



誠成集團

K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 12 months ended 31/12/2015

	Note	Individual quarter ended		Cumulative period 12 months ended	
		31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Revenue	A7	24,208	20,404	96,963	98,575
Cost of sales		(20,432)	(16,368)	(81,430)	(79,828)
Gross profit		3,776	4,036	15,533	18,747
Other income		439	68	580	541
Selling and distribution expenses		(675)	(621)	(2,655)	(2,322)
Administration expenses		(1,938)	(1,728)	(7,491)	(6,757)
Other expenses		(567)	(984)	(2,067)	(2,628)
Profit from operations		1,035	771	3,900	7,581
Finance costs		(264)	(330)	(1,285)	(1,529)
Share of results of associate		104	105	260	348
Profit before taxation	B8	875	546	2,875	6,400
Income tax expense	B5	(207)	(185)	(711)	(1,504)
Profit after taxation		668	361	2,164	4,896
Total Comprehensive income for the period		668	361	2,164	4,896
Profit Attributable To:					
Owners of The Parent		637	377	1,876	4,402
Non-Controlling Interests		31	(16)	288	494
Total Comprehensive income attributable to :		668	361	2,164	4,896
Total Comprehensive income attributable to :					
Owners of The Parent		637	377	1,876	4,402
Non-Controlling Interests		31	(16)	288	494
Total Comprehensive income attributable to :		668	361	2,164	4,896
Weighted average number of ordinary shares in issue ('000)	B11	96,000	96,000	96,000	96,000
Earnings per share attributable to owners of the parent :					
Basic (Sen)	B11	0.66	0.39	1.95	4.59
Diluted (Sen)	B11	0.66	0.39	1.95	4.59

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.)



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Condensed Consolidated Statement of Financial Position as at 31/12/2015

	Note	Unaudited As at 31/12/2015 RM'000	Audited As at 31/12/2014 RM'000
ASSETS			
Non-current assets:			
Property, plant and equipment		12,199	13,121
Investment in an associate		3,590	3,330
Goodwill on consolidation		-	140
Deferred Tax Assets		722	529
		16,511	17,120
Current assets:			
Inventories		43,207	44,687
Trade and other receivables		38,682	36,706
Tax recoverable		925	352
Deposits, Cash and bank balances		5,046	10,805
		87,860	92,550
TOTAL ASSETS		104,371	109,670
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and Other payables		9,340	11,993
Provision for taxation		(9)	377
Hire purchase payable	B7	954	1,044
Loans and borrowings	B7	17,819	19,678
		28,104	33,092
Non-current liabilities			
Hire purchase payables	B7	1,362	1,910
Deferred tax liabilities		189	196
		1,551	2,106
TOTAL LIABILITIES		29,655	35,198
Equity:			
Share capital		48,000	48,000
Share premium		515	515
Retained profits		24,701	24,745
Equity attributable to owners of the parent		73,216	73,260
Non-controlling Interests		1,500	1,212
TOTAL EQUITY		74,716	74,472
TOTAL EQUITY AND LIABILITIES		104,371	109,670
Net assets per share attributable to owners of the parent (RM)		0.76	0.76

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.)



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Unaudited Condensed Statement of Changes in Equity for the 12 months ended 31/12/2015

<----- Attributable to Owners of Parent ----->

Note	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 01/01/2014	48,000	515	24,137	72,652	716	73,368
Total comprehensive income for the period	-	-	4,402	4,402	494	4,896
Dividends paid	-	-	(3,792)	(3,792)	-	(3,792)
Balance at 31/12/2014	48,000	515	24,747	73,262	1,210	74,472
Balance at 01/01/2015	48,000	515	24,745	73,260	1,212	74,472
Total comprehensive income for the period	-	-	1,876	1,876	288	2,164
Dividends paid	-	-	(1,920)	(1,920)	-	(1,920)
Balance at 31/12/2015	48,000	515	24,701	73,216	1,500	74,716

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.)



