

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Note:

^ Inter-company elimination for FYE 30 June 2009 and FYE 30 June 2010 was in relation to joint development between NPO Development and Terbit Kelana for our Group's Klang Sentral Commercial Centre. For FYE 30 June 2012 and FYE 30 June 2013, the inter-company elimination was in relation to joint development between NPO Development and Pin Hwa for our Group's The Galleria project.

(iii) By Projects

	2009		2010		2011		2012		2013	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Proforma		Audited		FYE 30 June					
Mutiara Bukit Raja	-	-	297	1.01	418	0.96	-	-	-	-
Klang Sentral Commercial Centre	7,133	28.74	1,402	4.77	3,847	8.81	795	1.71	492	0.53
Mutiara Point Business Park (Phase 1)	(312)	(1.26)	20	0.07	18	0.04	373	0.80	-	-
Tiara Square Business Centre	1,997	8.05	-	-	-	-	-	-	-	-
Casa Tiara Serviced Suites	5,265	21.21	337	1.15	(496)	(1.14)	-	-	-	-
First Subang	10,804	43.53	18,264	62.15	18,024	41.26	3,315	7.11	690	0.74
One SOHO (formerly known as Subang SOHO)	-	-	9,066	30.85	13,876	31.77	10,627	22.80	204	0.22
Subang Parkhomes (Phase 1 and Phase 2)	-	-	-	-	6,035	13.81	25,766	55.29	75,124	80.45
Seri Alam Industrial Park (Phase 1 and Phase 2)	-	-	-	-	-	-	-	-	-	-
Zone Innovation Park @ Sungai Kapar Indah (Phase 1 and Phase 2)	-	-	-	-	-	-	-	-	-	-
The Galleria	-	-	-	-	-	-	3,632	7.79	13,191	14.13
3Elements (Phase 1)	-	-	-	-	-	-	1,486	3.19	2,576	2.76
Others*	(65)	(0.27)	-	-	1,960	4.49	608	1.31	1,098	1.17
	24,822	100.00	29,386	100.00	43,682	100.00	46,602	100.00	93,375	100.00
Less: Inter-company elimination	-	-	-	-	-	-	-	-	-	-
Total	24,822	100.00	29,386	100.00	43,682	100.00	46,602	100.00	93,375	100.00

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

	2009		2010		2011		2012		2013	
GP Margin (%)										
Mutiara Bukit Raja	-	66.00	74.91	-	-	-	-	-	-	-
Klang Sentral Commercial Centre	12.52	18.38	67.07	22.18	36.26	-	-	-	-	-
Mutiara Point Business Park (Phase 1)	(4.97)	(5.13)	15.52	32.38	-	-	-	-	-	-
Tiara Square Business Centre	14.95	-	-	-	-	-	-	-	-	-
Casa Tiara Serviced Suites	26.74	24.69	(50.36) [^]	-	-	-	-	-	-	-
First Subang	19.71	33.47	33.65	36.90	47.03	-	-	-	-	-
One SOHO (formerly known as Subang SOHO)	-	23.73	25.17	38.25	56.35	-	-	-	-	-
Subang Parkhomes (Phase 1 and Phase 2)	-	-	36.18	40.16	47.70	-	-	-	-	-
Seri Alam Industrial Park (Phase 1 and Phase 2)	-	-	-	-	-	-	-	-	-	-
Zone Innovation Park @ Sungai Kapar Indah	-	-	-	-	-	-	-	-	-	-
The Galleria	-	-	-	46.52	46.52	-	-	-	-	-
3Elements	-	-	-	24.45	24.44	-	-	-	-	-
Others*	-	-	44.35	99.02	98.39	-	-	-	-	-
Group GP Margin	16.43	28.86	31.84	39.41	48.19					

Notes:

- * For FYE 30 June 2011, others consist of sale of vacant land and rental income while for FYE 30 June 2012 and FYE 30 June 2013, others consist of rental income only.
[^] Due to under accruals in its development cost in prior years amounting to RM0.84 million for FYE 30 June 2011.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

Commentaries on GP and GP margin:

FYE 30 June 2009

Our Group's GP has decreased by RM3.35 million from RM28.17 million in FYE 30 June 2008 to RM24.82 million in FYE 30 June 2009, representing a decrease of 11.89%. This was mainly due to the decrease in GP for Tiara Square Business Centre, Klang Sentral Commercial Centre and Casa Tiara Serviced Suites projects from an aggregate of RM29.15 million in FYE 30 June 2008 to RM14.39 million in FYE 30 June 2009. This was partially offset by the First Subang project's GP amounting to RM10.80 million.

Our Group's overall GP margin has decreased from 17.89% in FYE 30 June 2008 to 16.43% in FYE 30 June 2009. This was mainly due to the revision of property development costs for Tiara Square Business Centre project in FYE 30 June 2008 which reduced its GP margin from 31.48% in FYE 30 June 2008 and 14.95% in FYE 30 June 2009.

FYE 30 June 2010

Our Group's cost of sales decreased by 42.63% from RM126.29 million in FYE 30 June 2009 to RM72.45 million in FYE 30 June 2010 whereas our revenue decreased by 32.61% from RM151.11 million in FYE 30 June 2009 to RM101.83 million in FYE 30 June 2010. This enabled our Group to register an increase in GP from RM24.82 million in FYE 30 June 2009 to RM29.39 million in FYE 30 June 2010 and increased in overall GP margin from 16.43% in FYE 30 June 2009 to 28.86% in FYE 30 June 2010.

The higher GP and overall GP margin for FYE 30 June 2010 was mainly attributed to the commencement of the construction of One SOHO (formerly known as Subang SOHO) project. The higher GP and overall GP margin for FYE 30 June 2010 was also due to the increase in the selling prices of the unsold units for our First Subang project following the announcement by Syarikat Prasarana Negara Berhad of the extension of the Kelana Jaya light rail transit ("LRT") line which will involve the setting up on an LRT station within walking distance from First Subang. The revised selling price for the unsold units for First Subang project saw an improvement in the GP margin of First Subang project from 19.71% in FYE 30 June 2009 to 33.47% in FYE 30 June 2010.

FYE 30 June 2011

Our Group's cost of sales increased by 29.05% from RM72.45 million in FYE 30 June 2010 to RM93.50 million in FYE 30 June 2011 whereas our revenue increased by 34.71% from RM101.83 million in FYE 30 June 2010 to RM137.18 million in FYE 30 June 2011. This enabled our Group to register an increase in GP from RM29.39 million in FYE 30 June 2010 to RM43.68 million in FYE 30 June 2011. The increase in GP was mainly attributed to the One SOHO (formerly known as Subang SOHO) and Subang Parkhomes projects.

Overall GP margin has increased from 28.86% in FYE 30 June 2010 to 31.84% in FYE 30 June 2011. The increase in overall GP margin for FYE 30 June 2011 was attributed to the Subang Parkhomes project which has a higher GP margin of 36.18% as well as the increase in the selling prices of the unsold units for One SOHO (formerly known as Subang SOHO) project which recorded an improvement in its GP margin from 23.73% in FYE 30 June 2010 to 25.17% in FYE 30 June 2011. The sales of two (2) parcels of vacant land in FYE 30 June 2011 which have GP margin of 44.35% also contributed to the increase in overall GP margin.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

FYE 30 June 2012

Our Group's cost of sales decreased by 23.37% from RM93.50 million in FYE 30 June 2011 to RM71.65 million in FYE 30 June 2012, whereas our revenue decreased by 13.80% from RM137.18 million in FYE 30 June 2011 to RM118.25 million in FYE 30 June 2012. This enabled our Group to register an increase in GP from RM43.68 million in FYE 30 June 2011 to RM46.60 million in FYE 30 June 2012. The increase in GP was mainly attributed to the Subang Parkhomes project.

Overall GP margin has increased from 31.84% in FYE 30 June 2011 to 39.41% in FYE 30 June 2012. The increase in overall GP margin was due to the increase in the selling prices of Subang Parkhomes project which recorded an improvement in its GP margin from 36.18% in FYE 30 June 2011 to 40.16% in FYE 30 June 2012. The increase in GP margin for FYE 30 June 2012 was also attributed to The Galleria project which has a higher GP margin of 46.52%. The increase in the GP margin for One SOHO (formerly known as Subang SOHO) project from 25.17% in FYE 30 June 2011 to 38.25% in FYE 30 June 2012 was mainly due to the revision of property development costs upon the completion of this project during the FYE 30 June 2012.

FYE 30 June 2013

Our Group's cost of sales increased by 40.11% from RM71.65 million in FYE 30 June 2012 to RM100.39 million in FYE 30 June 2013, whereas our revenue increased by 63.86% from RM118.25 million in FYE 30 June 2012 to RM193.77 million in FYE 30 June 2013. This enabled our Group to register an increase in GP from RM46.60 million in FYE 30 June 2012 to RM 93.38 million in FYE 30 June 2013. The increase in GP was mainly attributed to the Subang Parkhomes and The Galleria projects.

Overall GP margin has increased from 39.41% in FYE 30 June 2012 to 48.19% in FYE 30 June 2013. The increase in overall GP margin for FYE 30 June 2013 was mainly due to the improvement in the GP margin of Subang Parkhomes project from 40.16% in FYE 30 June 2012 to 47.70% in FYE 30 June 2013. This was attributable by the revision of selling price of the Subang Parkhomes (Phase 1) project in response to the market demand as well as the revision of property development costs for Phase 1 of this project upon its completion during the FYE 30 June 2013.

12.2.3 Commentary on Our Past Other Income, Operating Expenses and Profitability

(i) Other Income

FYE 30 June 2009

Other income increased by RM0.30 million from RM1.79 million for FYE 30 June 2008 to RM2.09 million for FYE 30 June 2009. The increase was mainly due to the increase in maintenance fee by RM0.37 million from RM0.02 million for FYE 30 June 2008 to RM0.39 million for FYE 30 June 2009. The increase was also partially due to the increase in forfeiture income by RM0.16 million from RM0.08 million for FYE 30 June 2008 to RM0.24 million for FYE 30 June 2009.

The increase in other income was partially offset by the decrease in interest income from financial institution amounting to RM0.25 million from RM0.47 million in FYE 30 June 2008 to RM0.22 million in FYE 30 June 2009.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)***FYE 30 June 2010***

Other income increased by RM14.22 million from RM2.09 million in FYE 30 June 2009 to RM16.31 million in FYE 30 June 2010. The increase was mainly due to compensation received from the government for the acquisition of land amounting to RM11.49 million. The increase in other income was also due to interest income amounting to RM3.42 million arising from overdue payments of the proceeds receivable from the land disposed to Sutera Bangsa Sdn Bhd, a former related company.

FYE 30 June 2011

Other income decreased by RM12.62 million from RM16.31 million in FYE 30 June 2010 to RM3.69 million in FYE 30 June 2011. The decrease in other income was due to compensation received from the government and overdue interests of the proceeds receivable from the land disposed to Sutera Bangsa Sdn Bhd, a former related company amounting to RM11.49 million and RM3.42 million respectively in FYE 30 June 2010.

The decrease from the above income was partially offset by waiver of interest expenses charged by Sime Darby Property (Sungai Kapar) Sdn Bhd to our Group in the prior year in relation to the purchase of land. The waiver of interest expenses granted to our Group in FYE 30 June 2011 amounted to RM2.42 million.

FYE 30 June 2012

Other income increased by RM9.67 million from RM3.69 million in FYE 30 June 2011 to RM13.36 million in FYE 30 June 2012. The increase was mainly due to gain on disposal of investment properties amounting to RM7.71 million in FYE 30 June 2012. The increase was also due to compensation received from the government for the compulsory acquisition of land amounting to RM4.63 million.

The increase was partially offset by the waiver of interest expenses granted to our Group amounted to RM2.42 million, which occurred during FYE 30 June 2011.

FYE 30 June 2013

Other income decreased by RM11.33 million from RM13.36 million in FYE 30 June 2012 to RM2.03 million in FYE 30 June 2013. The decrease was mainly due to gain on disposal of investment properties amounting to RM7.71 million and compensation received from the government for the compulsory acquisition of land amounting to RM4.63 million during the FYE 30 June 2012 but which did not occur in FYE 30 June 2013.

The decrease was partially offset by the interest received from the government of RM0.85 million during the FYE 30 June 2013 in relation to the compulsory acquisition of land in the FYE 30 June 2010.

(ii) Selling and distribution expenses***FYE 30 June 2009***

Selling and distribution expenses decreased by RM1.33 million from RM4.39 million for FYE 30 June 2008 to RM3.06 million for FYE 30 June 2009. The decrease was mainly due to the completion and handing over of our Group's property development projects, namely Casa Tiara Serviced Suites, Klang Sentral Commercial Centre, Mutiara Point Business Park (Phase 1) and Tiara Square Business Centre, to the end purchasers. The reduced sales and marketing activities in FYE 30 June 2009 was also due to less favourable economic conditions.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

During FYE 30 June 2009, our Group continued to incur sales commissions in promoting our Group's unsold units for the Klang Sentral Commercial Centre project. During the financial year under review, our Group also undertook sales and marketing activities (including preparation for the sales launching activities) which was mainly carried out for, First Subang and One SOHO (formerly known as Subang SOHO) projects.

FYE 30 June 2010

Selling and distribution expenses decreased by RM0.83 million from RM3.06 million for FYE 30 June 2009 to RM2.23 million for FYE 30 June 2010 as sales and marketing activities was mainly for First Subang and One SOHO (formerly known as Subang SOHO) projects as well as our Group's then new property development project, namely Subang Parkhomes.

FYE 30 June 2011

Selling and distribution expenses increased by RM0.98 million from RM2.23 million for FYE 30 June 2010 to RM3.21 million for FYE 30 June 2011. The increase was mainly due to the increase in sales and marketing activities by RM0.97 million from RM1.81 million in FYE 30 June 2010 to RM2.78 million in FYE 30 June 2011, as additional marketing activities was carried out in FYE 30 June 2011 for our Group's projects, namely First Subang, One SOHO (formerly known as Subang SOHO) and Subang Parkhomes as well as our Group's then new development project, namely The Galleria.

FYE 30 June 2012

Selling and distribution expenses increased by RM4.19 million from RM3.21 million for FYE 30 June 2011 to RM7.40 million for FYE 30 June 2012. The increase was mainly due to the increase in sales and marketing activities (inclusive of expenses for show units) of RM1.57 million as additional marketing activities was carried out in FYE 30 June 2012 for our Group's property development projects such as 3Elements, The Galleria, Seri Alam Industrial Park (Phase 1 and Phase 2) and Zone Innovation Park @ Sungai Kapar Indah (Phase 1 and Phase 2). The increase in selling and distribution expenses was also due to the increase in sales commissions by RM1.95 million from RM1.62 million in FYE 30 June 2011 to RM3.57 million in FYE 30 June 2012 as well as the commencement of the Developer Interest Bearing Scheme whereby our Group bore the purchasers' loan interests during the construction period of RM0.89 million during FYE 30 June 2012.

FYE 30 June 2013

Selling and distribution expenses increased by RM3.31 million from RM7.40 million for FYE 30 June 2012 to RM10.71 million for FYE 30 June 2013. The increase was mainly due to the increase in sales and marketing activities of RM1.70 million as additional marketing activities for our Group's property development projects such as The Galleria and Subang Parkhomes from RM2.02 million in FYE 30 June 2012 to RM3.72 million in FYE 30 June 2013. The increase in selling and distribution expenses was also due to the increase in loan interest borne by our Group under the Developer Interest Bearing Scheme by RM3.45 million from RM0.89 million for FYE 30 June 2012 to RM4.34 million for FYE 30 June 2013.

The increase was also partly offset by the decrease in sales commissions of RM1.04 million from RM3.57 million in FYE 30 June 2012 to RM2.53 million in FYE 30 June 2013 as well as the decrease in sales and marketing activities of RM0.76 million for our Group's property development projects such as First Subang, Seri Alam Industrial Park (Phase 1 and Phase 2) and Zone Innovation Park @ Sungai Kapar Indah (Phase 1 and Phase 2) from RM0.79 million in FYE 30 June 2012 to RM0.03 million in FYE 30 June 2013.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(iii) Administrative expenses***FYE 30 June 2009***

Administrative expenses decreased by RM1.07 million from RM5.08 million for FYE 30 June 2008 to RM4.01 million for FYE 30 June 2009. The decrease was mainly due to cost saving measures that were taken, such as reduction in entertainment costs, directors' remuneration and staff costs, during the FYE 30 June 2009.

FYE 30 June 2010

Administrative expenses were relatively stable at RM4.00 million during the FYE 30 June 2010 as compared to FYE 30 June 2009.

FYE 30 June 2011

Administrative expenses increased by RM0.63 million from RM4.00 million in FYE 30 June 2010 to RM4.63 million in FYE 30 June 2011. The increase was mainly due to the increase in staff salaries and related expenses as well as directors' emoluments by RM0.47 million from RM3.36 million in FYE 30 June 2010 to RM3.83 million in FYE 30 June 2011.

FYE 30 June 2012

Administrative expenses increased by RM1.51 million from RM4.63 million in FYE 30 June 2011 to RM6.14 million in FYE 30 June 2012. The increase was mainly due to the increase in staff salaries and related expenses as well as directors' emoluments by RM0.91 million from RM3.83 million in FYE 30 June 2011 to RM4.74 million in FYE 30 June 2012. The increase in administrative expenses was also due to the increase in donations and legal fees by RM0.18 million and RM0.27 million respectively from RM0.02 million and RM0.09 million in FYE 30 June 2011 respectively to RM0.20 million and RM0.36 million in FYE 30 June 2012 respectively.

FYE 30 June 2013

Administrative expenses increased by RM1.78 million from RM6.14 million in FYE 30 June 2012 to RM7.92 million in FYE 30 June 2013. The increase was mainly due to the increase in staff salaries and related expenses as well as directors' emoluments by RM1.92 million from RM4.74 million in FYE 30 June 2012 to RM6.66 million in FYE 30 June 2013.

(iv) Other Expenses***FYE 30 June 2009***

Other expenses decreased by RM1.56 million from RM2.90 million for FYE 30 June 2008 to RM1.34 million for FYE 30 June 2009. The decrease was mainly due to the decrease in donations given by RM1.28 million from RM1.46 million in FYE 30 June 2008 to RM0.18 million in FYE 30 June 2009.

FYE 30 June 2010

Other expenses increased by RM0.60 million from RM1.34 million for FYE 30 June 2009 to RM1.94 million for FYE 30 June 2010. The increase was mainly due to write off of non-trade receivables from third party contractors for site clearing work amounting to RM0.37 million, rectification works carried out for our Group's Mutiara Bukit Raja project amounting to RM0.12 million and tax penalty due to late filing of tax submission. These expenses were not incurred in FYE 30 June 2009.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

FYE 30 June 2011

Other expenses increased by RM3.45 million from RM1.94 million for FYE 30 June 2010 to RM5.39 million for FYE 30 June 2011. The increase was mainly due to the waiver of interest receivable from a formerly related company in relation to the purchase of land amounting to RM2.42 million. The waiver of interest receivable is in relation to the waiver of interest payable as disclosed in "other income" above.

The increase was also due to the increase in donations by RM0.67 million to RM0.83 million during the FYE 30 June 2011.

FYE 30 June 2012

Other expenses decreased by RM2.81 million from RM5.39 million for FYE 30 June 2011 to RM2.58 million for FYE 30 June 2012. The decrease was mainly due to waiver of interest receivable from a formerly related company in relation to the purchase of land amounting to RM2.42 million which occurred in FYE 30 June 2011.

FYE 30 June 2013

Other expenses increased by RM1.85 million from RM2.58 million for FYE 30 June 2012 to RM4.43 million for FYE 30 June 2013. The increase was mainly due to liquidated ascertained damages of RM1.27 million for Subang Parkhomes and One SOHO (formerly known as Subang SOHO) projects and listing expenses of RM1.13 million incurred for FYE 30 June 2013. The increase in other expenses was offset by the decrease in donations of RM0.34 million and tax penalties of RM0.15 million due to underestimation of taxation in prior financial years.

(v) **Operating profit**

FYE 30 June 2009

As a result of the above, our Group's operating profit increased by RM0.90 million from RM17.60 million in FYE 30 June 2008 to RM18.50 million in FYE 30 June 2009, representing an increase of 5.11%.

FYE 30 June 2010

Our Group's operating profit increased by RM19.03 million from RM18.50 million in FYE 30 June 2009 to RM37.53 million in FYE 30 June 2010, representing an increase of 102.86%.

