 Aug 2014 RM'000
Interest income	(282)	(1,098)
Interest expenses	30	121
Depreciation	647	2,474
Foreign exchange loss / (Gain)	222	338
Fair value (gain)/loss on foreign exchange contracts	96	(156)

14. Dividends

The Board of Directors is pleased to propose a final single tier tax-exempt dividend of 15.5% equivalent to 3.1 sen per share amounting to RM6.2 million for the financial year ended 31 August 2014. The proposed final dividend is subject to shareholders' approval in the forthcoming Annual General Meeting.

The total dividend paid and proposed by the Company in respect of the financial year ended 31 August 2014 is 25.5% of par value (equivalent to 5.1 sen per share) amounting to approximately RM10.2 million. This represents about 50% of the consolidated net profit attribute to the owners of the Company for financial year ended 31 August 2014.

15. Earnings Per Share

The basic earnings per share has been calculated by dividing the Company's profit for the current financial quarter and current financial year to-date by the number of ordinary shares in issue during the current financial quarter and current financial year to-date under review.

	Current Year Quarter Ended 31-Aug-2014	Preceding Year Quarter Ended 31-Aug-2013	Current Year To Date 31-Aug-2014	Preceding Year To Date 31-Aug-2013
Profit attributable to equity holders of the Company (RM'000)	5,192	6,950	20,247	15,118
Weighted average number of ordinary shares in issue ('000)	200,000	200,000	200,000	200,000
Basic earnings per share (sen)	2.60	3.48	10.12	7.56

16. Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 31 Oct 2014 by the Board of Directors.

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