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Unaudited Condensed Statement of Cash Flows for the 12 months ended 31/12/2015

	12 months ended	
	31/12/2015	31/12/2014
	RM'000	RM'000
Cash Flows From Operating Activities:		
Profit before tax	2,875	6,400
<i>Adjustments for :</i>		
Depreciation of property, plant and equipment	1,838	2,005
Reversal of impairment loss on trade receivables	-	(7)
Impairment loss in trade receivables	30	321
Gain on disposal property, plant and equipment	(63)	(130)
Interest expense	1,265	1,529
Impairment loss on goodwill	140	-
Interest income	(580)	(374)
Share of profits of Associate	(260)	(348)
Operating profit before changes in working capital	5,245	9,396
Working Capital Changes		
(Increase)/Decrease in trade and other receivables	(1,961)	2,869
Increase in inventories	(1,330)	(5,141)
Decrease/(Increase) in trade and other payables	113	(4,576)
(Decrease) in Short term Trade Banker Acceptance	(1,859)	(7,532)
	(5,037)	(14,380)
Cash generated from/(used in) operations	208	(4,984)
Interest received	580	374
Interest paid	(1,265)	(1,529)
Income tax refunded	30	350
Income tax paid	(1,900)	(1,289)
	(2,555)	(2,094)
Net Cash generated from operating activities	(2,347)	(7,078)
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	63	131
Purchase of property, plant and equipment	(464)	(576)
Net cash used in Investing Activities	(401)	(445)
Cash Flows From Financing Activities:		
Dividends paid on shares	(1,920)	(3,792)
Payment for hire purchase obligations	(1,091)	(670)
Net cash flow used in Financing Activities	(3,011)	(4,462)
Net changes in Cash and Cash Equivalents	(5,759)	(11,985)
Cash and Cash Equivalents at Beginning of The Period	10,805	22,790
Cash and Cash Equivalents at End of The Period	5,046	10,805

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.)



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Notes of the Interim Financial Report for the 12 months ended 31/12/2015

A. Compliance with Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting and Bursa Listing Requirements

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB), International Accounting Standard (IAS) 34: Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) and Chapter 9 Part K of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Securities). The figures for the cumulative period 12 months ended 31/12/2015 have not been audited.

The interim financial statements should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31/12/2014, which were prepared in accordance with Malaysian Financial Reporting Standards (MFRSs) and International Financial Reporting Standards (IFRSs). 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 31/12/2014.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31/12/2014 except for the adoption of the following Amendments/Improvement to MFRSs which are applicable to its financial statements and are relevant to its operations:-

Amendments/Improvement to MFRSs:

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above Amendments/Improvements to MFRSs did not have any material effect on the financial statements of the Group.

The following new MFRSs and Amendments/Improvements to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRS 9	Financial Instruments *
MFRS 15	Revenue from Contracts with Customers *
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations ***
MFRS 7	Financial Instruments: Disclosures **
MFRS 10	Consolidated Financial Statements **
MFRS 11	Joint Arrangements **
MFRS 12	Disclosures of Interests in Other Entities **
MFRS 101	Presentation of Financial Statements **
MFRS 116	Property, Plant and Equipment **
MFRS 119	Employee Benefits **
MFRS 127	Separate financial statements **
MFRS 128	Investments in Associates and Joint Ventures **
MFRS 138	Intangible Assets **
MFRS 141	Agriculture **

*Effective for financial periods beginning on or after - 1 January 2018

** Effective for financial periods beginning on or after - 1 January 2016



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Notes of the Interim Financial Report for the 12 months ended 31/12/2015

The Group will adopt the above new MFRSs and Amendments/Improvements to MFRSs when it becomes effective in the respective financial periods. The adoption of the above mentioned amendments to MFRSs are not expected to have any material effect to the financial statements of the Group upon initial recognition, except for MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers described below, for which the financial effects are still being assessed by the Group.

(i) MFRS 9 Financial Instruments

This final version of MFRS 9 replacing MFRS 139. MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held with two measurement at amortised cost or fair value. For impairment, MFRS 9 introduces expected-loss impairment model that will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity.