FYE 30 June 2011

Our Group's operating profit decreased by RM3.39 million from RM37.53 million in FYE 30 June 2010 to RM34.14 million in FYE 30 June 2011, representing a decrease of 9.03%.

FYE 30 June 2012

Our Group's operating profit increased by RM9.71 million from RM34.14 million in FYE 30 June 2011 to RM43.85 million in FYE 30 June 2012, representing an increase of 28.44%.

FYE 30 June 2013

Our Group's operating profit increased by RM28.49 million from RM43.85 million in FYE 30 June 2012 to RM72.34 million in FYE 30 June 2013, representing an increase of 64.97%.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(vi) Finance costs***FYE 30 June 2009***

Finance costs increased by RM0.24 million from RM0.24 million in FYE 30 June 2008 to RM0.48 million in FYE 30 June 2009. The increase was mainly due to interests on term loans facilities amounting to RM0.22 million in FYE 30 June 2009 whereas there was no interest on term loans for FYE 30 June 2008.

FYE 30 June 2010

Finance costs increased by RM4.25 million from RM0.48 million in FYE 30 June 2009 to RM4.73 million in FYE 30 June 2010. The increase was mainly due to interest expenses on overdue payment incurred by our Group amounting to RM3.42 million pertaining to the purchase of land which was in relation to the interest income received from a formerly related company, as disclosed above under "other income".

Additionally, the increase in finance costs was attributed to interests on bank overdraft facilities, short term borrowings and terms loans obtained to meet our Group's increasing working capital requirements.

FYE 30 June 2011

Finance costs decreased by RM1.18 million from RM4.73 million in FYE 30 June 2010 to RM3.55 million in FYE 30 June 2011. The decrease was mainly due to interest expenses incurred by our Group amounting to RM3.42 million in relation to the purchase of land which only occurred in FYE 30 June 2010.

The decrease was partially offset by the increase in interest expenses for bank overdrafts, bridging loans and terms loans by RM2.23 million from RM1.30 million in FYE 30 June 2010 to RM3.53 million in FYE 30 June 2011. The increase in interest expenses was due to borrowings obtained to finance our Group's working capital needs as well as interest incurred in relation to our Group's completed projects.

FYE 30 June 2012

Finance costs decreased by RM2.92 million from RM3.55 million in FYE 30 June 2011 to RM0.63 million in FYE 30 June 2012. The decrease was mainly due to the repayment and settlement of bank borrowings in FYE 30 June 2012.

FYE 30 June 2013

Finance costs increased by RM0.68 million from RM0.63 million in FYE 30 June 2012 to RM1.31 million in FYE 30 June 2013. The increase was mainly due to increase in utilisation of bank overdraft facility and borrowings obtained to finance our Group's working capital requirements during FYE 30 June 2013.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(vii) PBT***FYE 30 June 2009***

Our Group's PBT increased by RM0.65 million from RM17.36 million in FYE 30 June 2008 to RM18.01 million in FYE 30 June 2009, representing an increase of 3.74%.

FYE 30 June 2010

Our Group's PBT increased by RM14.80 million from RM18.01 million in FYE 30 June 2009 to RM32.81 million in FYE 30 June 2010, representing an increase of 82.18%.

FYE 30 June 2011

Our Group's PBT decreased by RM2.22 million from RM32.81 million in FYE 30 June 2010 to RM30.59 million in FYE 30 June 2011, representing a decrease of 6.77%.

FYE 30 June 2012

Our Group's PBT increased by RM12.63 million from RM30.59 million in FYE 30 June 2011 to RM43.22 million in FYE 30 June 2012, representing an increase of 41.29%.

FYE 30 June 2013

Our Group's PBT increased by RM27.81 million from RM43.22 million in FYE 30 June 2012 to RM71.03 million in FYE 30 June 2013, representing an increase of 64.35%.

(viii) Taxation***FYE 30 June 2009***

Taxation decreased by RM0.17 million from RM4.77 million in FYE 30 June 2008 to RM4.60 million in FYE 30 June 2009. The decreased in taxation was due to the revision of statutory tax rate from 26.0% to 25.0% and the decline in expenses which were disallowed for tax reporting purposes.

The effective tax rate of 25.54% for FYE 30 June 2009 was marginally higher than the statutory tax rate of 25.0% mainly due to certain expenses, such as donations, which are not deductible for tax reporting purposes.

FYE 30 June 2010

Taxation increased by RM1.01 million from RM4.60 million in FYE 30 June 2009 to RM5.61 million in FYE 30 June 2010, in line with the increase in PBT.

The effective tax rate of 17.10% for FYE 30 June 2010 was lower than the statutory tax rate of 25.0% mainly due to income from compensation received from the government for the compulsory acquisition of land is not taxable.

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FYE 30 June 2011

Taxation increased by RM2.46 million from RM5.61 million in FYE 30 June 2010 to RM8.07 million in FYE 30 June 2011. The increase was due to the non-taxable compensation received from the government for the acquisition of land in FYE 30 June 2010 whereby no such compensation was received by our Group in FYE 30 June 2011. The increase in taxation was also due to the improvement of our Group's profitability as evident by the increase in our Group's GP for FYE 30 June 2011.

The effective tax rate of 26.37% for FYE 30 June 2011 was higher than the statutory tax rate of 25.00% mainly due to a reclassification of completed units to property, plant and equipment which was deemed as disposal for tax reporting purposes.

FYE 30 June 2012

Taxation expenses increased by RM1.01 million from RM8.07 million in FYE 30 June 2011 to RM9.08 million in FYE 30 June 2012. The increase was mainly due to the increased profitability of our Group during the financial year under review.

The effective tax rate of 21.01% for FYE 30 June 2012 was lower than the statutory tax rate of 25.00% mainly due to gain on disposal of land was subject to real property gains tax instead of income tax.

FYE 30 June 2013

Taxation expenses increased by RM9.76 million from RM9.08 million in FYE 30 June 2012 to RM18.84 million in FYE 30 June 2013. The increase was mainly due to the increased profitability of our Group during the financial year under review.

For FYE 30 June 2013, our effective tax rate of 26.52% was higher than the statutory rate of 25.00% mainly due to listing expenses which were not deductible for tax reporting purposes as well as the reclassification of a completed unit from inventories to investment property which was deemed as disposal for tax reporting purposes.

(ix) **PAT**

FYE 30 June 2009

Our Group's PAT increased by RM0.82 million from RM12.59 million in FYE 30 June 2008 to RM13.41 million in FYE 30 June 2009, representing an increase of 6.51%.

FYE 30 June 2010

Our Group's PAT increased by RM13.79 million from RM13.41 million in FYE 30 June 2009 to RM27.20 million in FYE 30 June 2010, representing an increase of 102.83%.

FYE 30 June 2011

Our Group's PAT decreased by RM4.68 million from RM27.20 million in FYE 30 June 2010 to RM22.52 million in FYE 30 June 2011, representing a decrease of 17.21%.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

FYE 30 June 2012

Our Group's PAT increased by RM11.62 million from RM22.52 million in FYE 30 June 2011 to RM34.14 million in FYE 30 June 2012, representing an increase of 51.60%.

FYE 30 June 2013

Our Group's PAT increased by RM18.06 million from RM34.14 million in FYE 30 June 2012 to RM52.20 million in FYE 30 June 2013, representing an increase of 52.90%.

12.2.4 Liquidity and Capital Resources

(i) Working Capital

Our business has been financed via a combination of internal and external sources of funds. The internal sources comprises our shareholders' equity and cash generated from our operations while the external sources are credit terms granted by our suppliers and the various credit facilities extended to us by financial institutions.

Our principal utilisations of funds have been for working capital, purchase of property, plant and equipment and as well as property development activities (including acquisition of land bank). As at FYE 30 June 2013, we had fixed deposits and cash and bank balances of RM30.13 million and borrowings of RM73.73 million, before taking into consideration the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, Completion of the Acquisition of Epoch Property Land and the proceeds to be raised from the Public Issue. After taking into consideration of the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares and Completion of the Acquisition of Epoch Property Land, we have fixed deposits and cash and bank balances of RM21.29 million and borrowings of RM156.83 million. Further details of our Group's cash and cash equivalents and borrowings are disclosed in Section 12.3 of this Prospectus.

Further, as at the LPD, we have banking facilities available to our Group amounting to RM391.97 million, out of which RM199.86 million has been utilised.

Our Directors are of the opinion that, after taking into consideration the cash and cash equivalents, the expected funds to be generated from operating activities, amounts available under our existing banking facilities, new banking facilities which may be granted to our Group and the proceeds expected to be raised from the Public Issue, our Group will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

(ii) Cash Flows

A summary of our Group's proforma cash flows for FYE 30 June 2013 based on the proforma consolidated statements of cash flows as set out in Section 11.3 of this Prospectus is as follows:

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

FYE 30 June 2013	RM'000 ⁽¹⁾	RM'000 ⁽²⁾
Net cash generated from operating activities	7,694	7,694
Net cash used in investing activities	(14,027)	(105,966)
Net cash generated from financing activities	7,356	90,456
Net increase/(decrease) in cash and cash equivalents	1,023	(7,816)
Cash and cash equivalents at the beginning of the financial year	11,023	11,023
Cash and cash equivalents at the end of the financial year*	12,046	3,207

Notes:

* Components of cash and cash equivalents as at 30 June 2013:

	RM'000	RM'000
Cash and bank balances	26,435	17,596
Fixed deposits placed with licensed banks	3,698	3,698
Bank overdrafts	(14,389)	(14,389)
	15,744	6,905
Less: Fixed deposits held as security values	(3,698)	(3,698)
	12,046	3,207

- (1) Before taking into account the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, Completion of the Acquisition of Epoch Property Land, proceeds from the Public Issue and the utilisation of such proceeds.
- (2) After taking into account the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, and the Completion of the Acquisition of Epoch Property Land but before the proceeds from the Public Issue and the utilisation of such proceeds.

Commentaries on our Group's proforma consolidated cash flows for FYE 30 June 2013 are as follows:

Net cash flow generated from operating activities

During FYE 30 June 2013, our Group has generated cash inflow of RM7.69 million from our operating activities on the back of a PBT of RM71.03 million after adjusting for, amongst others, the following:

- Working capital changes which includes:
 - (i) Decrease in inventories of RM1.83 million, which was mainly due to the sale of five (5) and three (3) completed units for Klang Sentral Commercial Centre and First Subang projects respectively during the FYE 30 June 2013;
 - (ii) Increase in receivables of RM82.77 million, which was mainly attributable to increase in accrued billings of RM78.81 million for Subang Parkhomes (Phase 1) project as a result of the excess of the revenue recognised over the billings to end purchasers at the end of the FYE 30 June 2013 (note: Phase 1 of the Subang Parkhomes project was completed in June 2013 while billings to end purchasers for certain of the milestones were issued subsequent to 30 June 2013, hence resulting in excess of revenue recognised over billings to end purchasers at the end of FYE 30 June 2013);

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

- (iii) Increase in payables of RM49.00 million mainly due to the increase in accrued property development costs of RM17.91 million for Subang Parkhomes (Phase 1) project completed during the FYE 30 June 2013. The increase in payables was also due to the increase in progress billings as a result of the excess billings to end purchasers over revenue recognised of RM44.90 million for our Group's The Galleria, 3Elements, Zone Innovation Park and Seri Alam Industrial Park projects which were partly offset by the decrease in progress billings for our Subang Parkhomes project of RM18.08 million during the FYE 30 June 2013; and
- (iv) Increase in property development costs of RM15.13 million which was mainly attributable to the property development costs incurred for our on-going projects during the financial year, namely and The Galleria, 3Elements and Seri Alam Industrial Park projects.

- Income tax paid of RM17.14 million.

Net cash flow used in investing activities

During FYE 30 June 2013, our Group has recorded net outflow of RM14.03 million in our Group's investing activities, which was mainly due to additional deposits paid for acquisition of land held for property development of RM11.36 million and land held for property development costs incurred amounted to RM3.46 million, which were partly offset by interest received from the government of RM0.85 million in relation to the compulsory acquisition of land in the FYE 30 June 2010.

After taking into account the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, and Completion of the Acquisition of Epoch Property Land but before the proceeds from the Public Issue and the utilisation of such proceeds, our Group's net outflow for investing activities increase by RM91.94 million to RM105.97 million, due to additional land held for property development costs incurred of RM91.94 million resulting from the Completion of the Acquisition of Epoch Property Land.

Net cash flow generated from financing activities

For FYE 30 June 2013, our Group has recorded net inflow of RM7.36 million in financing activities mainly due to drawdown of borrowings of RM16.88 million and net advances from related parties of RM26.58 million, which were partly offset by repayment of bank borrowings and hire purchase payables of RM29.76 million and interests paid of RM5.75 million.

After taking into account the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, and Completion of the Acquisition of Epoch Property Land but before the proceeds from the Public Issue and the utilisation of such proceeds, our Group's net inflow from financing activities increase by RM83.10 million to RM90.46 million, due to drawdown of bank borrowing of RM83.10 million to finance the acquisition of Epoch Property Land.

(iii) **Borrowings**

As at 30 June 2013, our Group had total outstanding interest bearing borrowings of RM73.73 million (before taking into consideration the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, Completion of the Acquisition of Epoch Property Land and the proceeds to be raised from the Public Issue). Our Group's total outstanding interest bearing borrowings increase to RM156.83 million, after adjusting for the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, and Completion of the Acquisition of Epoch Property Land but before taking into consideration the proceeds to be raised from the Public Issue. All of our Group's outstanding interest bearing borrowings are denominated in RM, the details of which are set out in Section 12.3 of this Prospectus.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Our Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period up to the LPD.

As at the LPD, our Board confirms that neither our Company nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with credit arrangements or bank loans which could materially affect our financial position and results or business operations or the investments by holders of securities in us.

(iv) Treasury Policies and Objectives

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

The normal credit terms granted to our Group by our suppliers range from 30 days to 60 days due to the good relationship which we have established with our suppliers. Our Group's borrowings from financial institutions consist of bank overdrafts, term loans, bridging loan and hire purchase payables which are used to finance our working capital, purchase of property and equipment as well as property development activities (including acquisition of land bank).

The interest rates for bank overdrafts, term loans and bridging loan are based on the base lending rate plus or minus a margin as the case may be as agreed upon by our bankers when the respective facilities were granted. The interest rates for hire purchase payables are based on a fixed rate as agreed upon by our bankers when the respective hire purchases were granted.

The decision to either utilise banking facilities or internally generated funds for our operations depend on, inter alia, our cash reserves, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, inter alia, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

(v) Financial Instruments for Hedging Purposes

The functional and reporting currency of our Group is in RM.

We conduct our operations in RM and as such, our Group is not exposed to foreign exchange. Accordingly, we do not have any hedging policies nor have we entered into any forward contracts in respect of any foreign exchange exposure. Our cash and cash equivalents are maintained in RM.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Currently, our Group does not have any interest rate hedging policy. We will monitor the interest rate movement and will take the necessary steps to minimise interest rate risk whenever deemed appropriate such as implementing a hedge policy. We will endeavour to manage our interest rate risk by maintaining a mix of fixed and floating rate borrowings where necessary. However, no assurance can be given that any future significant movement in interest rate will not have a material adverse impact on our business, operating results and financial position.

(vi) Material Capital Expenditure and Divestments

Save as disclosed below, our Group does not have any material capital expenditure and divestment for the past five (5) FYE 30 June 2009 to FYE 30 June 2013 and up to the LPD.

Material Capital Expenditure

	Proforma					As at LPD
	FYE 30 June					Unaudited
	Audited					
	2009	2010	2011	2012	2013	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold office unit	-	-	3,540	-	3,778	-
Total expenditure	-	-	3,540	-	3,778	-

The freehold office unit amounting to RM3.54 million in FYE 30 June 2011 was in relation to our Group's head office in First Subang. Upon completion of the First Subang project, the units was reflected in inventories. However, as our Group is currently utilising the said unit as our Group's head office, this unit was reclassified from inventory to property, plant and equipment. The freehold office unit amounting to RM3.78 million in FYE 30 June 2013 was in relation to a unit located at First Subang which has been reclassified from inventory to investment property. This freehold office unit is currently rented out.

Material Divestments

	Proforma					As at LPD
	FYE 30 June					Unaudited
	Audited					
	2009	2010	2011	2012	2013	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NPO Development						
(i) Investment in subsidiary companies:						
• NPO Trading Sdn Bhd	-	-	1,000	-	-	-
• Amakmur Development Sdn Bhd	-	-	2,100	-	-	-
(ii) Investment in associated companies						
• NPO Builders Sdn Bhd	-	-	1,000	-	-	-
Pin Hwa						
Investment property	-	-	5,507	-	-	-

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

	Proforma					As at LPD Unaudited
	FYE 30 June					
	Audited					
	2009	2010	2011	2012	2013	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Terbit Kelana						
Investment property	-	-	-	661	-	-
Total divestments	-	-	9,607	661	-	-

(vii) Material Capital Commitments

As at the LPD, save as disclosed in the table below, our Board confirms that there are no material capital commitments incurred or known to be incurred by our Group that have not been provided for, which upon becoming enforceable, may have a material impact on our financial results/position.

	RM'000
Approved and contracted for:	
- Vacant land located in Shah Alam	4,538
Total capital commitments	4,538

The above said capital expenditure will be financed via bank borrowings and internally generated funds.

In addition, our Group had granted a promotion scheme to various buyers whereby our Group will bear the first year service charges of the buyers upon the completion of Subang Parkhomes (Phase 1) project. As at the LPD, the related commitments are approximately RM1.91 million.

(viii) Material Contingent Liabilities

As at the LPD, save as disclosed below, our Board confirms that there are no material contingent liabilities, which in the opinion of our Board, will or may substantially affect our financial results or position upon becoming enforceable.

	Notes	RM'000
NPO Land		
- Litigation / arbitration	(a)	2,981
Sendi Bangga		
- Litigation	(b)	1,823

Notes:

(a) NPO Land had, on 15 June 2010, received a writ of summons dated 2 June 2010 from a trade creditor in respect of work performed. Subsequently on 10 January 2013, the High Court had struck out the trade creditor's claim with no liberty to file afresh. However, the trade creditor may proceed to continue the matter by arbitration. Please refer to Section 16.4 of this Prospectus for further details on the litigation.

(b) Sendi Bangga had, on 22 August 2013, received a writ of summons dated 16 August 2013 from a sub-contractor in respect of the work performed. Please refer to Section 16.4 of this Prospectus for further details on the litigation.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(ix) Material Litigation, Claims or Arbitration

Save as disclosed in Section 16.4 of this Prospectus, as at the LPD, neither our Company nor our Group is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our Group and our Board has no knowledge of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which may materially and adversely affect the business or financial position of our Company or our Group.

(x) Key Financial Ratios

The key financial ratios of our Group are as follows:

	Proforma				
	Audited				
	FYE 30 June 2009	FYE 30 June 2010	FYE 30 June 2011	FYE 30 June 2012	FYE 30 June 2013
Trade receivables turnover (days) [^]	161	234	97	51	50
Trade payable turnover (days) [#]	378	542	191	108	83
Inventory turnover (days) [*]	52	58	70	47	51
Current ratio (times) ⁺	0.84	0.98	1.48	1.15	1.26 ^{^^}
Gearing ratio (times) [@]	0.45	0.69	0.44	0.64	0.37 ^{##}

Notes:

[^] Based on average trade receivables of our Group of the respective financial years over revenue of the respective financial years.

[#] Based on average trade payables of our Group of the respective financial years over cost of sales of the respective financial years.

^{*} Based on closing balance of inventory value of our Group of the respective financial years over cost of sales of the respective financial years.

⁺ Based on the current assets over current liabilities of our Group as at the end of the respective financial years.

[@] Based on the borrowings over shareholders' funds of our Group as at the end of the respective financial years.

^{^^} The current ratio for FYE 30 June 2013 decreases from 1.26 times to 1.12 times after adjusting for the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, and Completion of the Acquisition of Epoch Property Land.

^{##} The gearing ratio for FYE 30 June 2013 increases from 0.37 times to 0.78 times after adjusting for the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, and Completion of the Acquisition of Epoch Property Land.

Trade Receivables

The normal credit period generally granted by our Group to our customers is between 14 days and 90 days. Our credit terms to customers are determined based on terms as stated in the sale and purchase agreements. As the revenue for our property development activities will be recognised using the percentage of completion method, the movements in our Group's revenue from property development activities may not be in line with the movements in the trade receivables turnover periods as trade receivables are recorded based on progress billings issued to the end purchasers.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Our Group's wholly-owned subsidiary namely, NPO Land, had in the past acquired vacant lands from Sime Darby Property (Sungai Kapar) Sdn Bhd (formerly known as Syarikat Pembangunan Hartanah Guthrie Sdn Bhd). Subsequently, NPO Land disposed certain vacant lands to Sutera Bangsa Sdn Bhd, a former related company engaged in property development, on the same terms given by Sime Darby Property (Sungai Kapar) Sdn Bhd to NPO Land. The balance of the vacant lands is held by NPO Land as land bank for future development. As such, included in the trade receivables amount for the FYE 30 June 2009 and FYE 30 June 2010 was an amount owing by Sutera Bangsa Sdn Bhd for the balance of the consideration receivable in relation to the said land disposal. This resulted in the trade receivables turnover period for the FYE 30 June 2009 and FYE 30 June 2010 exceeding our normal credit period. The amount was subsequently settled via a novation agreement dated 29 December 2010 as set out in Section 16.3(i) of this Prospectus. Under the said novation agreement, NPO Land assigned its rights to receive monies from Sutera Bangsa Sdn Bhd to Sime Darby Property (Sungai Kapar) Sdn Bhd.

The settlement of the amount owing by Sutera Bangsa Sdn Bhd during the FYE 30 June 2011 had resulted in the improvement in the trade receivables turnover period from 234 days for the FYE 30 June 2010 to 97 days for the FYE 30 June 2011.

Other than the abovementioned amount owing from Sutera Bangsa Sdn Bhd, our Group has no significant concentration of credit risk from exposures to a single debtor or to groups of debtors within its trade receivables. As described in Section 6.13 of this Prospectus, none of the buyers of our development properties or the tenants of our investment properties constituted more than 10% of our total revenue in the last five (5) FYE 30 June 2009 to FYE 30 June 2013.

The table below depicts the adjusted trade receivables turnover period, excluding the amount owing by Sutera Bangsa Sdn Bhd:

	Proforma				
	FYE 30 June 2009 RM'000	FYE 30 June 2010 RM'000	FYE 30 June 2011 RM'000	FYE 30 June 2012 RM'000	FYE 30 June 2013 RM'000
Trade receivables	65,765	65,002	7,667	25,327	28,171
Less: Amount due from a former related company*	(51,517)	(53,926)	-	-	-
Adjusted trade receivables	14,248	11,076	7,667	25,327	28,171
Revenue	151,112	101,831	137,182	118,252	193,766
Trade receivables turnover period (days)^	161	234	97	51	50
Adjusted trade receivables turnover period (days)^^	31	45	25	51	50

Notes:

* This was due to the settlement by Sutera Bangsa Sdn Bhd, a former related company engaged in property development, for the balance of the consideration receivable in relation to a land disposal. The amount was subsequently settled via a novation agreement dated 29 December 2010, details of which are set out in Section 16.3(i) of this Prospectus.

^ Based on average trade receivables of our Group of the respective financial years over revenue of the respective financial years.

^^ Based on adjusted average trade receivables of our Group of the respective financial years over revenue of the respective financial years.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

As shown in the table above, our Group's adjusted trade receivable turnover period is in line with the credit period granted to our customers. The increase in the adjusted trade receivables turnover period from 31 days for FYE 30 June 2009 to 45 days for FYE 30 June 2010 was mainly due to the billings raised at the end of the FYE 30 June 2010 for First Subang and One SOHO (formerly known as Subang SOHO) projects. The improvement in the adjusted trade receivables turnover period for FYE 30 June 2011 to 25 days was mainly due to decrease in trade receivables for our Group's First Subang project upon completion of the said project in the first half of 2011. The adjusted trade receivables turnover period increased to 51 days for the FYE 30 June 2012 was mainly due to the billings raised at the end of the FYE 30 June 2012 for Subang Parkhomes project. The adjusted trade receivables turnover period for the FYE 30 June 2013 slightly decreased to 50 days mainly due to the billings raised at the end of the FYE 30 June 2013 for 3Elements project. As at the LPD, we have not experienced any instances of material bad debts for the financial years under review.

As at 30 June 2013, the net trade receivables of our Group amounted to RM28.17 million which can be analysed as follows:

	Total RM'000	Within Credit Period RM'000	<---Exceeding Credit Period by (days) --->		
			0 – 30 RM'000	31 – 75 RM'000	over 75 RM'000
Trade receivables	28,171	21,907	761	1,001	4,502
Percentage of total net trade receivables (%)	100.00	77.77	2.70	3.55	15.98

Our Group's outstanding trade receivables as at 30 June 2013 were RM28.17 million. As at the LPD, RM13.57 million, representing 48.17% of our Group's outstanding trade receivables as at 30 June 2013 has been collected and/or settled.

Trade Payables

As set out in Section 6.9 of this Prospectus, we award construction works of our property development projects to third party contractors. We have been granted credit terms of 30 to 60 days by our contractors and trade suppliers.

Our Group's total trade payables include retention sums which are not due for payment until the expiry of the defect liability period as stipulated in the respective contracts.

Our trade payables turnover period for the FYE 30 June 2009 and FYE 30 June 2010 had exceeded our normal credit period mainly due to an amount of RM90.49 million and RM57.52 million respectively due to Sime Darby Property (Sungai Kapar) Sdn Bhd for the balance of the purchase consideration payable in relation to a land acquisition. Our Group sold certain vacant lands to Sutera Bangsa Sdn Bhd, a former related company engaged in property development, on the same terms given by Sime Darby Property (Sungai Kapar) Sdn Bhd to NPO Land. The balance of the vacant lands is held by NPO Land as land bank for future development and was fully settled in FYE 30 June 2010 which resulted in a decrease in amount due to Sime Darby Property (Sungai Kapar) Sdn Bhd as shown in the table below. The outstanding amount of RM57.52 million was in relation to the abovementioned disposal of vacant lands to Sutera Bangsa Sdn Bhd. The amount was subsequently settled via a novation agreement dated 29 December 2010 as set out in Section 16.3(i) of this Prospectus.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

The settlement of the amount due to Sime Darby Property (Sungai Kapar) Sdn Bhd during the FYE 30 June 2011 had resulted in the improvement in the trade payables turnover period from 542 days for the FYE 30 June 2010 to 191 days for the FYE 30 June 2011. The table below depicts the adjusted trade payables turnover period, excluding the retention sums and amount due to Sime Darby Property (Sungai Kapar) Sdn Bhd:

	Proforma				
	FYE 30 June 2009 RM'000	FYE 30 June 2010 RM'000	FYE 30 June 2011 RM'000	FYE 30 June 2012 RM'000	FYE 30 June 2013 RM'000
Trade payables	136,224	78,851	19,177	23,162	22,739
<i>Less:</i>					
(i) Retention sum	(8,420)	(8,673)	(6,495)	(8,721)	(11,038)
(ii) Amount due to Sime Darby Property (Sungai Kapar) Sdn Bhd	(90,494)	(57,523)	-	-	-
Adjusted trade payables	37,310	12,655	12,682	14,441	11,701
Cost of sales	126,290	72,445	93,500	71,650	100,391
Trade payables turnover period (days) [#]	378	542	191	108	83
Adjusted trade payables turnover period (days) ^{##}	65	126	49	69	48

Notes:

Based on average trade payables of the respective financial years over cost of sales of the respective financial years.

Based on adjusted average trade payables of the respective financial years over cost of sales of the respective financial years.

As shown in the table above, our adjusted trade payables turnover period for FYE 30 June 2009 to FYE 30 June 2011 has improved from 65 days to 49 days mainly due to improved payment cycle by our Group. The adjusted trade payables turnover period of 65 days and 126 days for the FYE 30 June 2009 and FYE 30 June 2010 had exceeded the normal credit period granted by our suppliers mainly due to slower payments to our suppliers which were pending the finalisation of the contractors' final accounts for completed projects namely Klang Sentral Commercial Centre, Mutiara Point Business Park (Phase 1), Casa Tiara Serviced Suites and Tiara Square Business Centre.

For FYE 30 June 2009 to FYE 30 June 2013, our Group has continuously monitored the timely billings from our suppliers as well as payment to the supplier after completion of the respective property development projects' milestones. Our Group's adjusted trade payables turnover period is in line with the credit period granted to us by our suppliers for FYE 30 June 2011 and FYE 30 June 2013.

For FYE 30 June 2012, our Group's adjusted trade payables turnover period of 69 days had exceeded the normal credit period granted by our suppliers mainly due to the billings received at the end of the financial year from our Group's third party contractors in respect of the Subang Parkhomes project as well as slower payments to our suppliers which were pending the finalisation of the contractors' final accounts for the completed projects namely First Subang project and One SOHO (formerly known as Subang SOHO) projects. This was also due to the decrease in cost of sales recognised during FYE 30 June 2012 arising from the completion of the First Subang project during FYE 30 June 2011 and One SOHO (formerly known as Subang SOHO) project during FYE 30 June 2012.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Our trade payable as at 30 June 2013 are set out as follows:

	Total RM'000	Within Credit Period (days) RM'000	Exceeding Credit Period (days)		
			0 – 30 RM'000	31 – 60 RM'000	Over 60 RM'000
Trade payables	22,739	6,555	2,263	825	13,096
Percentage of total trade payables (%)	100.00	28.83	9.95	3.63	57.59

Included in the trade payables above are retention sum amounting to RM11.04 million, which represents 48.55% of the total trade payables, yet to be due for payment until the expiry of the defect liability period. As at the LPD, RM8.65 million representing 38.04% of our Group's outstanding trade payables as at 30 June 2013 has been paid.

As at the LPD, save as disclosed in Section 16.4 of this Prospectus, there was no legal action initiated by any one of our suppliers to demand for payment and there were no significant matters in dispute with respect to trade payables for the past five (5) FYE 30 June 2009 to FYE 30 June 2013.

Inventories

Inventories held by our Group mainly comprise completed development properties. Completed units will be progressively sold based on demand for the respective properties.

A summary of our Group's inventories for the five (5) FYE 30 June 2009 to FYE 30 June 2013 are set out below:

	2009		2010		2011		2012		2013	
	RM'000	No. of units	RM'000	No. of units	RM'000	No. of units	RM'000	No. of units	RM'000	No. of units
Mutiara Bukit Raja	282	2	140	1	-	-	-	-	-	-
E-Tiara Serviced Apartments	108	1	108	1	108	1	108	1	108	1
Klang Sentral Commercial Centre										
- Enbloc	3,387	5	849	1	-	-	-	-	-	-
- Stratified	12,026	84	8,707	59	5,565	41	2,978	22	2,088	17
Mutiara Point Business Park (Phase 1)										
- Enbloc	-	-	513	1	513	1	-	-	-	-
- Stratified	465	3	362	2	261	1	-	-	-	-
Tiara Square Business Centre	-	-	-	-	-	-	-	-	-	-
Casa Tiara Serviced Suites	1,870	5	842	2	204	1	204	1	204	1
First Subang	-	-	-	-	11,262	23	5,593	8	1,039	4
One SOHO (formerly known as Subang SOHO)	-	-	-	-	-	-	409	3	250	2
Subang Parkhomes (Phase 1)	-	-	-	-	-	-	-	-	10,457	21

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

	<div style="text-align: center;"> </div>									
	Proforma									
	Audited									
	FYE 30 June									
	2009		2010		2011		2012		2013	
	RM'000	No. of units	RM'000	No. of units	RM'000	No. of units	RM'000	No. of units	RM'000	No. of units
Seri Alam Industrial Park (Phase 1 and Phase 2)	-	-	-	-	-	-	-	-	-	-
Zone Innovation Park @ Sungai Kapar Indah	-	-	-	-	-	-	-	-	-	-
The Galleria	-	-	-	-	-	-	-	-	-	-
3Elements	-	-	-	-	-	-	-	-	-	-
Total	18,138	100	11,521	67	17,913	68	9,292	35	14,146	46

Our Group managed to reduce our inventories from RM18.14 million as at 30 June 2009 to RM11.52 million as at 30 June 2010 mainly due to the sale of completed units of the Klang Sentral Commercial Centre and Casa Tiara Serviced Suites projects.

Our Group's inventory increased from RM11.52 million to RM17.91 million as at 30 June 2011 mainly due to the completion of the First Subang project.

Our Group managed to reduce our inventories from RM17.91 million as at 30 June 2011 to RM9.29 million as at 30 June 2012 mainly from the sale of units of the First Subang and Klang Sentral Commercial Centre projects.

However our Group's inventory increased from RM9.29 million as at 30 June 2012 to RM14.15 million as at 30 June 2013 mainly due to the completion of Subang Parkhomes (Phase 1) project.

Current ratio

Our Group's current ratio is affected by amongst others our property developments costs as well as the level of our short terms borrowings and trade payables. Our current ratio has continued to strengthen over the financial years under review and as at 30 June 2013, our current ratio stood at 1.26 times. This was mainly due to the decrease in our trade payables as well as the novation of the amount due to Sime Darby Property (Sungai Kapar) Sdn Bhd for the balance of the purchase consideration payable in relation to a land acquisition, further details of which is set out in Section 16.3(i) of this Prospectus. Nevertheless, our current ratio declined from 1.48 times as at 30 June 2011 to 1.15 times as at 30 June 2012 mainly due to increase in progress billings (which represent the excess of billings to end purchasers over revenue recognised) in respect of some of our Group's property development projects such as Zone Innovation Park @ Sungai Kapar Indah, Subang Parkhomes (Phase 1), 3Elements and The Galleria, and increase in short-term borrowings to finance our business operations.

Our current ratio for FYE 30 June 2013 decreases from 1.26 times to 1.12 times after adjusting for the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, and Completion of the Acquisition of Epoch Property Land; mainly due to the reclassification of deposits paid for Epoch Property Land upon completion of the acquisition from current assets to land held for property development under non-current assets.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

Gearing ratio

Our Group relies on a combination of internally generated funds, credit from suppliers as well as bank borrowings to finance our business operations. Hence, our gearing ratio will change according to our level of operations and projects undertaken in each particular year. The increase in our Group's gearing ratio from 0.45 times as at 30 June 2009 to 0.64 times as at 30 June 2012 was due to additional borrowings to finance our Group's business operations and expansion. Our gearing ratio had reduced to 0.37 times as at 30 June 2013 mainly as a result of the receipt of progress payments from on-going projects and hence reduction in the utilisation of bank overdrafts, as well as repayment of bank borrowings.

Our gearing ratio for FYE 30 June 2013 increases from 0.37 times to 0.78 times after adjusting for the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, and Completion of the Acquisition of Epoch Property Land, due to the drawdown of bank borrowings of RM83.10 million to complete the acquisition of the Epoch Property Land.

12.2.5 Trend Analysis

The following discussion regarding industry trends includes forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those projected in these forward-looking statements.

For the financial years under review and up to the LPD, our Board has observed the following trends based on the sales and operations of our Group:

- (i) Our Group's revenue is mainly due to our Group's strategically located property development projects as disclosed in Section 6.3(iii) of this Prospectus;
- (ii) The launching of new property development projects, such as First Subang, One SOHO (formerly known as Subang SOHO) and Subang Parkhomes (Phase 1), and completion of projects as disclosed in Section 6.2 of this Prospectus;
- (iii) The continue good take up rate of our Group's development properties as evident by the low inventory levels of our Group against the total units developed by our Group;
- (iv) The ability of our Group to negotiate the cost of development with the successful third party contractors as evident by the increasing GP margins for our Group's property development business segment as disclosed in Section 12.2.2 of this Prospectus;
- (v) Our Group's continue ability to enter into fixed price contract with our Group's third party contractors as disclosed in Section 4.1.13 of this Prospectus; and
- (vi) The encouraging demand for residential, commercial and industrial properties by the general public as disclosed in Section 7 of this Prospectus.

Save as disclosed above and the risk factors as disclosed in Section 4 of this Prospectus, our Directors believe that there are no other circumstances which would result in significant adverse fluctuations of our financial performance.

As at the LPD, save as disclosed in this Prospectus, our Board believes that, our operations have not been and are not expected to be affected by any of the following:

- (i) Other known trends, demands, commitments, events or uncertainties that have had or that we expect to have, a material favourable or unfavourable impact on our Group's financial performance, position, operations and liquidity and capital resources other than those discussed in this section, Sections 4, 6 and 7 of this Prospectus;

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

- (ii) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position;
- (ii) Material commitments for capital expenditure; and
- (iv) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, positions and operations of our Group other than as disclosed in this section and Section 4 of this Prospectus.

However, our Board foresees certain factors that may affect our future financial condition and results of operations as follows:

- (a) Our ability to complete future development projects in a timely manner as well as delivery of quality products;
- (b) Our ability to acquire strategically located land bank to ensure sustainability of our Group's business;
- (c) Our ability to effectively manage project costs and collection of receivables which will improve the profitability of our future development projects and adequacy of operating cash flows;
- (d) Our ability to execute optimum sales and marketing plans to ensure the success of our Group's future development projects;
- (e) Our ability to comply with changes in policies, legislations and regulations governing the property development industry which may in turn affect our future development projects;
- (f) Our ability to obtain all necessary approvals from the relevant authorities to launch and commence construction for our property development projects;
- (g) Demand and supply conditions in the Malaysian property market; and
- (h) Developments in the political and economic conditions in Malaysia which may materially and adversely affect the business, operations and financial performance of our Group.

After taking into consideration the various factors set out above, the outlook and prospects of the property development industry as set out in Section 7 of this Prospectus, our Group's competitive strengths as set out in Sections 6.3 of this Prospectus and our Group's future plans and strategies set out in Section 6.19 of this Prospectus, our Board is optimistic about the future and financial prospects of our Group.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.3 CAPITALISATION AND INDEBTEDNESS

The following information shall be read in conjunction with the Reporting Accountants' Report on the Compilation of Proforma Consolidated Financial Information Included in a Prospectus and Accountants' Report set out in Sections 11.4 and 13 of this Prospectus, respectively.

The following table shows our Group's cash and bank balances, fixed deposits with licensed banks, capitalisation and indebtedness:

	Audited as at 30 June 2013 ⁽¹⁾ RM'000	After the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares and Completion of the Acquisition of Epoch Property Land ⁽²⁾ RM'000	After Public Issue and Utilisation of Proceeds ⁽³⁾ RM'000
Fixed deposits placed with licensed banks	3,698	3,698	3,698
Cash and bank balances	26,435	17,596	67,054
	30,133	21,294	70,752
Indebtedness			
<u>Short term borrowings (Due within 12 months)</u>			
Secured			
Hire purchase payables	158	158	158
Secured and guaranteed			
Bank overdrafts	14,389	14,389	9,389
Term loans	14,950	14,950	4,950
<u>Long term borrowings (Due after 12 months)</u>			
Secured			
Hire purchase payables	313	313	313
Secured and guaranteed			
Term loans	42,242	125,342	125,342
Bridging loan	1,673	1,673	1,673
Total indebtedness	73,725	156,825	141,825
Total shareholders' equity	201,123	201,123	319,881
Total capitalisation and indebtedness	274,848	357,948	461,706
Gearing ratio (times)*	0.37	0.78	0.44

Notes:

(1) Based on our audited consolidated financial position as at 30 June 2013.

(2) As adjusted for the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, and Completion of the Acquisition of Epoch Property Land.

(3) As adjusted for the Acquisition of Titijaya PMC, Acquisition of Prosperous Hectares, Completion of the Acquisition of Epoch Property Land, proceeds from our Public Issue and utilisation of the proceeds.

* Total interest bearing indebtedness divided by total proforma shareholders' equity.

Our Group's indebtedness is fully denominated in RM. Please refer to Section 12.2.4(viii) for further information on our Group's material contingent liabilities.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.4 ORDER BOOK

The nature of our Group's business is property development and hence sales of properties are commonly on a one-off basis. As such, our Group does not have an order book.

12.5 IMPACT OF INFLATION

There are no material impacts of inflation on our Group's historical financial results for the past five (5) FYE 30 June 2009 to FYE 30 June 2013.

12.6 GOVERNMENT/ ECONOMIC/ FISCAL/ MONETARY POLICIES

Risks relating to government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 4 of this Prospectus. Save for the risks disclosed in Section 4 of this Prospectus, our Board believes that, there are no government, economic, fiscal or monetary policies or factors that have had a material impact on our profitability and financial position.

12.7 DIVIDEND POLICY

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, we envisage a dividend payout ratio of up to 30% of our future net profits to our shareholders in each financial year. Investors should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to our Board's absolute discretion.