(ii) MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. MFRS 15 Revenue from Contracts with Customers established a new five-step model which will apply to recognition of revenue arising from contracts with customers.

A2. Seasonality or cyclicity of interim operations

Other than lower demand for our products during the festive period particularly in the first quarter of the year, our Group does not experience any material seasonality or cyclicity in our business operations.

A3. Unusual Items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items of nature, size or incidence that affect the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and cumulative 12 months period ended 31/12/2015.

A4. Material Changes in estimates

There were no changes in estimates that had materially affected the Group during the current quarter under review and financial year to date.

A5. Issuances, repurchases and repayments of debts and equity instruments

There were no issuance and repayment of debts and equity securities, shares buy-back, shares cancellation, shares held as treasury shares or resale of treasury shares during the current quarter under review and financial year to date.

A6. Dividends paid

There were no dividends paid by the Group during the current quarter ended 31/12/2015 and financial year to date other than as follows:

	Current Quarter RM'000	Year-to-Date RM'000
Dividend paid on ordinary shares: Financial year ended 31/12/2014		
First and final dividend of 0.02 sen per share single tier paid on 19/06/2015	-	1,920

Notes of the Interim Financial Report for the 12 months ended 31/12/2015

A7. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

a) The stainless steel products segment is in the business of manufacture and sales of stainless steel tubes and pipes, and processing of stainless steel sheets products;

b) The marine hardware & consumable segment is in the business of trading of marine hardware includes, amongst others, PP and PE ropes, stainless steel bars, stainless steel fasteners, GI wire, wire ropes and wire netting, nylon trammel and PE nets, copper tubes, chain, brass stern gland and propellers, square boat and shank spikes, packing and asbestos sheets, stainless steel electrode and rigging hardware such as zincked block, pulley, pin shaft, hooks and chain block;

c) The other industrial hardware segment is in the business of trading of industrial hardware including, amongst others, bronze shaft, brass tubes, other steel industrial fasteners such as HT, MS and GI bolts and nuts, screws, washers and shackles, ductile iron pipe and fittings such as flange, valves, tapers, hose clips and clamps, industrial hoses such as spring hose, PVC hose, black rubber suction and water hose and PVC reinforced air hose, alloy chain, stainless steel wire mesh, colour cotton rag, rubber conveyor belt, industrial wipes, safety absorbent and fibre ceramic blanket.

d) The engineering works segment is in the business of manufacturing and installation of Double or Single former on-line chlorination nitrile glove dipping lines and Double or Single former rubber glove dipping lines, trading of dipping lines parts and consumable including, amongst others, conveyor chain and conveyor chain parts, former holder set, worm gear and motor, and engineering services including machining, cutting, dismantle and cleaning of conveyor chain.

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>3 months ended 31/12/2015</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	8,650	6,635	5,127	3,796	24,208
Reportable segment gross profit	580	1,429	1,296	471	3,776
<i>3 months ended 31/12/2014</i>					
Revenues from external customers	6,392	5,773	3,835	4,404	20,404
Reportable segment gross profit	602	1,231	904	1,299	4,036

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>12 months ended 31/12/2015</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	32,222	23,396	19,176	22,169	96,963
Reportable segment gross profit	1,966	5,232	4,486	3,849	15,533
<i>12 months ended 31/12/2014</i>					
Revenues from external customers	29,918	26,911	10,773	30,973	98,575
Reportable segment gross profit	3,371	6,119	2,429	6,828	18,747

A8. Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 31/12/2015 up to the date of this interim financial report which may substantially affect the results of the operations of the Group.

A9. Effects of changes in the composition of the Group and financial year-to-date

There were no changes in composition of the Group during the current quarter ended 31/12/2015 and financial year to date.



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Notes of the Interim Financial Report for the 12 months ended 31/12/2015

A10. Changes in contingent liabilities & assets since the last annual financial statements date

There were no changes in the contingent liabilities and assets of the Group since the last audited date of the financial statements.

A11. Capital commitment

There were no capital commitments either contracted upon or otherwise that had affected the Group as at the current quarter ended 31/12/2015.

A12. Related party transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 31/12/2015 are as follows:

Nature of Relationship	Sales of goods RM'000	Purchases of goods RM'000	Overdue Charges RM'000	Total for nature of relationship RM'000
<i>Current quarter:</i>				
Associate	-	18	-	18
Total for type of transaction	-	18	-	18
<i>Cumulative 12 months Period:</i>				
Associate	600	160	10	770
Total for type of transaction	600	160	10	770

Notes of the Interim Financial Report for the 12 months ended 31/12/2015

B. Explanatory Notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Bhd

B1. Review of performance

The Group revenue for the 12 months cumulative period had reduced by 1.64% from RM98.58 million as reported in the corresponding preceding period in the prior financial year to RM96.96 million.

Sales of our Stainless Steel Products segment and Marine Hardware & Consumable segment accounted for approximately 57.36% of our total revenue. Revenue from our Engineering Works segment and Other Industrial Hardware segment constituted approximately 22.86% and 19.78% respectively of our total revenue.

During the financial year under review, we recorded a lower revenue of RM22.17 million for our Engineering Works segment as compared to RM30.97 million obtained in the previous financial year. The decline in revenue was principally attributable to the termination of contract for fabrication & installation of Double Former Glove Dipping Lines following the non-conformity in the contract payment terms.

Despite declined revenue in Engineering Works segment, our revenue from Other Industrial Hardware segment increased from RM10.77 million in the previous financial year to RM19.18 million. This was mainly due to our sales and marketing team secured existing customers with purchase orders for our new industrial products and also increase in purchase orders from local industrial wholesalers.

The Group profit before tax for the 12 months cumulative period had decreased from RM6.4 million achieved in the corresponding preceding period in prior financial year to RM2.88 million, represents a decrease of 55.08% in profit before tax. This was attributed primarily to termination of contract as mentioned above and an increase in cost of products in tandem with the weakening Ringgit against the US Dollar which is the predominant currency usage by the Group for imports of raw materials and higher discounts given to boost sales.

B2. Comparison with immediate preceding quarter's results

The Group profit before tax of RM0.88 million for the current quarter under review was 78.57% higher compared with the profit before tax amounting to RM0.49 million of the immediate preceding quarter. This was due to increase in selling price to mitigate the impact of the weakening Ringgit against US Dollar.

B3. Commentary on prospects

The Board will continue to enhance the Group marketing strategy through expansion of the Engineering Works Segment and increase the Group products offering to increase revenue. Barring the economic uncertainty, the Board strives for the betterment.

B4. Profit forecast or profit guarantee

Not applicable as the Group has not issued any profit forecast or profit guarantee in a public document.

B5. Breakdown of tax changes

Tax charges comprise:	Current Quarter RM'000	Current Year-to-Date RM'000
Malaysian taxation based on profit for the period:		
Current tax expense	145	931
Adjustment for over provision	(11)	(20)
Deferred tax expense	73	(200)
Net tax charge	<u>207</u>	<u>711</u>



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Notes of the Interim Financial Report for the 12 months ended 31/12/2015

Reconciliation of Effective Tax Rate:

	Current Year-to-Date	
	RM'000	%
Accounting Profit before tax	2,875	-
Statutory tax amount / rate	719	25.0%
<i>Tax Effects of Expenses Disallowed:</i>		
Depreciation of non-qualifying property, plant & equipment	40	1.4%
Other Expenses not deductible for tax purposes	65	2.3%
Other professional fee	43	1.5%
Share of results of an associate	(65)	-2.3%
Deferred tax assets not recognised on:		
Under provision of deferred tax in prior years	(71)	-2.0%
Over provision of tax expense in prior years	(20)	-1.0%
Effective tax amount / rate	711	24.7%

B6. Status of corporate proposals and utilisation of proceeds

(a) Corporate proposals

There were no corporate proposals not completed as at the date of this report.