Our Board will consider the following factors that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (i) The level of cash and level of indebtedness;
- (ii) Required and expected interest expense, cash flow, our profits and return on equity and retained earnings;
- (iii) Our expected results of operations and future level of operations; and
- (iv) Our projected levels of capital expenditure and other investment plans.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends and other distributions by our subsidiary companies which are subject to the above factors. There can be no assurance as to whether dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

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13. ACCOUNTANTS' REPORT



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10 OCT 2013

The Board of Directors
Titijaya Land Berhad
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47500 Subang Jaya
Selangor Darul Ehsan

STRICTLY CONFIDENTIAL

Dear Sirs,

**TITIJAYA LAND BERHAD
ACCOUNTANTS' REPORT**

1. INTRODUCTION

This report has been prepared by Messrs. Baker Tilly Monteiro Heng, an approved company auditor, for inclusion in the Prospectus of Titijaya Land Berhad ("Titijaya") in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Titijaya of RM170,000,000 comprising 340,000,000 ordinary shares of RM0.50 each in Titijaya ("Titijaya Share(s)") on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"), and should not be relied upon for any other purposes.

2. DETAILS OF THE FLOTATION EXERCISE

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of Titijaya on the Main Board of Bursa Securities, Titijaya implements the listing scheme set out as follows:-

2.1 Acquisitions of companies

Titijaya had entered into conditional share sale agreements, all dated 27 September 2012 with the respective vendors for the acquisitions ("Acquisitions"):-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

2. DETAILS OF THE FLOTATION EXERCISE (Continued)

2.1 Acquisitions of companies (Continued)

Companies	Vendor(s)	Equity interest acquired (%)	Number of ordinary shares of RM1.00 each acquired ('000)	Purchase consideration RM'000	Satisfied via	
					Titijaya Shares issued @ RM0.50 per Share ('000)	Titijaya's Redeemable Convertible Preference Shares ("RCPS") of RM0.50 each issued @ RM0.50 per RCPS ('000)
NPO Development Sdn Bhd [^] ("NPO Development")	Titijaya Group Sdn Bhd ("TGSB")	100.00	2,000	48,415	94,116	2,714
Shah Alam City Centre Sdn Bhd ("SACC")	TGSB	100.00	2,000	46,754	59,211	34,297
Safetags Solution Sdn Bhd ("Safetags")	TGSB	100.00	500	22	45	-
Aman Kemensah Sdn Bhd ("Aman Kemensah")	TGSB	100.00	1,000	31,087	31,468	30,706
Liberty Park Development Sdn Bhd ("Liberty Park")	Yaelba Sdn Bhd (formerly known as Yaelba Berhad) [#]	100.00	250	243	486	-
City Meridian Development Sdn Bhd ("City Meridian")	Yaelba Sdn Bhd (formerly known as Yaelba Berhad) [#]	100.00	250	233	466	-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

2. DETAILS OF THE FLOTATION EXERCISE (Continued)

2.1 Acquisitions of companies (Continued)

Companies	Vendor(s)	Equity interest acquired (%)	Number of ordinary shares of RM1.00 each acquired ('000)	Purchase consideration RM'000	Satisfied via	
					Titijaya Shares issued @ RM0.50 per Share ('000)	Titijaya's Redeemable Convertible Preference Shares ("RCPS") of RM0.50 each issued @ RM0.50 per RCPS ('000)
Terbit Kelana Development Sdn Bhd ("Terbit Kelana")	Puan Sri Datin Chan Lian Yen*, Lim Puay Fung*, Muhidin bin Mohd Shari* and Lim Soon Koon*	100.00	1,000	32,645	53,884	11,406
Pin Hwa Properties Sdn Bhd ("Pin Hwa")	Puan Sri Datin Chan Lian Yen*, Lim Puay Fung* and Segaran A/L Subbiramaniam	100.00	1,000	19,748	18,619	20,877
Total				179,147	258,295	100,000

Notes:

^ NPO Development has two (2) wholly-owned subsidiary companies, namely, NPO Land Sdn Bhd ("NPO Land") and Sendi Bangsa Development Sdn Bhd ("Sendi Bangsa") (collectively hereinafter referred to as "NPO Development Group").

Yaelba Sdn Bhd (formerly known as Yaelba Berhad) has renounced its entitlement for the Titijaya Shares to TGSB.

* Puan Sri Datin Chan Lian Yen, Lim Puay Fung, Lim Soon Koon, Segaran A/L Subbiramaniam and Muhidin bin Mohd Shari has renounced their respective entitlements for the Titijaya Shares and RCPS to TGSB.

The Acquisitions were completed on 29 March 2013.

The completion of the Acquisitions will result in the issued and paid-up share capital of Titijaya increasing from four (4) Titijaya Shares to 258,295,000 Titijaya Shares.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

2. DETAILS OF THE FLOTATION EXERCISE (Continued)

2.2 Acquisition of other companies

Titijaya had also undertaken the acquisition of the following companies for cash:-

- (a) On 4 June 2013, Titijaya had acquired 100% of the equity interest in Epoch Property Sdn. Bhd. ("Epoch Property") comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM100,000 ("Acquisition of Epoch Property"). Subsequent to the Acquisition of Epoch Property, Titijaya had subscribed for 2,499,998 new ordinary shares in Epoch Property for cash.
- (b) On 8 July 2013, Titijaya had acquired 100% of the equity interest in Prosperous Hectares Sdn. Bhd. ("Prosperous Hectares") comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2 ("Acquisition of Prosperous Hectares").
- (c) On 9 July 2013, Titijaya had acquired 100% of the equity interest in Titijaya PMC Sdn. Bhd. (formerly known as Platinum Project Management Sdn. Bhd.) ("Titijaya PMC") comprising two (2) ordinary shares of RM1.00 each for a total cash consideration of RM2 ("Acquisition of Titijaya PMC").

(The Acquisitions as detailed in Note 2.1, the Acquisition of Epoch Property, the Acquisition of Prosperous Hectares and the Acquisition of Titijaya PMC as detailed in Note 2.2 collectively hereinafter are referred to as "Acquisition of Companies").

Upon the completion of the Acquisitions of Companies, NPO Development Group, SACC, Safetags, Aman Kemensah, Liberty Park, City Meridian, Terbit Kelana, Pin Hwa, Epoch Property, Prosperous Hectares and Titijaya PMC became the wholly-owned subsidiary companies of Titijaya (collectively hereinafter referred to as "Titijaya Group").

2.3 Public Issue

In conjunction with the Listing, Titijaya will undertake a public issue of 81,705,000 new Titijaya Shares, representing 24.03% of the enlarged issued and paid-up share capital of 340,000,000 Shares, to be allocated in the following manner:

(a) Public

17,000,000 new Titijaya Shares, representing 5.00% of the enlarged issued and paid-up share capital of 340,000,000 Shares, have been reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 50.00% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



2. DETAILS OF THE FLOTATION EXERCISE (Continued)

2.3 Public Issue (Continued)

(b) **Eligible directors, employees and persons who have contributed to the success of the Titijaya Group**

6,000,000 new Titijaya Shares representing 1.76% of the enlarged issued and paid-up share capital of 340,000,000 Shares, have been reserved for application by eligible Directors, employees and persons who have contributed to the success of the Titijaya Group.

(c) **Bumiputera Investors Approved by Ministry of International Trade and Industry ("MITI")**

34,000,000 new Titijaya Shares, representing 10.00% of the enlarged issued and paid-up share capital of 340,000,000 Shares, have been reserved for Bumiputera investors approved by the MITI.

(d) **Selected Investors via Placement**

24,705,000 new Titijaya Shares, representing 7.27% of the enlarged issued and paid-up share capital of 340,000,000 Shares, have been reserved for placement to selected investors.

(Collectively hereinafter referred to as "Public Issue")

The Public Issue will result in an enlarged issued and paid-up share capital of RM170,000,000 comprising 340,000,000 Shares.

2.4 Offer For Sale

In conjunction with the Listing, 49,500,000 Shares, representing approximately up to 14.56% of the enlarged issued and paid-up share capital of 340,000,000 Shares will be offered for sale by TGSB via placement to selected investors.

2.5 Listing of and Quotation on Bursa Securities

The admission and the listing of and quotation for its entire enlarged issued and paid-up share capital of RM170,000,000 comprising 340,000,000 Titijaya Shares on the Main Market of Bursa Securities.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


3. GENERAL INFORMATION

3.1 Background Information

3.1.1 Titijaya was incorporated in Malaysia under the Companies Act, 1965 on 9 July 2012 as a private limited liability company under the name of Meridian Flagship Sdn Bhd. On 30 July 2012, it converted from a private limited liability company to a public limited liability company. Titijaya changed to its present name on 17 August 2012.

3.1.2 The principal activity of Titijaya is investment holding. Further details on its subsidiary companies are set out in Note 3.4 below.

3.2 Share Capital of Titijaya

As at the date of incorporation, the authorised share capital of Titijaya was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and its issued and fully paid-up share capital was RM2 comprising 2 ordinary shares of RM1.00 each. On 27 July 2012, the authorised share capital was increased to 200,000 ordinary shares of RM0.50 each by subdividing 100,000 ordinary shares of RM1.00 each into 200,000 ordinary shares of RM0.50 each.

Titijaya's authorised share capital subsequently increase from RM100,00 comprising 200,000 Titijaya Shares to RM300,000,000 comprising 500,000,000 ordinary shares of RM0.50 each and 100,000,000 RCPS of RM0.50 each. Titijaya's issued and fully paid-up share capital subsequently increase from RM2 comprising 2 ordinary shares to RM129,147,500 comprising 258,295,000 ordinary shares of RM0.50 each and issued RM50,000,000 comprising 100,000,000 RCPS of RM0.50 each.

As at the date of this report, the details of changes to the issued and fully paid-up share capital of Titijaya since its date of incorporation are as follows:-

Date of Allotment	Total Number of Ordinary Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
9.7.2012	2	1.00	Subscribers' shares	2
27.7.2012	4	0.50	Shares split	2
29.3.2013	258,294,996	0.50	Acquisitions of subsidiary companies (Note 2.1)	129,147,500

Date of Allotment	Total Number of RCPS Allotted	Par Value RM	Consideration	Cumulative Total RM
29.3.2013	100,000,000	0.50	Acquisitions of subsidiary companies (Note 2.1)	50,000,000

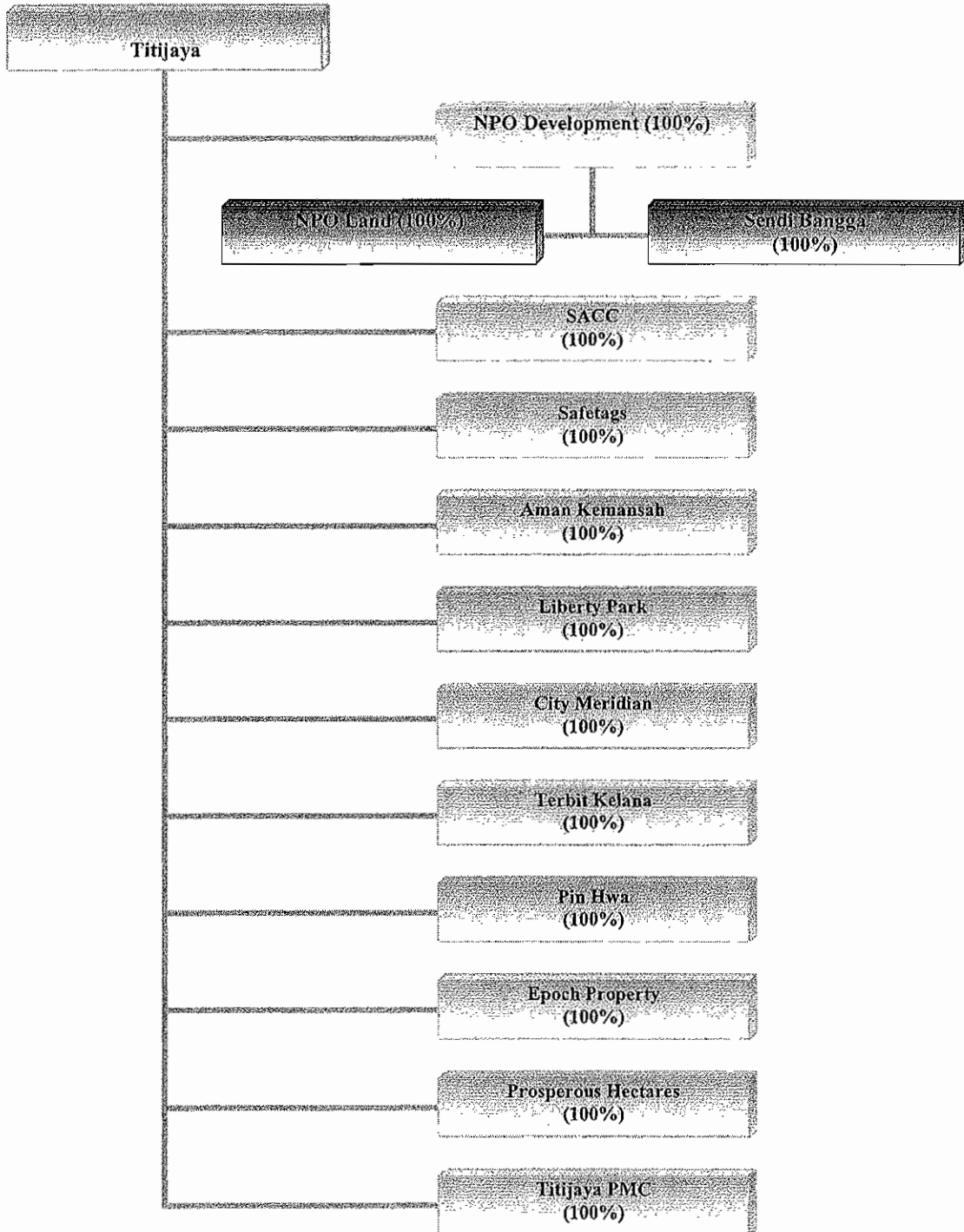
13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



3.3 Group Structure

As at the date of this report, the group structure of Titijaya is as follows:-



13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**3. GENERAL INFORMATION (Continued)**

3.4 The details of the subsidiary companies are as follows:-

No.	Name of Company	Date/Country of Incorporation	Issued and Paid-up Share Capital	Principal Activities
1.	NPO Development	9 June 1997, Malaysia	RM2,000,000	Property development
2.	NPO Land *	28 June 1995, Malaysia	RM2,000,000	Property development
3.	Sendi Bangga *	24 April 2004, Malaysia	RM3,000,000	Property development
4.	SACC	24 July 1991, Malaysia	RM2,000,000	Property development
5.	Safetags	1 December 2006, Malaysia	RM500,000	Property development
6.	Aman Kemensah	2 May 1997, Malaysia	RM1,000,000	Property development
7.	Liberty Park	1 March 2011, Malaysia	RM250,000	Dormant
8.	City Meridian Sdn Bhd	1 March 2011, Malaysia	RM250,000	Dormant
9.	Terbit Kelana	4 October 2002, Malaysia	RM1,000,000	Investment holding
10.	Pin Hwa	9 January 2002, Malaysia	RM1,000,000	Joint venture for property development and investment holding
11.	Epoch Property	2 August 2011, Malaysia	RM2,500,000	Property development
12.	Prosperous Hectares	15 February 2013, Malaysia	RM2	Inactive
13.	Titijaya PMC	23 May 2013, Malaysia	RM2	To provide management services to companies within Titijaya Group

* *Subsidiary companies of NPO Development.***4. DIVIDENDS**

No dividends have been paid or declared by Titijaya since its date of incorporation.

No dividends have been paid or declared by its subsidiary companies for the relevant financial years/period under review, other than NPO Development and Terbit Kelana as set out in Notes 8.3.5 (x) and 8.11.5 (k) respectively.

5. AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial year end of Titijaya Group is 30 June.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

5. AUDITORS AND AUDITED FINANCIAL STATEMENTS (Continued)

The auditors of Titijaya and its subsidiary companies for the relevant financial years/period under review are as follows:-

Company	Financial Year Ended ("FYE")/ Financial Period Ended ("FPE")	Auditors
Titijaya	<ul style="list-style-type: none"> Financial period from 9 July 2012 (date of incorporation) to 30 June 2013 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
NPO Development	<ul style="list-style-type: none"> FYE 30 June 2009; FYE 30 June 2010; FYE 30 June 2011; FYE 30 June 2012; and FYE 30 June 2013 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Sendi Bangsa	<ul style="list-style-type: none"> FYE 30 June 2009; FYE 30 June 2010; FYE 30 June 2011; FYE 30 June 2012; and FYE 30 June 2013 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
NPO Land	<ul style="list-style-type: none"> FYE 30 June 2009*; FYE 30 June 2010; FYE 30 June 2011; FYE 30 June 2012; and FYE 30 June 2013 	Messrs. Too & Co. (Chartered Accountants, Malaysia) Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
SACC	<ul style="list-style-type: none"> FYE 30 June 2009; and FYE 30 June 2010* FYE 30 June 2011; FYE 30 June 2012; and FYE 30 June 2013 	Messrs. Too & Co. (Chartered Accountants, Malaysia) Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Safetags	<ul style="list-style-type: none"> FYE 30 June 2009; and FYE 30 June 2010* FYE 30 June 2011; FYE 30 June 2012; and FYE 30 June 2013 	Messrs. Too & Co. (Chartered Accountants, Malaysia) Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

5. AUDITORS AND AUDITED FINANCIAL STATEMENTS (Continued)

Company	FYE/FPE	Auditors
Aman Kemensah	• FYE 30 June 2009; and FYE 30 June 2010*	Messrs. Too & Co. (Chartered Accountants, Malaysia)
	• FYE 30 June 2011; FYE 30 June 2012; and FYE 30 June 2013	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
City Meridian	• Financial period from 1 March 2011 (date of incorporation) to 30 June 2011; FYE 30 June 2012; and FYE 30 June 2013	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Liberty Park	• Financial period from 1 March 2011 (date of incorporation) to 30 June 2011; FYE 30 June 2012; and FYE 30 June 2013	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Terbit Kelana	• FYE 30 June 2009; FYE 30 June 2010; and FYE 30 June 2011*	Messrs. Allan Choong & Co. (Chartered Accountants, Malaysia)
	• FYE 30 June 2012; and FYE 30 June 2013	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Pin Hwa	• FYE 30 June 2009;	Messrs. Too & Co. (Chartered Accountants, Malaysia)
	• FYE 30 June 2010; and FYE 30 June 2011*	Messrs. Allan Choong & Co. (Chartered Accountants, Malaysia)
	• FYE 30 June 2012; and FYE 30 June 2013	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Epoch Property	• Financial period from 2 August 2011 (date of incorporation) to 31 December 2012 [#] ; and Six (6) months FPE 30 June 2013	Messrs. Leong Siew Hoong & Co. (Chartered Accountants, Malaysia)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

5. AUDITORS AND AUDITED FINANCIAL STATEMENTS (Continued)

Company	FYE/FPE	Auditors
Properous Hectares	• Not available ^	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Titijaya PMC	• Not available ^	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)

* The audited financial statements for NPO Land for the FYE 30 June 2009, SACC, Safetags and Aman Kemensah for the FYE 30 June 2009 and FYE 30 June 2010, Terbit Kelana and Pin Hwa for the FYE 30 June 2009, FYE 30 June 2010 and FYE 30 June 2011 have been audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng, which have been prepared by directors in compliance with the Private Entity Reporting Standards in Malaysia. In connection with the Listing, Messrs. Baker Tilly Monteiro Heng had been appointed by Titijaya to conduct a review on the audited financial statements of NPO Land for the FYE 30 June 2009, SACC, Safetags and Aman Kemensah for the FYE 30 June 2009 and FYE 30 June 2010, Terbit Kelana and Pin Hwa for the FYE 30 June 2009, FYE 30 June 2010 and FYE 30 June 2011 in compliance with the Financial Reporting Standards in Malaysia. There were no material impact arising from the adoption of the Financial Reporting Standards by NPO Land for the FYE 30 June 2009, SACC, Safetags and Aman Kemensah for the FYE 30 June 2009 and FYE 30 June 2010, Terbit Kelana and Pin Hwa for the FYE 30 June 2009, FYE 30 June 2010 and FYE 30 June 2011.

The audited financial statements for Epoch Property for the financial period from 2 August 2011 (Date of incorporation) to 31 December 2012 have been audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng, which have been prepared by directors in compliance with the Private Entity Reporting Standards in Malaysia. In connection with the listing, the said auditors has been appointed by Titijaya to conduct a review on the audited financial statements of Epoch Property for the financial from 2 August 2011 (Date of incorporation) to 31 December 2012 in compliance with the Financial Reporting Standards in Malaysia. There were no material impact arising from the adoption of the Financial Reporting Standards by Epoch Property for the financial period from 2 August 2011 (Date of incorporation) to 31 December 2012.

^ Prosperous Hectares and Titijaya PMC was incorporated on 15 February 2013 and 23 May 2013 respectively and Messrs. Baker Tilly Monteiro Heng was appointed as auditors. There were no audited financial statements available for the financial period under review.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



5. AUDITORS AND AUDITED FINANCIAL STATEMENTS (Continued)

The audited financial statements of the above companies for the financial years/period under review were reported by the respective auditors without any modifications, except as disclosed below:-

Safetags**FYE 30 June 2009***“Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 5 to the financial statements, the Company has a capital deficiency of RM5,270 as at 30 June 2009 as a result of accumulated losses incurred. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that cash will be available to finance future operations and that realisation of assets and settlement of liabilities will occur in the ordinary course of business. The financial statements do not include any adjustment that might be necessary should the Company be unable to continue as a going concern.”

FYE 30 June 2010*“Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 7 to the financial statements, the Company has a capital deficiency of RM8,536 as at 30 June 2010 as a result of accumulated losses incurred. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that cash will be available to finance future operations and that realisation of assets and settlement of liabilities will occur in the ordinary course of business. The financial statements do not include any adjustment that might be necessary should the Company be unable to continue as a going concern.”

Epoch Property**FPE 31 December 2012***“Emphasis of Matter*

Without qualifying our opinion, we draw your attention to Note 2 to the financial statements concerning the availability of financial support from its creditors and directors to ensure that the Company continues as going concern in the foreseeable future.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This report has been prepared on a basis consistent with the following accounting policies adopted by Titijaya Group in the preparation of the audited consolidated financial statements for the FYE 30 June 2013 in accordance with the Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB"), unless otherwise stated.

A. BASIS OF PREPARATION

The financial statements of the Titijaya Group have been prepared in accordance with the FRSs and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Titijaya Group have been prepared under the historical cost basis, except as disclosed in the significant accounting policies.

The preparation of financial statements in conformity with the FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors' to exercise their judgement in the process of applying the Titijaya Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

B. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs, NEW IC INTERPRETATIONS ("IC INT"), AMENDMENTS TO IC INT AND NEW MALAYSIA ACCOUNTING STANDARDS BOARD ("MASB") APPROVED ACCOUNTING STANDARDS, MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRSs")

(a) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted

Titijaya Group have not adopted the following new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for Titijaya Group:-

		Effective for financial periods beginning on or after
<u>New FRSs</u>		
FRS 9	Financial Instruments	1 January 2015
RS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs, NEW IC INT, AMENDMENTS TO IC INT AND NEW MASB APPROVED ACCOUNTING STANDARDS, MFRSs (Continued)

(a) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Continued)

		Effective for financial periods beginning on or after
<u>Revised FRSs</u>		
FRS 119	Employee Benefits	1 January 2013
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013
<u>Amendments/Improvements to FRSs</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
FRS 7	Financial Instruments: Disclosures	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
FRS 101	Presentation of Financial Statements	1 January 2013
FRS 116	Property, Plant and Equipment	1 January 2013
FRS 127	Separate Financial Statements	1 January 2014
FRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
FRS 134	Interim Financial Reporting	1 January 2013
FRS 136	Impairment of Assets	1 January 2014
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2014
<u>New IC Int</u>		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IC Int 21	Levies	1 January 2014
<u>Amendments to IC Int</u>		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2014

13. ACCOUNTANTS' REPORT (*Cont'd*)

TITIJAYA LAND BERHAD
Accountants' Report



6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
- B. **NEW AND REVISED FRSS, AMENDMENTS/IMPROVEMENTS TO FRSS, NEW IC INT, AMENDMENTS TO IC INT AND NEW MASB APPROVED ACCOUNTING STANDARDS, MFRSS (Continued)**
- (a) **New and Revised FRSS, Amendments/Improvements to FRSS, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

A brief discussion on the above significant new and revised FRSS, amendments/improvements to FRSS, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by Titijaya Group.

FRS 9 Financial Instruments

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS 127 will deal only with accounting for investment in subsidiary companies, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
- B. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs, NEW IC INT, AMENDMENTS TO IC INT AND NEW MASB APPROVED ACCOUNTING STANDARDS, MFRSs (Continued)
- (a) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Continued)

FRS 11 Joint Arrangements

FRS 11 supersedes the former FRS 131 Interests in Joint Ventures. Under FRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for its using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

FRS 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

FRS 13 Fair Value Measurement

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FRS 128 Investments in Associates and Joint Ventures (Revised)

This revised FRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised FRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

13. ACCOUNTANTS' REPORT (*Cont'd*)

TITIJAYA LAND BERHAD
Accountants' Report

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

B. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs, NEW IC INT, AMENDMENTS TO IC INT AND NEW MASB APPROVED ACCOUNTING STANDARDS, MFRSs (*Continued*)

- (a) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (*Continued*)**

Amendments to FRS 10, FRS 12 and FRS 127 Investment Entities

These amendments introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiary companies at fair value through profit or loss in accordance with FRS 139 Financial Instruments: Recognition and Measurement instead of consolidating them. In addition, the amendments also introduce new disclosure requirements related to investment entities in FRS 12 Disclosure of Interests in Other Entities and FRS 127 Separate Financial Statements.

- (b) **MASB Approved Accounting Standards, MFRSs**

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issue a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2015. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Titijaya Group which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework to financial year beginning on 1 July 2015. The Titijaya Group will prepare their first MFRSs financial statements using the MFRSs framework for the financial year ending 30 June 2016.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs, NEW IC INT, AMENDMENTS TO IC INT AND NEW MASB APPROVED ACCOUNTING STANDARDS, MFRSs (Continued)

(b) MASB Approved Accounting Standards, MFRSs (Continued)

As at 30 June 2013, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs. As such, other than those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 6B(b). The effect is based on the Titijaya Group's best estimates at the reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Titijaya Group's first MFRSs based financial statements.

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2015 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Titijaya Group is currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

IC Int 15 Agreements for the Construction of Real Estate

IC Int 15 establishes that the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Titijaya Group is currently assessing the impact of the adoption of this Interpretation.

C. SUBSIDIARY COMPANIES AND BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Titijaya and its subsidiary companies as at the reporting date. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as Titijaya. Consistent accounting policies are applied to like transactions and events in similar circumstances.

13. ACCOUNTANTS' REPORT (*Cont'd*)

TITIJAYA LAND BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

C. SUBSIDIARY COMPANIES AND BASIS OF CONSOLIDATION (*Continued*)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra group transactions are eliminated in full.

Acquisitions of subsidiary companies are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Titijaya Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Titijaya Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. The accounting policy for goodwill is set out in Note 6(E). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Titijaya Group obtains control, and continue to be consolidated until the date that such control ceases.

Subsidiary companies are those entities in which the Titijaya Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Titijaya Group has such power over another entity.

Investments in subsidiary companies are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6(J). On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in the profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****D. INVESTMENT IN ASSOCIATED COMPANIES**

Associated companies are those entities in which the Titijaya Group has significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not the power to exercise control over those policies.

Investment in an associated company is initially recognised at cost. The Titijaya Group's investment in an associated company includes goodwill identified on acquisition, net of any accumulated impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6(J).

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount of the investment in an associate is reflected as a gain or loss on disposal in the profit or loss.

Investment in an associated company is not accounted for using the equity method of accounting as the Titijaya Group is exempted under paragraph (13)(c) of FRS 128 Investments in Associates. The Titijaya Group's share of profits and losses of the associated company based on the latest management financial statements of the associated companies presented as supplementary information in Note 8.3.5(j).

E. GOODWILL ON CONSOLIDATION

Goodwill represents the excess of the cost of business combination over the Titijaya Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Following the initial recognition, goodwill is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6(J).

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Impairment losses on goodwill are not reversed. The calculation of gains and losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity being sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6(J).

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Titijaya Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

No depreciation is provided on freehold land. Leasehold building under construction is not depreciated until the asset is ready for its intended use. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned at an annual rate of 20% per annum.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each statement of financial position date. The effects of any revisions of the residual values and useful lives are included in the profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****G. INVESTMENT PROPERTIES**

Investment properties are investment in land and buildings that are held for long term rental yields and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6(J).

Investment in freehold land is stated at cost and is not depreciated as it has an indefinite life. Investment property under construction is not depreciated until the assets are ready for its intended use.

Other investment properties are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives at an annual rate of 2%.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated) from the statements of financial position. The difference between the net disposal proceeds and its carrying amount is charged or credited to the profit or loss in the financial year of the retirement or disposal.

H. PROPERTY DEVELOPMENT ACTIVITIES**(i) Land Held for Property Development**

Land held for property development consists of development costs on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6(J).

Cost comprises the cost of land and all related costs incurred on activities necessary to prepare the land for its intended use.

Land held for property development is transferred to property development costs and included under current assets when development activities have commenced and are expected to be completed within the normal operating cycle.

(ii) Property Development Costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or costs that can be allocated on a reasonable basis to these activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion of property development costs incurred for the work performed up to the reporting date over the estimated total property development costs to completion. Under this method, profits are recognised as the property development activity progresses.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. PROPERTY DEVELOPMENT ACTIVITIES (Continued)

(ii) Property Development Costs (Continued)

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any foreseeable loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately in the profit or loss.

Property development costs not recognised as an expense is recognised as an assets, which is measured at the lower of cost and net realisable value. Upon the completion of development, the unsold completed development properties are transferred to inventories.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings under current assets and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings under current liabilities.

(iii) Interests in Joint Venture Development

Interests in joint venture development comprised land and development expenditure and the Titijaya Group's share of profits and losses attributable to development work performed less progress billings received and receivable.

Profits from joint venture development are recognised based on the percentage of completion method. When foreseeable losses are anticipated on the operations, full provision of these losses is made in the financial statements.

I. FINANCIAL INSTRUMENTS

(i) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Titijaya Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Titijaya Group determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FINANCIAL INSTRUMENTS (Continued)

(i) Financial Assets (Continued)

(a) *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial asset that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) *Loans and Receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) *Held-to-Maturity Investments*

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Titijaya Group has the positive intention and ability to hold the investment to maturity.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FINANCIAL INSTRUMENTS (Continued)

(i) Financial Assets (Continued)

(c) *Held-to-Maturity Investments (Continued)*

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) *Available-for-Sale Financial Assets*

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gain or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Titijaya Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Titijaya Group commits to purchase or sell the asset.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FINANCIAL INSTRUMENTS (Continued)

(ii) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Titijaya Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) *Financial Liabilities at Fair Value Through Profit or Loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Titijaya Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Titijaya Group has not designated any financial liabilities as at fair value through profit or loss.

(b) *Other Financial Liabilities*

The Titijaya Group's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Titijaya Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. FINANCIAL INSTRUMENTS (Continued)

(iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to the financial guarantee contract when it is due and the Titijaya Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

J. IMPAIRMENT OF ASSETS

(i) Financial Assets

The Titijaya Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Trade and Other Receivables and Other Financial Assets carried at Amortised Cost*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Titijaya Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Titijaya Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. IMPAIRMENT OF ASSETS (Continued)

(i) Financial Assets (Continued)

(a) Trade and Other Receivables and Other Financial Assets carried at Amortised Cost (Continued)

If in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted Equity Securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, profitability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets difference between the asset's carrying amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****J. IMPAIRMENT OF ASSETS (Continued)****(ii) Non-financial Assets**

The Titijaya Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Titijaya Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

K. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the specific identification basis for completed units of unsold developed properties.

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****L. PROVISIONS**

Provisions are recognised when the Titijaya Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provision are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

M. LEASES AND HIRE PURCHASE

Assets financed by finance leases and hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Titijaya Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment.

Assets acquired by way of finance lease and hire purchase arrangements are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6(J). The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Titijaya Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases and hire purchase are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past event and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Titijaya Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

O. SHARE CAPITAL

(i) Ordinary Shares

An equity instrument is any contract that evidences a residual interest in the assets of the Titijaya Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(ii) RCPS

The RCPS are regarded as compound instruments, consisting of a liability component and an equity component. The component of RCPS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest rate method. On issuance of the RCPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for other payables set out in Note 6(I).

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholder's equity, net of transaction costs.

Transaction costs are apportioned between the liability and equity components of the RCPS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****P. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition and construction of land held for property development, investment properties and other properties are capitalised as part of the costs of those assets, until such time the assets are substantially ready for their intended use or sale. Borrowing cost incurred on assets under development that take a substantial period of time for completion are capitalised into the carrying value of the assets. Capitalisation of borrowing costs will be suspended when the assets are completed or during the period in which development and constructions are stalled. The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from that borrowing facility.

All other borrowing costs are recognised as an expense in the profit or loss in the period in which they are incurred.

Q. TAXATION**(i) Current Tax**

The tax expense in the profit and loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date.

(ii) Deferred Tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets, if any, is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profits or loss is recognised outside profit or loss. Deferred tax items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. TAXATION (Continued)

(iii) Deferred Tax (Continued)

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Titijaya Group intends to settle its current tax assets and current tax liabilities on a net basis.

R. CURRENCIES

Functional and Presentation Currency

The individual financial statements of each entity in the Titijaya Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Titijaya Group's functional currency and presentation currency.

S. REVENUE RECOGNITION

The Titijaya Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Titijaya Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Titijaya Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) **Property Development**

Revenue from property development projects is recognised progressively as the project activity progresses and is in respect of sales when they agreements have been finalised. The recognition of revenue is based on the percentage of completion method, net of discount, and is consistent with the method adopted for profit recognition. Provision for foreseeable losses is made when estimated future revenue realisable is lower than the carrying amount of the project.

Interest income from late payments by house buyers and forfeiture income are recognised on an accrual basis unless the collectability is in doubt in which recognition will be on a receipt basis.

(ii) **Interest Income**

Interest income other than interest income from late payment by house buyers and other trade receivables are recognised on an accruals basis.

(iii) **Rental Income**

Rental income is recognised on an accrual basis.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****T. EMPLOYEE BENEFITS****(i) Short term employee benefits**

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

(ii) Post-employment benefits

The Titijaya Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Titijaya Group has no further payment obligations.

U. CASH AND CASH EQUIVALENTS

For the purpose of statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and fixed deposits placed with licensed banks that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, net of fixed deposits pledged with licensed banks and bank overdrafts.

V. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less cost to sell. Any differences are included in profit or loss.

A component of the Titijaya Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical Judgements Made in Applying Accounting Policies

In the process of applying the Titijaya Group's accounting policies, which are described in Note 6 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements except for the matters discussed below:-

- **Basis of consolidation**

On 27 September 2012, Titijaya entered into a conditional shares sale agreement with TGSB to acquire the entire issued and paid-up share capital in NPO Development comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM48,414,867 satisfied by the issuance of 94,116,000 ordinary shares of RM0.50 each in Titijaya at an issue price of RM0.50 each and 2,713,733 RCPS of RM0.50 each in Titijaya at an issue price of RM0.50 each. This acquisition was completed on 29 March 2013 and NPO Development becomes a wholly-owned subsidiary company of Titijaya.

The directors of Titijaya have made a significant judgment that the business combination has been accounted for as a reverse acquisition using the purchase method of accounting under *Financial Reporting Standard 3 Business Combinations* ("FRS 3") as in substance, NPO Development is the accounting acquirer. Under the reverse acquisition accounting, although legally Titijaya is regarded as the legal parent and NPO Development is regarded as the legal subsidiary company, NPO Development should be identified as the acquirer in accordance with FRS 3 as it has the power to govern the financial and operating policies of Titijaya so as to obtain benefits from its activities.

Accordingly, the consolidated financial statements of the Titijaya Group prepared following a reverse acquisition represent a continuation of the financial statements of NPO Development (the legal subsidiary company and the acquirer for accounting purposes). Under the reverse acquisition accounting:-

- (i) the assets and liabilities of the accounting acquirer, NPO Development, is recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- (ii) the retained earnings and other equity balances of NPO Development immediately before the business combination are those of Titijaya Group; and
- (iii) the equity structure, however, reflects the equity structure of Titijaya, including the equity instruments issued to effect the business combination.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical Judgements Made in Applying Accounting Policies (Continued)

- **Revenue Recognition on Property Development Projects**

The Titijaya Group recognises property development projects in the profit or loss using the percentage of completion method, which is the standard for similar industries.

The percentage of completion is determined by the proportion that property development and contract costs incurred for work performed to date bear to the estimated total property development and contract costs. Estimated losses are recognised in full when determined. Property development projects and expenses estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the percentage of completion, the extent of the property development projects incurred, the estimated total property development and contract revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Titijaya Group evaluates based on past experience and by relying on the work of specialists. If the Titijaya Group is unable to make reasonably dependable estimates, the Titijaya Group would not recognise any profit before a contract is completed, but would recognise a loss as soon as the loss becomes evident.

Adjustments based on the percentage of completion method are reflected in property development and contract revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported property development and contract revenue and costs, the Titijaya Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

Note 6(S)(i) describes the Titijaya Group's policy to recognise revenue from sales of properties using the percentage of completion method. Property development revenue is recognised in respect of all development units that have been sold.

- **RCPS**

The Titijaya Group has recognised the compound instruments which consist of both equity and liability components. At the issuance date of the convertible securities, the fair value of the liability component is determined using a prevailing market interest rate. The judgement is required to be made on the market interest rate used for the classification of equity and liability component.

- **Taxation**

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:

- **Impairment of Investment in Subsidiary Companies and Recoverability of Amount Owing by Subsidiary Companies**

The Titijaya Group tests investment in subsidiary companies for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiary companies affects the result of the impairment test. Costs of investments in subsidiary companies which have ceased operations were impaired up to net assets of the subsidiary companies. The impairment made on investment in subsidiary companies entails an allowance for doubtful debts to be made to the amount owing by these subsidiary companies.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary companies, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Titijaya Group's tests for impairment of investment in subsidiary companies.

- **Impairment of Non-Current Assets and Current Assets**

The Titijaya Group reviews the carrying amount of its non-current assets and current assets, which include property, plant and equipment, goodwill on consolidation, land held for property development, property development costs and investment properties to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the respective category of non-current assets and current assets. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

As at the end of the reporting period under review, the directors are of the view that there is no indication of impairment to these assets and therefore no independent professional valuation was procured by the Titijaya Group during the reporting period to determine the carrying amount of these assets.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Key Sources of Estimation Uncertainty (Continued)

- **Useful Lives of Property, Plant and Equipment**

The Titijaya Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the relevant assets. In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in these factors mentioned above.

The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

- **Allowance for Write Down in Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the carrying value of inventories.

- **Impairment of Loan and Receivables**

The Titijaya Group assesses at each reporting date whether there is any objective evidence that loan and receivables is impaired. To determine whether there is objective evidence of impairment, the Titijaya Group considers factors such as the profitability of insolvency or significant financial difficulties of the debtors and defaults or significant delays in payments.