(b) Utilisation of proceeds

The total gross proceeds raised from the public issue of RM11.47 million based on the issue price of RM0.57 will be utilised in the following manner:

Purpose	Proposed utilisation	Actual utilisation	Non-utilisation	Intended timeframe for utilisation (Listed on 19/01/2011)
	RM'000	RM'000	RM'000	
(i) Business Expansion and capital expenditures	3,310	251	3,059	Extended to 19/01/2016
(ii) Working Capital	6,260	6,260	-	
(iii) Listing Expenses	1,900	1,900	-	
	11,470	8,411	3,059	

B7. Details of Group borrowings and debts securities

The Group's borrowings securities denominated in Malaysian Ringgit as at 31/12/2015 are as follows:

	Total	Secured
	RM'000	RM'000
Long-term:		
Hire purchase liabilities	1,362	1,362
	<u>1,362</u>	<u>1,362</u>
Short-term:		
Bills and other trade financing liabilities	17,819	17,819
Hire purchase liabilities	954	954
	<u>18,773</u>	<u>18,773</u>



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Notes of the Interim Financial Report for the 12 months ended 31/12/2015

B8. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Individual quarter ended		Cumulative period 12 months ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<i>1) Other operating income:</i>				
Interest income	(439)	(59)	(570)	(308)
Other income	-	(9)	(10)	(61)
Loss/(Gain) on disposal of property, plant and equipment	-	(18)	-	(130)
<i>2) Administration expenses & Cost of sales:</i>				
Depreciation of properties, plant & equipment	523	581	1,838	2,005
Employee benefit expenses	2,656	2,368	10,415	9,256
<i>3) Other expenses:</i>				
Impairment loss in trade receivable	30	316	30	316
Bad Debts Recovered	(4)	(1)	(4)	(1)
Realised Forex (gains)/losses	(70)	16	(85)	(1)
<i>4) Finance costs:</i>				
Bank overdrafts	9	5	26	24
Bankers acceptance	211	269	1,079	1,304
Hire Purchase	38	52	160	201

Save as disclosed above, the other items as required under Appendix 9B Part A(16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

B9. Changes in Material Litigations

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending which might materially and adversely affect the financial position or business of the Group.

B10. Proposed Dividends

The Directors do not recommend any dividend for the current quarter ended 31/12/2015.

B11. Earnings per share

(a) The earnings used as the numerator in calculating Basic and Diluted earnings per share (EPS) for the current quarter ended 31/12/2015 are as follows:

	Current Quarter RM'000	Current Year-to-Date RM'000
Profit for the financial period attributable to owners of the Parent (used as numerator for the Basic EPS)	<u>637</u>	<u>1,876</u>

(b) The weighted average number of ordinary shares used in the denominator in calculating Basic and Diluted earnings per share for the current quarter and cumulative period ended 31/12/2015 are as follows:

	Current Quarter '000	Current Year-to-Date '000
Weighted average number of ordinary shares in issue (used as denominator for the Basic EPS)	<u>96,000</u>	<u>96,000</u>
Weighted average number of ordinary shares in issue (used as denominator for the Diluted EPS)	<u>96,000</u>	<u>96,000</u>



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Diluted earnings per share is equivalent to Basic EPS as the Group does not have any dilutive potential ordinary shares in issue during the financial quarter under review and financial year to date.

B12. Realised and unrealised profits

	31/12/2015 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	21,165
- Unrealised	533
	<hr/> 21,698
Total share of retained profits from associate:	
- Realised	2,393
- Unrealised	377
	<hr/> 24,468
Consolidation adjustments	233
Total Group retained profits as per consolidated financial statements	<hr/> 24,701 <hr/>

B13. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the year ended 31/12/2014 did not contain any qualification.

B14. Authorisation for issue

The interim financial report was duly reviewed by Audit Committee and approved by the Board of Directors on 24/02/2016.