Where there is objective evidence of impairment, the amount and timing of the future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

- **Contingent Liabilities**

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Titijaya Group for matters in the ordinary course of business.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS

8.1 Audited Consolidated Financial Statements of Titijaya Group

8.1.1 Audited Consolidated Statement of Comprehensive Income of Titijaya Group

The audited statement of comprehensive income of Titijaya Group for the financial period from 9 July 2012 (date of incorporation) to 30 June 2013 is as follows:-

	Note	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Revenue	8.1.5 (a)	186,204
Cost of sales	8.1.5 (b)	(99,285)
Gross profit		<u>86,919</u>
Other income		8,446
Selling and distribution expenses		(9,625)
Administrative expenses		(7,692)
Other expenses		(3,394)
Operating profits		<u>74,654</u>
Finance costs	8.1.5 (c)	(1,158)
Profit before taxation	8.1.5 (d)	<u>73,496</u>
Income tax expense	8.1.5 (f)	(17,933)
Net profit for the financial period representing total comprehensive income for the financial period		<u>55,563</u>
<i>Gross profit margin (%)</i>		46.68
<i>Profit before tax margin (%)</i>		39.47
<i>Effective tax rate (%)</i>		24.40
<i>Weighted average number of ordinary shares in issue of RM1.00 each ('000)</i>		68,010
<i>Gross earnings per share ("EPS") (RM)</i>		1.08
<i>Net EPS (RM)</i>		0.82

Notes

- (i) Gross EPS is computed based on profit before tax for the financial year/period over the weighted average number of ordinary shares in issue.
- (ii) Net EPS is computed based on net profit after tax for the financial year/period over the weighted average number of ordinary shares in issue.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.2 Audited Consolidated Statement of Financial Position of Titijaya Group

The audited statement of financial position of Titijaya Group as at 30 June 2013 is as follows:-

	Note	As at 30 June 2013 RM'000
Non-current assets		
Property, plant and equipment	8.1.5 (g)	4,327
Land held for property development	8.1.5 (h)	165,145
Investment properties	8.1.5 (i)	76,506
Goodwill on consolidation	8.1.5 (j)	1,596
Other investments	8.1.5 (k)	5
Total non-current assets		247,579
Current assets		
Property development costs	8.1.5 (h)	158,708
Inventories	8.1.5 (l)	14,146
Trade and other receivables	8.1.5 (m)	61,903
Accrued billings in respect of property development costs		78,807
Tax recoverable		2,589
Fixed deposits placed with licensed banks	8.1.5 (n)	3,698
Cash and bank balances	8.1.5 (o)	26,435
Total current assets		346,286
TOTAL ASSETS		593,865
EQUITY AND LIABILITIES		
Equity attributable to the owner of Titijaya		
Share capital	8.1.5 (q)	129,148
RCPS - equity component	8.1.5 (q)	12,388
Reserve arising from reverse acquisition	8.1.5 (r)	(47,426)
Current financial period profit		107,013
Total equity		201,123

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.2 Audited Consolidated Statement of Financial Position of Titijaya Group (Continued)

	Note	As at 30 June 2013 RM'000
Non-current liabilities		
Hire purchase payables	8.1.5 (s)	313
Bank borrowings	8.1.5 (t)	43,915
RCPS - liability component	8.1.5 (q), (u)	33,483
Deferred tax liabilities	8.1.5 (v)	39,499
Total non-current liabilities		117,210
Current liabilities		
Trade and other payables	8.1.5 (w)	150,818
Progress billings in respect of property development costs		89,460
Hire purchase payables	8.1.5 (s)	158
Bank borrowings	8.1.5 (t)	29,339
Current tax payable		5,757
Total current liabilities		275,532
Total liabilities		392,742
TOTAL EQUITY AND LIABILITIES		593,865
<i>Number of ordinary shares</i>		
<i>in issue of RM0.50 each ('000)</i>		258,295
<i>Net tangible assets ("NTA") (RM'000)</i>		199,527
<i>NTA per ordinary share (RM)</i>		0.77
<i>Net assets ("NA") (RM'000)</i>		201,123
<i>NA per ordinary share (RM)</i>		0.78

13. ACCOUNTANTS' REPORT (Cont'd)


TITIJAYA LAND BERHAD
 Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.3 Audited Consolidated Statement of Changes in Equity of Titijaya Group

The audited statement of changes in equity of Titijaya Group for the financial period from 9 July 2012 (date of incorporation) to 30 June 2013 is as follows:-

	Attributable to owners of Titijaya Group					
	Non-Distributable		Reserve		Distributable	
	Share Capital RM'000	RCPS - Equity Component RM'000	Arising from Reverse Acquisition RM'000	Current Financial Period Profit RM'000	Total Equity RM'000	
At 9 July 2012 (date of incorporation)	*	-	-	-	*	
Share issued for acquisitions of subsidiary companies	129,148	-	-	-	129,148	
RCPS issued for acquisition of subsidiary companies	-	12,388	-	-	12,388	
Arising from reverse acquisition	-	-	(47,426)	51,450	4,024	
Total comprehensive income for the financial period	-	-	-	55,563	55,563	
As at 30 June 2013	129,148	12,388	(47,426)	107,013	201,123	

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)****8.1.4 Audited Consolidated Statement of Cash Flows of Titijaya Group**

The audited statement of cash flows of Titijaya Group for the financial period from 9 July 2012 (date of incorporation) to 30 June 2013 is as follows:-

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	73,496
Adjustments for:-	
Depreciation of investment properties	80
Depreciation of property, plant and equipment	284
Development expenditure written off	25
Dividend income	*
Gain on bargain purchase	(6,008)
Interest expense	1,158
Interest income	(375)
Interest income from compulsory acquisition of land	(847)
Waiver of interest income	45
Operating profit before working capital changes	<u>67,858</u>
Changes In Working Capital	
Inventories	1,825
Receivables	(73,213)
Payables	9,701
Property development costs	(1,441)
Net cash generated from operations	<u>4,730</u>
Income tax paid	(16,222)
Income tax refunded	348
Interests paid	(366)
Interests received	375
Net Operating Cash Flows	<u>(11,135)</u>

* (RM142)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)
- 8.1.4 Audited Consolidated Statement of Cash Flows of Titijaya Group (Continued)

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES	
Deposit paid for acquisition of land held for property development	(5,288)
Dividend received	#
Interest received from compulsory acquisition of land	847
Land held for property development costs incurred	(948)
Net cash inflow from reverse acquisition (Note 8.1.4 A)	^
Net cash inflow from acquisitions of subsidiary companies (Note 8.1.4 B)	3,467
Purchase of property, plant and equipment	(52)
Net Investing Cash Flows	<u>(1,974)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Fixed deposits pledged as security values	(593)
Interests paid	(3,828)
Net change in amounts due from/to related parties	32,726
Drawdown of bank borrowings	6,880
Net repayment of bank borrowings	(16,354)
Repayment of hire purchase payables	(150)
Net Financing Cash Flows	<u>18,681</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>5,572</u>

RM122

^ RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)
- 8.1.4 Audited Consolidated Statement of Cash Flows of Titijaya Group (Continued)

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	6,474
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	12,046
ANALYSIS OF CASH AND CASH EQUIVALENTS:	
Cash and bank balances	26,435
Fixed deposits placed with licensed banks	3,698
Bank overdrafts	(14,389)
	15,744
Less: Fixed deposits held as security values	(3,698)
	12,046
NON-CASH INVESTING ACTIVITY	
Transfer from inventories to investment properties	3,778

Note:

The directors of Titijaya have voluntarily disclosed in Note C to the statements of cash flows the effects on the consolidated statement of cash flows resulting from the elimination of the pre-acquisition cash flow movements arising from the acquisitions of subsidiary companies during the financial period.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)
- 8.1.4 Audited Consolidated Statement of Cash Flows of Titijaya Group (Continued)
- A. EFFECTS ON REVERSE ACQUISITION

Effects on acquisition of NPO Development under the reverse acquisition accounting:-

On 27 September 2012, Titijaya entered into a conditional shares sale agreement with TGSB to acquire the entire issued and paid-up share capital in NPO Development comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM48,414,867 satisfied by the issuance of 94,116,000 ordinary shares of RM0.50 each in Titijaya at an issue price of RM0.50 each and 2,713,733 RCPS of RM0.50 each in Titijaya at an issue price of RM0.50 each. This acquisition was completed on 29 March 2013 and NPO Development becomes a wholly-owned subsidiary company of Titijaya.

The fair values and carrying amounts of the identifiable assets and liabilities of Titijaya as at the date of acquisition were as below:-

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Cash and bank balances	*
Other payables	(1,011)
Net identifiable liabilities	(1,011)
Reserve arising from reverse acquisition	47,426
Issued equity of NPO Development	2,000
	<u>48,415</u>
Less:	
Purchase consideration settled via the issuance of 94,116,000 ordinary shares of RM0.50 each	(47,058)
Purchase consideration settled via the issuance of 2,713,733 RCPS of RM0.50 each	(1,357)
	<u>-</u>
Less: Cash and cash equivalents of the Titijaya	#
Cash inflow from reverse acquisition	<u>#</u>

From the date of acquisition, Titijaya incurred a net loss of RM192,709.

* RM2

(RM2)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.4 Audited Consolidated Statement of Cash Flows of Titijaya Group (Continued)

B. EFFECTS ON ACQUISITIONS OF OTHER SUBSIDIARY COMPANIES

Effects on acquisitions of the following subsidiary companies:-

(a) **SACC**

On 27 September 2012, Titijaya entered into a conditional shares sale agreement with TGSB to acquire the entire issued and paid-up share capital in SACC comprising 2,000,000 ordinary shares of RM1.00 each for a total consideration of RM46,754,031 satisfied by the issuance of 59,211,000 ordinary shares of RM0.50 each in Titijaya at an issue price of RM0.50 each and 34,297,062 RCPS of RM0.50 each in Titijaya at an issue price of RM0.50 each. This acquisition was completed on 29 March 2013 and SACC becomes a wholly-owned subsidiary company of Titijaya.

(b) **City Meridian**

On 27 September 2012, Titijaya entered into a conditional shares sale agreement with Yaelba Sdn. Bhd. (*formerly known as Yaelba Berhad*) to acquire the entire issued and paid-up share capital in City Meridian comprising 250,000 ordinary shares of RM1.00 each for a total purchase consideration of RM233,000 satisfied by the issuance of 466,000 ordinary shares of RM0.50 each in Titijaya at an issue price of RM0.50 each. This acquisition was completed on 29 March 2013 and City Meridian becomes a wholly-owned subsidiary company of Titijaya.

(c) **Liberty Park**

On 27 September 2012, Titijaya entered into a conditional shares sale agreement with Yaelba Sdn. Bhd. (*formerly known as Yaelba Berhad*) to acquire the entire issued and paid-up share capital in Liberty Park comprising 250,000 ordinary shares of RM1.00 each for a total purchase consideration of RM243,000 satisfied by the issuance of 486,000 ordinary shares of RM0.50 each in Titijaya at an issue price of RM0.50 each. This acquisition was completed on 29 March 2013 and Liberty Park becomes a wholly-owned subsidiary company of Titijaya.

(d) **Safetags**

On 27 September 2012, Titijaya entered into a conditional shares sale agreement with TGSB to acquire the entire issued and paid-up share capital in Safetags comprising 500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM22,498 satisfied by the issuance of 44,996 ordinary shares of RM0.50 each in Titijaya at an issue price of RM0.50 each. This acquisition was completed on 29 March 2013 and Safetags becomes a wholly-owned subsidiary company of Titijaya.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.1 **Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- 8.1.4 **Audited Consolidated Statement of Cash Flows of Titijaya Group (Continued)**
- B. EFFECTS ON ACQUISITIONS OF OTHER SUBSIDIARY COMPANIES (Continued)**

Effects on acquisitions of the following subsidiary companies (Continued):-

(e) **Aman Kemensah**

On 27 September 2012, Titijaya entered into a conditional shares sale agreement with TGSB to acquire the entire issued and paid-up share capital in Aman Kemensah comprising 1,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM31,087,251 satisfied by the issuance of 31,468,000 ordinary shares of RM0.50 each in Titijaya at an issue price of RM0.50 each and 30,706,502 RCPS of RM0.50 each in Titijaya at an issue price of RM0.50 each. This acquisition was completed on 29 March 2013 and Aman Kemensah becomes a wholly-owned subsidiary company of Titijaya.

(f) **Terbit Kelana**

On 27 September 2012, Titijaya entered into a conditional shares sale agreement with Puan Sri Datin Chan Lian Yen, Lim Puay Fung, Muhidin Bin Mohd Shari and Lim Soon Koon (collectively referred to as "Terbit Kelana Vendors") to acquire the entire issued and paid-up share capital in Terbit Kelana comprising 1,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM32,644,938 satisfied by the issuance of 53,884,000 ordinary shares of RM0.50 each in Titijaya at an issue price of RM0.50 each and 11,405,876 RCPS of RM0.50 each in Titijaya at an issue price of RM0.50 each. This acquisition was completed on 29 March 2013 and Terbit Kelana becomes a wholly-owned subsidiary company of Titijaya.

(g) **Pin Hwa**

On 27 September 2012, Titijaya entered into a conditional shares sale agreement with Puan Sri Datin Chan Lian Yen, Lim Puay Fung and Segaran A/L Subbircamanian (collectively referred to as "Pin Hwa Vendors") to acquire the entire issued and paid-up share capital in Pin Hwa comprising 1,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM19,747,914 satisfied by the issuance of 18,619,000 ordinary shares of RM0.50 each in Titijaya at an issue price of RM0.50 each and 20,876,827 RCPS of RM0.50 each in Titijaya at an issue price of RM0.50 each. This acquisition was completed on 29 March 2013 and Pin Hwa becomes a wholly-owned subsidiary company of Titijaya.

(h) **Epoch Property**

On 7 May 2013, Titijaya entered into a conditional shares sale agreement with Ang Lin Chu and Lim Kian Choon (collectively referred to as "Epoch Vendors") to acquire the entire issued and paid-up share capital in Epoch Property comprising 2 ordinary shares of RM1.00 each for a total purchase consideration of RM100,000 satisfied by cash. This acquisition was completed on 4 June 2013 and Epoch Property becomes a wholly-owned subsidiary company of Titijaya.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.1 **Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- 8.1.4 **Audited Consolidated Statement of Cash Flows of Titijaya Group (Continued)**
- B. EFFECTS ON ACQUISITIONS OF SUBSIDIARY COMPANIES (Continued)**

Effects on acquisitions of the following subsidiary companies (Continued):-

The fair values and carrying amounts of the identifiable assets and liabilities of the subsidiary companies as at the date of acquisitions are as follows:-

	Carrying Amount RM'000	Fair Value RM'000
Investment properties	8,359	71,380
Land held for property development	74,111	152,500
Property development costs	39,270	39,270
Trade and other receivables	60,358	60,358
Cash and bank balances	3,567	3,567
Trade and other payables	(86,460)	(86,460)
Progress billings in respect of property development costs	(33,045)	(33,045)
Provision for taxation	(501)	(501)
Bank borrowings	(36,471)	(36,471)
Deferred tax liabilities	-	(35,353)
Net identifiable assets	29,188	135,245
Add: Goodwill on consolidation (Note 8.1.5 (j))		1,596
Less: Gain on bargain purchase		(6,008)
Total purchase consideration		130,833
Less:		
Purchase consideration settled via the issuance of 164,178,996 ordinary shares of RM0.50 each		(82,090)
Purchase consideration settled via the issuance of 97,286,287 RCPS of RM0.50 each		(48,643)
		100
Less: Cash and cash equivalents of subsidiary companies acquired		(3,567)
Cash inflow on acquisition		(3,467)

From the dates of acquisitions, the above subsidiary companies have contributed RM1,728,963 to the Titijaya Group's profit net of tax.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
 8.1 **Audited Consolidated Financial Statements of Titijaya Group (Continued)**
 8.1.4 **Audited Consolidated Statement of Cash Flows of Titijaya Group (Continued)**

C. SUPPLEMENTARY INFORMATION

The directors of Titijaya Group have voluntarily disclosed the effects on the consolidated statement of cash flows resulting from the elimination of the pre-acquisition cash flow movements arising from the acquisitions of subsidiary companies during the financial period as below:-

	Financial period from 9 July 2012 to 30 June 2013		
	Total Before Eliminations of Pre-acquisition Cash Flows Movements RM'000	Eliminations of Pre-acquisition Cash Flows Movements RM'000	Audited Consolidated Statement of Cash Flows RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	71,032	2,464	73,496
Adjustments for:-			
Depreciation of investment properties	80	-	80
Depreciation of property, plant and equipment	283	1	284
Development expenditure written off	25	-	25
Dividend income	*	-	*
Gain on bargain purchase	-	(6,008)	(6,008)
Interest expense	1,306	(148)	1,158
Interest income	(381)	6	(375)
Interest income from compulsory acquisition of land	(847)	-	(847)
Waiver of interest income	45	-	45
Operating profit before working capital changes	71,543	(3,685)	67,858
Changes in working capital			
Inventories	1,825	-	1,825
Receivables	(82,771)	9,558	(73,213)
Payables	49,003	(39,302)	9,701
Property development costs	(15,130)	13,689	(1,441)
Net cash generated from operations	24,470	(19,740)	4,730
Income tax paid	(17,139)	917	(16,222)
Income tax refunded	348	-	348
Interests paid	(366)	-	(366)
Interests received	381	(6)	375
Net Operating Cash Flows	7,694	(18,829)	(11,135)
* (RM142)			

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.4 Audited Consolidated Statement of Cash Flows of Titijaya Group (Continued)

C. SUPPLEMENTARY INFORMATION (Continued)

	Financial period from 9 July 2012 to 30 June 2013		
	Total Before Eliminations of Pre-acquisition Cash Flows Movements RM'000	Eliminations of Pre-acquisition Cash Flows Movements RM'000	Audited Consolidated Statement of Cash Flows RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposit paid for acquisition of land held for property development	(11,364)	6,076	(5,288)
Dividend received	#	-	#
Interests received from compulsory acquisition of land	847	-	847
Land held for property development costs incurred	(3,459)	2,511	(948)
Net cash inflow from reverse acquisition (Note 8.1.4 A)	-	^	^
Net cash inflow from acquisitions of subsidiary companies (Note 8.1.4 B)	-	3,467	3,467
Purchase of property, plant and equipment	(51)	(1)	(52)
Net Investing Cash Flows	(14,027)	12,053	(1,974)
CASH FLOWS FROM FINANCING ACTIVITIES			
Fixed deposits pledged as security values	(593)	-	(593)
Interests paid	(5,750)	1,922	(3,828)
Net change in amounts from/to related parties	26,579	6,147	32,726
Drawdown of bank borrowings	16,880	(10,000)	6,880
Net repayment of bank borrowings	(29,610)	13,256	(16,354)
Repayment of hire purchase payables	(150)	-	(150)
Net Financing Cash Flows	7,356	11,325	18,681

RM122

^ RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)
- 8.1.4 Audited Consolidated Statement of Cash Flows of Titijaya Group (Continued)
- C. SUPPLEMENTARY INFORMATION (Continued)

	Financial period from 9 July 2012 to 30 June 2013		
	Total Before Eliminations of Pre-acquisition Cash Flows Movements RM'000	Eliminations of Pre-acquisition Cash Flows Movements RM'000	Audited Consolidated Statement of Cash Flows RM'000
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,023	4,549	5,572
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	11,023	(4,549)	6,474
CASH AND CASH EQUIVALENTS AT THE END OF THE THE FINANCIAL PERIOD	12,046	-	12,046
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and bank balances	26,435	-	26,435
Fixed deposits placed with licensed banks	3,698	-	3,698
Bank overdrafts	(14,389)	-	(14,389)
	15,744	-	15,744
Less: Fixed deposits held as security values	(3,698)	-	(3,698)
	12,046	-	12,046
NON-CASH INVESTING ACTIVITY			
Transfer from inventories to investment properties	3,778	-	3,778

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group

(a) Revenue

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Property development revenue	182,704
Revenue from sale of completed properties	3,187
Rental income	313
	186,204

(b) Cost of Sales

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Property development costs recognise as expenses	93,051
Profit shared by landowner via joint venture development	4,416
Costs of completed properties sold	1,800
Direct operating expenses arising from investment properties	18
	99,285

(c) Finance Costs

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Interest expense on:	
- Hire purchase	28
- Bank overdrafts	366
- Term loans	764
	1,158

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group
(Continued)

(d) Profit Before Tax

Profit before tax is arrived at after charging and crediting:-

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
After charging:-	
Auditors' remuneration:	
- Current financial period	105
- under accrual in prior financial year	12
- Other non-audit fees	107
Depreciation of investment properties	80
Depreciation of property, plant and equipment	284
Development expenditure written off	25
Directors' emoluments	
- Titijaya	1,417
- a subsidiary company	17
Listing expenses	80
Rental	24
Rental of equipment	1
Staff costs (Note 8.1.5 (e))	5,174
	<hr/>
And crediting:-	
Bank interest income	243
Dividend income from other investments	*
Fixed deposit interest income	93
Interest received from compulsory acquisition of land	847
Other interest income	39
Rental income	516
Gain on bargain purchase from acquisitions of subsidiary companies	6,008
	<hr/>

* RM142

13. ACCOUNTANTS' REPORT (Cont'd)

TTIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(e) Staff Costs

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Salaries, allowances and bonuses	4,190
Defined contribution plan	505
Other staff related expenses	479
	<u>5,174</u>
Included in staff costs were remunerations for key management personnel other than directors	
- Salaries, bonuses and allowances	604
- Define contribution plan	72
	<u>676</u>

Other key management personnel comprise persons other than the directors of Titijaya Group, having authority and responsibility for planning, directing and controlling the activities of Titijaya Group either directly or indirectly.

(f) Income Tax Expense

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Income tax	
- current financial period	17,835
- under accrual in prior financial year	94
	<u>17,929</u>
Deferred taxation (Note 8.1.5(v))	
- current financial period	3
- under accrual in prior financial year	1
	<u>17,933</u>

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report

8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.1 **Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- 8.1.5 **Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- (f) **Income Tax Expense (Continued)**

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the financial period.

The reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of Titijaya Group is as follows:-

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Profit before tax	73,496
Taxation at applicable statutory tax rate	18,374
Expenses not deductible for tax purposes	718
Income not subject to tax	(1,789)
Deemed disposal on withdrawal of inventories	376
Small medium enterprise tax savings	(2)
Deferred tax asset not recognised in profit or loss	161
Under accrual of current tax in prior financial year	94
Under accrual of deferred tax in prior financial year	1
Tax expense for the financial period	17,933

13. ACCOUNTANTS' REPORT (Cont'd)


TITIJAYA LAND BERHAD
 Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(g) Property, Plant and Equipment

Cost	Freehold						Total RM'000
	Land and Building RM'000	Computers RM'000	Office Equipment RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Renovation RM'000	
At 9 July 2012 (date of incorporation)	-	-	-	-	-	-	-
Arising from reverse acquisition	3,540	205	98	287	1,870	75	22
Additions	8	26	5	13	-	-	-
At 30 June 2013	3,548	231	103	300	1,870	75	22
Accumulated depreciation							
At 9 July 2012 (date of incorporation)	-	-	-	-	-	-	-
Arising from reverse acquisition	-	137	94	124	1,109	52	22
Depreciation for the financial period	-	21	3	41	214	5	-
At 30 June 2013	-	158	97	165	1,323	57	22
Net carrying amounts							
At 30 June 2013	3,548	73	6	135	547	18	^
^ <i>RM</i>							

Motor vehicles with a total carrying amount of RM564,684 were acquired under hire purchase arrangements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(h) Land Held for Property Development and Property Development Cost

(i) Land Held for Property Development

	Freehold land RM'000	Development costs RM'000	Total RM'000
At 9 July 2012 (date of incorporation)	-	-	-
Arising from reverse acquisition	10,100	1,112	11,212
Acquisition of subsidiary companies	130,569	21,931	152,500
Cost incurred during the financial period	-	1,458	1,458
Written off during the financial period	-	(25)	(25)
At 30 June 2013	<u>140,669</u>	<u>24,476</u>	<u>165,145</u>

Land held for property development have been pledged to financial institutions to secure credit facilities granted to Titijaya Group as disclosed in Note 8.1.5 (t).

Included in the land held for property development of Titijaya Group are RM509,557 being interest expense capitalised during the financial period.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(h) Land Held for Property Development and Property Development Cost (Continued)

(ii) Property Development Costs

	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
Cumulative Property Development Costs				
At 9 July 2012 (date of incorporation)	-	-	-	-
Arising from reverse acquisition	74,642	-	102,414	177,056
Acquisition of subsidiary companies	2,373	18,800	28,389	49,562
Costs incurred during the financial period	18	-	97,002	97,020
Reversal of completed projects	(8,566)	-	(115,230)	(123,796)
Unsold units transferred to inventories	(724)	-	(9,733)	(10,457)
At 30 June 2013	67,743	18,800	102,842	189,385
Cumulative Costs Recognised in Profit or Loss				
At 9 July 2012 (date of incorporation)	-	-	-	-
Arising from reverse acquisition	(3,183)	-	(47,947)	(51,130)
Acquisition of subsidiary companies	(403)	(905)	(8,984)	(10,292)
Recognised during the financial period	(6,018)	(267)	(86,766)	(93,051)
Reversal of completed projects	8,566	-	115,230	123,796
At 30 June 2013	(1,038)	(1,172)	(28,467)	(30,677)
Property Development Costs at 30 June 2013	66,705	17,628	74,375	158,708

Included in the property development costs of Titijaya Group are RM2,525,638 being interest expense capitalised during the financial period.

The freehold and leasehold lands under property development costs have been pledged to financial institutions to secure credit facilities granted to Titijaya Group as disclosed in Note 8.1.5(t).

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group
(Continued)

(i) Investment Properties

	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 9 July 2012 (date of incorporation)	-	-	-
Arising from reverse acquisition	609	871	1,480
Acquisition of subsidiary companies	71,380	-	71,380
Transfer from inventories	-	3,778	3,778
At 30 June 2013	<u>71,989</u>	<u>4,649</u>	<u>76,638</u>
Accumulated Depreciation			
At 9 July 2012 (date of incorporation)	-	-	-
Arising from reverse acquisition	-	52	52
Depreciation for the financial period	-	80	80
At 30 June 2013	<u>-</u>	<u>132</u>	<u>132</u>
Net Carrying Amount at 30 June 2013	<u>71,989</u>	<u>4,517</u>	<u>76,506</u>
Fair value of investment properties			<u>77,791</u>
Rental income generated			<u>748</u>

The fair value of investment properties of approximately RM76,380,000 is determined based on the valuation performed by the independent professional valuers with recent experience in the location and categories of land being valued.

Included in buildings is a self-constructed food court with a total carrying amount of RM1,410,536 which was completed on 28 August 2006 and located at Daerah Klang Utara. The directors are of the opinion that the fair value of investment properties is approximately their carrying amount.

The investment properties amounting to RM52,328,413 have been pledged to financial institutions to secure credit facilities granted to Titijaya Group as disclosed in Note 8.1.5(t).

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(j) Goodwill On Consolidation

	As at 30 June 2013 RM'000
At the date of incorporation	-
Acquisition of subsidiary companies	1,596
At the end of the financial period	<u>1,596</u>

(k) Other Investments

	Carrying Amount RM'000	Market Value of Quoted Investments RM'000
As at 30 June 2013		
Non-current		
Held for trading investments		
Unit trust funds	<u>5</u>	<u>6</u>

(l) Inventories

	As at 30 June 2013 RM'000
Completed properties held for sale, at cost	<u>14,146</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(m) Trade and Other Receivables

	As at 30 June 2013 RM'000
Trade receivables	28,171
Other receivables	1,471
Deposits	32,261
	33,732
Total trade and other receivables	61,903
Add:	
Fixed deposits placed with licensed banks (Note 8.1.5(n))	3,698
Cash and bank balances (Note 8.1.5(o))	26,435
Total loans and receivables	92,036

(i) Trade receivables

Titijaya Group's normal trade credit term ranges from 14 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Ageing analysis of trade receivables are as follows:-

	As at 30 June 2013 RM'000
Neither past due nor impaired	21,907
1 to 30 days past due not impaired	761
31 to 75 days past due not impaired	1,001
More than 75 days past due but not impaired	4,502
	28,171

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(m) Trade and Other receivables (Continued)

(i) Trade receivables (Continued)

Receivables that are neither past due nor impaired

The directors of Titijaya Group are of the opinion that no impairment loss is necessary in respect of these not past due trade receivables.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing approximately 22% of Titijaya Group's trade receivables are unsecured in nature.

Based on the management experience, no receivables past due were written off as a result of irrecoverability. The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of Titijaya Group are of the opinion that no impairment loss is necessary in respect of these past due trade receivables.

(ii) Deposit

Included in the deposits of Titijaya Group are amounts totaling RM30,625,912 in relation to the deposits paid for the purchase of land held for property development for a total consideration of RM127,103,264. The balance of the purchase considerations are disclosed as capital commitment in Note 8.1.5(y).

(n) Fixed Deposits Placed With Licensed Banks

Fixed deposits placed with licensed banks have maturity dates of one (1) month which bear interests rates ranging from 2.75% to 2.80% per annum for the financial period under review.

Fixed deposits placed with licensed banks have been pledged to the licensed banks to secure credit facilities granted to Titijaya Group as disclosed in Note 8.1.5(t).

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(o) Cash and Bank Balances

	As at 30 June 2013 RM'000
Short term funds	5
Cash in hand	8
Housing development accounts	6,681
Cash at bank	19,741
	<u>26,435</u>

The housing development accounts ("HDA") which held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966, comprises monies received from purchasers, are for the payment of property development expenditure incurred and are restricted from use in other operations. The surplus monies, if any, will be released to the subsidiary companies upon the completion of the property development projects and after all property development expenditure have been fully settled.

The short term funds represent investment in fixed income trust funds which can be redeemed within a period of less than 30 days with tax exempt interest at the rates ranging from 2.00% to 2.23% per annum.

(p) Holding Company

The directors of Titijaya regard TGSB, a company incorporated and domiciled in Malaysia, as the holding company.

(q) Share Capital

	As at 30 June 2013	
	Number of Shares Unit ('000)	RM'000
Authorised		
Ordinary Shares #		
At the date of incorporation	100	100
Subdivided during the financial period (Note 8.1.5(q)(i))	100	-
Created during the financial period (Note 8.1.5(q)(ii))	499,800	249,900
At the end of the financial period	<u>500,000</u>	<u>250,000</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(q) Share Capital (Continued)

	As at 30 June 2013	
	Number of Shares Unit ('000)	RM'000
RCPS of RM0.50 each		
At the date of incorporation	-	-
Created during the financial period (Note 8.1.5(q)(ii))	100,000	50,000
At the end of the financial period	<u>100,000</u>	<u>50,000</u>
Issued and fully paid		
Ordinary Shares #		
At the date of incorporation	*	>
Subdivided during the financial period (Note 8.1.5(q)(i))	*	-
Issued during the financial period (Note 8.1.5(q)(iii))	258,295	129,148
At the end of the financial period	<u>258,295</u>	<u>129,148</u>
RCPS of RM0.50 each		
At the date of incorporation	-	-
Issued during the financial period (Note 8.1.5(q)(iv))	100,000	50,000
At the end of the financial period	<u>100,000</u>	<u>50,000</u>

* 2 shares

> RM2

Prior to the share subdivision as described in Note 8.1.5(q)(i), the ordinary shares has a par value of RM1.00 each. Pursuant to the share subdivision, the par value of the ordinary shares became RM0.50 each.

(i) On 27 July 2012, Titijaya subdivided its authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM100,000 comprising 200,000 ordinary shares of RM0.50 each;

(ii) On 26 March 2013, Titijaya increased its authorised share capital of RM100,000 comprising 200,000 ordinary shares of RM0.50 each to RM300,000,000 by the creation of an additional 499,800,000 new ordinary shares of RM0.50 each and 100,000,000 RCPS of RM0.50 each;

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(q) Share Capital (Continued)

(iii) On 29 March 2013, Titijaya increased its issued and paid-up ordinary share capital from RM2 to RM129,147,500 by way of the issuance of 258,294,996 ordinary shares of RM0.50 each as partial settlement of the purchase consideration for the acquisitions of subsidiary companies; and

(iv) Titijaya had issued 100,000,000 5-years RCPS of RM0.50 each at the nominal amount of RM0.50 as partial settlement of the purchase consideration for the acquisition of certain subsidiary companies. These RCPS were segregated into equity and liability components of RM12,387,689 and RM33,483,082 respectively. The liability component and the principal terms of the RCPS are disclosed in Note 8.1.5(u).

(r) Reserve Arising From Reverse Acquisition

The reserve arising from reverse acquisition is arising from the acquisition of NPO Development.

(s) Hire Purchase Payables

	As at 30 June 2013 RM'000
Minimum hire purchase payments	
- within twelve months	178
- more than twelve months	331
	<u>509</u>
Less: Future interest charges	(38)
Present value of hire purchase payables	<u>471</u>
Analysis of present value of hire purchase payables	
- not later than one year	158
- later than one year and not later than five years	313
	<u>471</u>

The hire purchase payables bear interest at the rates ranging from 1.88% to 3.66% per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(t) Bank Borrowings

	As at 30 June 2013 RM'000
Short term bank borrowings	
Bank overdrafts	14,389
Term loans	14,950
	29,339
Long term bank borrowings	
Term loans	42,242
Bridging loan	1,673
	43,915
Total bank borrowings (secured)	73,254
Comprising portion repayable	
Within one year	29,339
More than one year but less than two years	22,153
More than two years but less than five years	12,542
More than five years	9,220
	73,254

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)****(t) Bank Borrowings (Continued)**

The bank borrowings are secured by the following:-

- (a) First and third party legal charges over the development properties;
- (b) Fixed legal charges over the land held for property development;
- (c) First legal charge over an investment property;
- (d) Specific and supplementary debentures over the present and future assets on the property development land;
- (e) Specific debenture by a third party company incorporating a fixed charge for all monies owing or payable under the banking facilities over the development properties;
- (f) Facility agreements between certain subsidiary companies and the financial institutions;
- (g) Assignment of all rights, title and interest in respect of the rental proceeds for a property from the tenant in favour of the lender;
- (h) Deeds of assignment over the property, plant and equipment and all the sale proceeds arising from the property development projects and monies in the project accounts maintained with the licensed banks granting the facilities;
- (i) Assignment and supplementary assignment of housing development accounts and project accounts of the development project;
- (j) Pledged of fixed deposits together with the interests accrued thereon;
- (k) Corporate guarantee granted by TGSB and a subsidiary company;
- (l) Jointly and severally guarantee by certain directors of Titijaya; and
- (m) Deed of undertaking from TGSB, a subsidiary company and certain directors of Titijaya.

The term loans are repayable by way as follow:-

- (a) 24 monthly principal instalments of RM572,000 each commencing 30 months from the date of first drawdown of the term loan;
- (b) 60 equal monthly instalments comprising principal and interest of RM292,779 each;
- (c) 35 and 37 monthly instalments of RM416,660 and RM243,426 each commencing June 2012 and June 2011, with a final instalment of RM416,900 and RM245,144 respectively;
- (d) 180 equal monthly instalments comprising principal and interests of RM79,602 each;
- (e) 168 equal monthly instalments of RM59,524 commencing November 2010;
- (f) 157 monthly instalments RM20,985 commencing October 2011; and/or
- (g) Redemption of titles or via a reduction schedule, whichever is earlier.

The bridging loan is repayable 24 monthly principal instalments of RM1,250,000 each commencing 30 months from the date of first drawdown of the bridging loan or repayment via redemption for units sold.

The bank borrowings bear interests at rates which are on a floating rate basis ranging 5.10% to 8.35% per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(u) RCPS – Liability Component

The RCPS was segregated into equity and liability components at inception. The liability component was computed applying the prevailing market interest rate of 8.35% to the estimated future cash flows up till the date of redemption.

The principal terms of the RCPS are as follows:-

- (a) The RCPS has a par value of RM0.50 each and bears zero dividend rate.
- (b) The RCPS has a maturity period of five (5) years from the date of issuance. Redemption of the RCPS by Titijaya at 100% of its nominal value is only allowed at the sole option of Titijaya at any time during the tenure of the RCPS. Any RCPS not redeemed or converted shall, on Maturity Date, be automatically redeemed by the Company at 100% of its nominal value.
- (c) The registered holder will have the right to convert the RCPS on the basis of one (1) new Titijaya's ordinary share of RM0.50 each for every three (3) RCPS held at any time from the issuance date until the maturity, subject to the maximum amount of conversion as stipulated at each conversion period.
- (d) The RCPS shall carry no right to vote at any general meetings of Titijaya Group except with regards to any proposal on the followings:-
 - (i) any proposal to wind up Titijaya Group;
 - (ii) during the winding up of Titijaya Group;
 - (iii) on any proposal that affects the rights of the RCPS holders;
 - (iv) on a proposal to reduce the Titijaya Group's share capital; or
 - (v) on a proposal for the disposal of the whole of Titijaya Group's property, business and undertaking;
- (e) In any such case, the RCPS holders shall be entitled to vote together with the holders of ordinary shares and to one (1) vote for each RCPS held.
- (f) The RCPS will not be listed. However, the new shares to be issued upon conversion of the RCPS will be listed on the Main Market of Bursa Malaysia Securities Berhad

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)
- 8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)
- (v) Deferred Tax Liabilities

	As at 30 June 2013 RM'000
At 9 July 2012 (date of incorporation)	-
Arising from reverse acquisition	13
Recognised in profit or loss during the financial period	4
Fair value adjustments arising from business combination	35,353
Pursuant to the issuance of RCPS (Note 8.1.5(u))	4,129
At 30 June 2013	<u>39,499</u>

The deferred tax liabilities comprise the following:-

	As at 30 June 2013 RM'000
Tax effects on temporary differences arising from:-	
Property, plant and equipment	17
Investment properties	15,755
Land held for property development	19,598
RCPS	4,129
At 30 June 2013	<u>39,499</u>

Deferred tax assets have not been recognised in respect of the following items:-

	9 July 2012 to 30 June 2013 RM'000
Deferred tax assets	
Unutilised tax losses	<u>3,753</u>
Potential deferred tax benefit at 25%	<u>938</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(w) Trade and Other Payables

	As at 30 June 2013 RM'000
Trade payables	22,739
Amount due to related parties	
Holding company	945
Directors	6,336
Related companies	38,710
Companies in which persons connected to certain directors have financial interests	49
Companies in which certain directors have financial interests	5,270
Other payables	39,163
Accruals	27,583
Deposits	10,023
	128,079
Total trade and other payables	150,818
Add: Hire purchase payables (Note 8.1.5(s))	471
Bank borrowings (Note 8.1.5(t))	73,254
RCPS (Note 8.1.5(u))	33,483
Total other financial liabilities carried at amortised cost	258,026

(i) Trade payables

The normal trade credit terms granted to Titijaya Group ranges from 30 days to 90 days.

(ii) Amounts due to related parties

The amounts due to related parties are unsecured, interest free and repayable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(w) Trade and Other Payables (Continued)

(iii) Accruals

Included in accruals are amounts totalling RM26,987,488 which represents costs accrued for the development projects undertaken by Titijaya Group.

(iv) Deposits

Included in deposits are in relation to partial payments towards the sales of development properties. Included herein is an amount of RM1,750,500 being deposits received from a person connected to certain directors of Titijaya in relation to the sales of development properties.

(x) Contingent liabilities

(a) Corporate guarantees

Corporate guarantees for credit facilities granted to related companies

As at
30 June 2013
RM'000

55,932

The corporate guarantees for credit facilities granted to related companies were fully discharged subsequent to the reporting date.

(b) Legal suit

- (i) On 22 August 2013, a subsidiary company, Sendi Bangga, received from a writ of summon and statement of claim from a nominated sub-contractor of Sendi Bangga's trade payable for a breach of collateral contract. The sub-contractor alleged that it has suffered loss and damage and thereby claims against Sendi Bangga.

Sendi Bangga filed its defence and striking out application on 19 September 2013. As at the date of this report, the trial dates have been fixed from 8 January 2014 to 10 January 2014.

The management is of the opinion that the claim is not valid as the nominated sub-contractor has no contractual relationship with Sendi Bangga. Accordingly, no provision for liabilities was made.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

- 8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.1 **Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- 8.1.5 **Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- (x) **Contingent liabilities (Continued)**
 - (b) **Legal suit (Continued)**

- (ii) On 15 June 2010, a subsidiary company, NPO Development, received from a writ of summons dated 2 June 2010 and Statement of Claim dated 17 May 2010 from a trade creditor in respect of an alleged outstanding architectural fees which are due and owing by NPO Development amounting to RM2,980,575 in respect of certain proposed projects. NPO Development had filed the statement of defence dated 21 July 2010 to dispute the amount of fees claimed contending that the sum claimed is not in accordance with the agreed fees and the work done is not up to the stage indicated in the respective bills.

On 23 August 2010, the said trade creditor had made an application to amend the name of the defendant from NPO Development to another subsidiary company, NPO Land. The court has granted the permission for the said trade creditor and NPO Land to amend the statement of claim and statement of defence on 23 September 2010 and 29 November 2011 respectively.

The matter was fixed for mediation on 17 July 2012 and the said trade creditor was directed to forward all the relevant documents to substantiate its claim against NPO Land. The mediation before the High Court Judge which was fixed on 6 November 2012 had failed and the parties were directed to proceed with case management scheduled on 28 November 2012. On the said date, the matter was fixed for full trial on 18 March 2013 and 19 March 2013. Subsequently on 10 January 2013, the High Court had struck out the said trade creditor's claim with no liberty to file afresh together with costs of RM5,000 paid by the said trade creditor to NPO Land. The said trade creditor may proceed to continue the matter by arbitration but as at to-date, no formal notice has been issued.

Based on the above, the management of NPO Land is of the opinion that the claim is not in accordance with the agreed fees and the work done is not up to the state indicated in the respective bills. Accordingly, no provision for liabilities was made by NPO Land.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)
- 8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)
- (y) Capital Commitments

As at
30 June 2013
RM'000

Capital commitments as at the reporting date:

Approved and contracted but not provided for:-

- Land held for property development

Purchase considerations	127,103
Less: Deposit paid (Note 8.1.5(m))	(30,626)

Capital commitments	96,477
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In addition, a subsidiary company had granted a promotion scheme to various buyers whereby the said subsidiary company will bear the first year service charges of the buyers upon the completion of the related development properties. As at the end of reporting period, the related commitments are totaling RM1,905,599.

Subsequent to FYE 30 June 2013, the acquisition of a parcel of land held for property development by a subsidiary company was completed on 28 August 2013.

(z) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Titijaya Group or that has an interest in Titijaya Group that gives it significant influence over Titijaya Group's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Titijaya Group resides with, directly or indirectly.

The nature of the relationship with the related corporations is as follows:

<u>Related Parties</u>	<u>Nature of Relationship</u>
NPO Trading Sdn Bhd	A related company which is a wholly-owned subsidiary company of TGSB
Titijaya Asset Sdn Bhd	A related company which is a wholly-owned subsidiary company of TGSB
Pin Hwa*	A wholly-owned subsidiary company
Safetags#	A wholly-owned subsidiary company

* Prior to 29 March 2013, Pin Hwa was a company in which a director has interest.

Prior to 29 March 2013, Safetags was a wholly-owned subsidiary company of TGSB.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.1 **Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- 8.1.5 **Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- (z) **Significant Related Party Disclosures (Continued)**

Significant transactions between Titijaya and its related parties during the financial period are as follows:-

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Pin Hwa	
- Project management fee paid	275
- Revenue from joint venture development	4,416
Safetags	
- Project management fee paid	201
NPO Trading Sdn. Bhd.	
- Supply of building materials	191

(aa) **Financial Instruments**(i) **Financial Risk Management and Objectives**

Titijaya Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Directors of Titijaya Group review and agree policies and procedures for the management of these risks.

The following sections provide details regarding Titijaya Group's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Titijaya Group's exposure to credit risk arises primarily from trade and other receivables.

Titijaya Group's objective is to seek continual revenue growth while minimising losses incurred due to increase credit risk exposure. Receivable balances are monitored on an on-going basis with the result that Titijaya Group's exposure to bad debts is not significant.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.1 **Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- 8.1.5 **Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- (aa) **Financial Instruments (Continued)**
- (i) **Financial Risk Management and Objectives (Continued)**
- (a) **Credit risk (Continued)**

Exposure to credit risk

At the reporting date, Titijaya Group's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 8.1.5(m).

Receivables that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.1.5(m).

Receivables that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.1.5(m).

Credit risk concentration profile

At reporting date, there was no significant concentration of credit risk in Titijaya Group.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(aa) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(b) Liquidity risk

Liquidity risk is the risk that Titijaya Group will encounter difficulty in meeting financial obligations due to shortage of funds, Titijaya Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities.

At 30 June 2013, approximately 40% of Titijaya Group's loans and borrowings, as disclosed in Notes 8.1.5(s) and 8.1.5(t), will mature in less than one year based on the carrying amounts reflected in the statement of financial position.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of Titijaya Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
As at 30 June 2013				
Trade payables	22,739	-	-	22,739
Other payables, deposits and accruals	128,079	-	-	128,079
Hire purchase payables	178	331	-	509
Borrowings	31,699	37,810	10,978	80,487
RCPS	-	33,483	-	33,483
	<u>182,695</u>	<u>71,624</u>	<u>10,978</u>	<u>265,297</u>

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report

8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.1 **Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- 8.1.5 **Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- (aa) **Financial Instruments (Continued)**
- (i) **Financial Risk Management and Objectives (Continued)**

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of Titijaya Group's financial instruments will fluctuate because of changes in market interest rates.

Titijaya Group's exposure to interest rate risk arises primarily from their loans and borrowings. Most of Titijaya Group's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by Bank Negara Malaysia.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Titijaya Group's profit after tax:-

	Carrying amount RM'000	Movement in basis point	Effect on profit after tax RM'000
30 June 2013			
Fixed deposits placed with licensed banks	3,698	0.50%	14
Bank borrowings	73,254	0.50%	275
Net effect			<u>261</u>

The profit after tax will be higher/lower when the interest rates decrease/increase.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)****(aa) Financial Instruments (Continued)****(ii) Fair Values****(a) Recognised financial instruments**

The fair values of financial assets and financial liabilities of Titijaya Group approximate their carrying values on the statement of financial position of Titijaya Group.

(b) Unrecognised financial instruments

Fair value of other investments is determined directly by reference to their published market closing price at the reporting date.

Titijaya Group's financial instruments carried at fair value by level of fair value hierarchy in which the different levels have been defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical financial instrument
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Lever 3: Inputs for the financial instrument that are not based on observable market data

The other investments of Titijaya Group amounting to RM5,478 is measured at Level 1 hierarchy.

Titijaya Group does not have any financial assets or financial liabilities measured at Levels 2 and 3 hierarchy.

The nominal/notional amount and net fair value of contingent liabilities as disclosed in Note 8.1.5(x) are not recognised in the statement of financial position as at 30 June 2013 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

There were no other unrecognised financial instruments as at 30 June 2013 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.1 **Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- 8.1.5 **Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)**
- (ab) **Capital Management**

The primary objective of Titijaya Group's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

Titijaya Group manages their capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Titijaya Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

Titijaya Group monitors the level of dividends to be paid to shareholders. Titijaya Group's objective is to pay out regular dividends to the shareholders based on the level of Titijaya Group's profitability and cash flows.

The capital structure of Titijaya Group consists of equity attributable to the owner of Titijaya, comprising share capital, retained earnings and total liabilities.

The debt-to-equity ratio is as follows:-

	As at 30 June 2013 RM'000
Total liabilities	392,742
Equity attributable to the owner of Titijaya	201,123
Debt-to-equity ratio	195.3%

There were no changes in Titijaya Group's approach to capital management during the financial period.

Titijaya Group is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of Titijaya Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of Titijaya Group (Continued)

(ac) Events After The Reporting Period

- (i) On 9 July 2013, Titijaya Group acquired two (2) ordinary shares of RM1 each representing 100% equity interest in Titijaya PMC for a total cash consideration of RM2.
- (ii) On 9 July 2013, Titijaya Group acquired two (2) ordinary shares of RM1 each representing 100% equity interest in Prosperous Hectares for a total cash consideration of RM2.

(ad) Comparative Figures

No comparatives have been presented for Titijaya Group as the current financial period is the first period where consolidated financial statements are prepared.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya

8.2.1 Audited Statement of Comprehensive Income of Titijaya

The audited statement of comprehensive income of Titijaya for the financial period from 9 July 2012 (date of incorporation) to 30 June 2013 is as follows:-

	Note	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Revenue		-
Cost of sales		-
Gross profit		-
Administrative expenses		(75)
Other expenses		(1,129)
Operating profits		(1,204)
Finance costs		-
Loss before tax	8.2.5 (a)	(1,204)
Income tax expense	8.2.5 (b)	-
Net loss for the financial period, representing total comprehensive loss for the financial period		(1,204)
<i>Gross profit margin (%)</i>		N/A
<i>Loss before tax margin (%)</i>		N/A
<i>Effective tax rate (%)</i>		N/A
<i>Weighted average number of ordinary shares in issue of RM1.00 each ('000)</i>		68,010
<i>Gross loss per share ("LPS") (RM)</i>		(0.02)
<i>Net LPS (RM)</i>		(0.02)

N/A: Not Applicable

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya (Continued)

8.2.2 Audited Statement of Financial Position of Titijaya

The audited statement of financial position of Titijaya as at 30 June 2013 is as follows:-

	Note	As at 30 June 2013 RM'000
Non-current assets		
Investments in subsidiary companies	8.2.5 (c)	181,747
Total non-current assets		<u>181,747</u>
Current assets		
Cash and bank balances	8.2.5 (d)	12
Total current assets		<u>12</u>
TOTAL ASSETS		<u>181,759</u>
EQUITY AND LIABILITIES		
Equity attributable to the owner of Titijaya		
Share capital	8.2.5 (f)	129,148
RCPS - equity component	8.2.5 (f)	12,388
Current financial period loss		(1,204)
Total equity		<u>140,332</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya (Continued)

8.2.2 Audited Statement of Financial Position of Titijaya (Continued)

	Note	As at 30 June 2013 RM'000
Non-current liabilities		
RCPS - liability component	8.2.5 (f),(g)	33,483
Deferred tax liabilities	8.2.5 (h)	4,129
Total non-current liabilities		37,612
Current liabilities		
Other payables	8.2.5 (i)	3,815
Total current liabilities		3,815
Total liabilities		41,427
TOTAL EQUITY AND LIABILITIES		181,759
<i>Number of ordinary shares</i>		
<i>in issue of RM1.00 each ('000)</i>		258,296
<i>NTA (RM'000)</i>		140,332
<i>NTA per ordinary share (RM)</i>		0.54
<i>NA (RM'000)</i>		140,332
<i>NA per ordinary share (RM)</i>		0.54

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya (Continued)

8.2.3 Audited Statement of Changes in Equity of Titijaya

The audited statement of changes in equity of Titijaya for the financial period from 9 July 2012 (date of incorporation) to 30 June 2013 is as follows:-

		Non- <u>Distributable</u>	<u>Distributable</u>	
		RCPS - Equity Component	Current Financial Period Loss	Total Equity
Note	Share Capital RM'000	RM'000	RM'000	RM'000
At 9 July 2012 (date of incorporation)	*	-	-	*
Shares issued for acquisitions of subsidiary companies	8.2.5 (f) 129,148	-	-	129,148
RCPS issued for acquisitions of subsidiary companies	8.2.5 (f) -	12,388	-	12,388
Total comprehensive loss for the financial period	-	-	(1,204)	(1,204)
At 30 June 2013	129,148	12,388	(1,204)	140,332

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya (Continued)

8.2.4 Audited Statement of Cash Flows of Titijaya

The audited statement of cash flows of Titijaya for the financial period from 9 July 2012 (date of incorporation) to 30 June 2013 is as follows:-

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(1,204)
Change In Working Capital	
Payables	835
Net Operating Cash Flows	<u>(369)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of a subsidiary company	(100)
Additional investment in a subsidiary company	(2,499)
Net Investing Cash Flows	<u>(2,599)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net changes in amounts due to subsidiary companies	2,980
Net Financing Cash Flows	<u>2,980</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	12
CASH AND CASH EQUIVALENTS AT THE DATE OF INCORPORATION	*
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>12</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	<u>12</u>

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya (Continued)

8.2.5 Notes to the Audited Financial Statements of Titijaya

(a) Loss Before Tax

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
After charging:-	
Auditors' remuneration:	
- Current financial period	6
- Other non-audit fees	107
Listing expenses	1,022
	<hr/>

(b) Income Tax Expense

No provision for income tax has been made as Titijaya incurred losses and has no chargeable income during the financial period.

The reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of Titijaya is as follows:-

	Financial Period from 9 July 2012 to 30 June 2013 RM'000
Loss before tax	(1,204)
	<hr/>
Taxation at applicable statutory tax rate	301
Expenses not deductible for tax purposes	(301)
	<hr/>
Tax expense for the financial period	-
	<hr/>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya (Continued)

8.2.5 Notes to the Audited Financial Statements of Titijaya (Continued)

(c) Investment In Subsidiary Companies

As at
30 June
2013
RM'000

Unquoted shares - at cost 181,747

The details of the subsidiary companies are as follows:

Name of subsidiary companies	Country of Incorporation	Effective Equity Interest 30.6.2013	Principal Activities
<i>Held by the Company:</i>			
NPO Development	Malaysia	100%	Property development
SACC	Malaysia	100%	Property development
City Meridian	Malaysia	100%	Property development
Safetags	Malaysia	100%	Property development
Liberty Park	Malaysia	100%	Property development
Aman Kemensah	Malaysia	100%	Property development
Terbit Kelana	Malaysia	100%	Investment holding
Pin Hwa	Malaysia	100%	Investment holding and joint venture for property development
Epoch Property *	Malaysia	100%	Property development
<i>Held through NPO Development:</i>			
NPO Land	Malaysia	100%	Property development
Sendi Bangsa	Malaysia	100%	Property development

* Audited by another firm of chartered accountants other than Messrs Baker Tilly Monteiro Heng.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya (Continued)

8.2.5 Notes to the Audited Financial Statements of Titijaya (Continued)

(d) Cash and Bank Balances

	As at 30 June 2013 RM'000
Cash in hand	*
Cash at bank	12
	<u>12</u>

* RM2

(e) Holding Company

The directors of Titijaya regard TGSB, a company incorporated and domiciled in Malaysia, as the holding company.

(f) Share Capital

	As at 30 June 2013	
	Number of Shares Unit ('000)	RM'000
Authorised		
Ordinary shares #		
At the date of incorporation	100	100
Subdivided during the financial period (Note 8.2.5(f)(i))	100	-
Create during the financial period (Note 8.2.5(f)(ii))	499,800	249,900
At the end of the financial period	<u>500,000</u>	<u>250,000</u>
RCPS of RM0.50 each		
At the date of incorporation	-	-
Create during the financial period (Note 8.2.5(f)(ii))	100,000	50,000
At the end of the financial period	<u>100,000</u>	<u>50,000</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.2 **Audited Financial Statements of Titijaya (Continued)**
- 8.2.5 **Notes to the Audited Financial Statements of Titijaya (Continued)**
- (f) **Share Capital (Continued)**

	As at 30 June 2013	
	Number of Shares	
	Unit ('000)	RM'000
Issued and fully paid		
Ordinary shares #		
At the date of incorporation	*	<
Subdivided during the financial period (Note 8.2.5(f)(i))		
Issued during the financial period (Note 8.2.5(f)(iii))	258,295	129,148
At the end of the financial period	<u>258,295</u>	<u>129,148</u>
RCPS of RM0.50 each		
At the date of incorporation	-	-
Issued during the financial period (Note 8.2.5(f)(iv))	100,000	50,000
At the end of the financial period	<u>100,000</u>	<u>50,000</u>

* 2 shares < RM2

- # Prior to the share subdivision as described in Note 8.2.5(f)(i), the ordinary shares has a par value of RM1.00 each. Pursuant to the share subdivision, the par value of the ordinary shares became RM0.50 each.
- (i) On 27 July 2012, Titijaya subdivided its authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM100,000 comprising 200,000 ordinary shares of RM0.50 each;
- (ii) On 26 March 2013, Titijaya increased its authorised share capital of RM100,000 comprising 200,000 ordinary shares of RM0.50 each to RM300,000,000 by the creation of an additional 499,800,000 new ordinary shares of RM0.50 each and 100,000,000 RCPS of RM0.50 each; and
- (iii) On 29 March 2013, Titijaya increased its issued and paid-up ordinary share capital from RM2 to RM129,147,500 by way of the issuance of 258,294,996 ordinary shares of RM0.50 each as partial settlement of the purchase consideration for the acquisitions of subsidiary companies.
- (iv) Titijaya had issued 100,000,000 5-year RCPS of RM0.50 each at the nominal amount of RM0.50 as partial settlement of the purchase consideration for the acquisitions of certain subsidiary companies. These RCPS were segregated into equity and liability components of RM12,387,689 and RM33,483,082 respectively. The liability component and the principal terms of the RCPS are disclosed in Note 8.2.5(g).

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.2 Audited Financial Statements of Titijaya (Continued)****8.2.5 Notes to the Audited Financial Statements of Titijaya (Continued)****(g) RCPS – Liability Component**

The RCPS was segregated into equity and liability components at inception. The liability component was computed applying the prevailing market interest rate of 8.35% to the estimated future cash flows up till the date of redemption.

The principal terms of the RCPS are as follows:-

- (a) The RCPS has a par value of RM0.50 each and bears zero dividend rate.
- (b) The RCPS has a maturity period of five (5) years from the date of issuance. Redemption of the RCPS by Titijaya at 100% of its nominal value is only allowed at the sole option of Titijaya at any time during the tenure of the RCPS. Any RCPS not redeemed or converted shall, on maturity date, be automatically redeemed by Titijaya at 100% of its nominal value.
- (c) The registered holder will have the right to convert the RCPS on the basis of one (1) new Titijaya's ordinary share of RM0.50 each for every three (3) RCPS held at any time from the issuance date until the maturity, subject to the maximum amount of conversion as stipulated at each conversion period.
- (d) The RCPS shall carry no right to vote at any general meetings of Titijaya except with regards to any proposal on the followings:-
 - (i) any proposal to wind up Titijaya ;
 - (ii) during the winding up of Titijaya;
 - (iii) on any proposal that affects the rights of the RCPS holders;
 - (iv) on a proposal to reduce the Titijaya's share capital; or
 - (v) on a proposal for the disposal of the whole of Titijaya's property, business and undertaking.
- (e) In any such case, the RCPS holders shall be entitled to vote together with the holders of ordinary shares and to one (1) vote for each RCPS held.
- (g) The RCPS will not be listed. However, the new shares to be issued upon conversion of the RCPS will be listed on the Main Market of Bursa Malaysia Securities Berhad

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya (Continued)

8.2.5 Notes to the Audited Financial Statements of Titijaya (Continued)

(h) Deferred Tax Liabilities

	As at 30 June 2013 RM'000
At 9 July 2012 (date of incorporation)	-
Pursuant to the issuance of RCPS (Note 8.2.5(g))	4,129
At 30 June 2013	<u>4,129</u>

The deferred tax liabilities comprise the following:-

	As at 30 June 2013 RM'000
Tax effects on temporary differences arising from:-	
RCPS	4,129
At 30 June 2013	<u>4,129</u>

(i) Other Payables

	As at 30 June 2013 RM'000
Other payables	
Amount due to related parties	
Subsidiary companies	2,980
Other payables	829
Accruals	6
Total other payables	<u>3,815</u>
Add: RCPS (Note 8.2.5(g))	33,483
Total other financial liabilities carried at amortised cost	<u>37,298</u>

Amounts due to related parties

The amounts due to related parties are unsecured, interest free and payable upon demand.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.2 Audited Financial Statements of Titijaya (Continued)****8.2.5 Notes to the Audited Financial Statements of Titijaya (Continued)****(j) Significant Related Party Disclosures**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Titijaya or that has an interest in Titijaya that gives it significant influence over Titijaya's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Titijaya resides with, directly or indirectly.

There were no significant transactions between Titijaya and its related parties during the financial period and the outstanding balances are disclosed in the respective notes.

(l) Financial Instruments**(i) Financial Risk Management and Objectives**

Titijaya has limited number of transactions and does not have significant exposure to financial risks.

(ii) Fair Values**(a) Recognised financial instruments**

The fair values of financial assets and financial liabilities of Titijaya approximate their carrying values on the statement of financial position of Titijaya.

(b) Unrecognised financial instruments

There were no unrecognised financial instruments as at 30 June 2013 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Titijaya (Continued)

8.2.5 Notes to the Audited Financial Statements of Titijaya (Continued)

(m) Capital Management

The primary objective of Titijaya's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

Titijaya manages their capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Titijaya may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

Titijaya monitors the level of dividends to be paid to shareholders. Titijaya's objective is to pay out regular dividends to the shareholders based on the level of Titijaya's profitability and cash flows.

The capital structure of Titijaya consists of equity attributable to the owner of Titijaya, comprising share capital, (accumulated losses) and total liabilities.

The debt-to-equity ratio is as follows:-

	As at 30 June 2013 RM'000
Total liabilities	41,427
Equity attributable to owner	140,332
Debt-to-equity ratio	29.5%

There were no changes in Titijaya's approach to capital management during the financial period.

Titijaya is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT *(Cont'd)*

TITIJAYA LAND BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS *(Continued)*

8.2 Audited Financial Statements of Titijaya *(Continued)*

8.2.5 Notes to the Audited Financial Statements of Titijaya *(Continued)*

(n) Events After The Reporting Period

(i) On 9 July 2013, Titijaya acquired two (2) ordinary shares of RM1 each representing 100% equity interest in Titijaya PMC for a total cash consideration of RM2.

(ii) On 9 July 2013, Titijaya acquired two (2) ordinary shares of RM1 each representing 100% equity interest in Prosperous Hectares for a total cash consideration of RM2.

(o) Comparative Figures

No comparatives have been presented for Titijaya as the current financial period is the first period where financial statements are prepared since its corporation.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development

8.3.1 Audited Statements of Comprehensive Income of NPO Development

The audited statements of comprehensive income of NPO Development for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	FYE 30 June				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	8.3.5 (a)	137,753	63,619	60,955	19,622	24,258
Cost of sales	8.3.5 (b)	(114,801)	(43,028)	(39,144)	(13,234)	(16,155)
Gross profit		22,952	20,591	21,811	6,388	8,103
Other income		1,409	2,128	3,098	3,081	4,567
Selling and distribution expenses		(1,696)	(714)	(1,400)	(684)	(349)
Administrative expenses		(3,883)	(3,711)	(4,203)	(5,396)	(7,173)
Other expenses		(1,272)	(1,534)	(2,855)	(2,200)	(1,808)
Operating profits		17,510	16,760	16,451	1,189	3,340
Finance costs	8.3.5 (e)	(211)	(1,149)	(3,505)	(632)	(911)
Profit before tax	8.3.5 (d)	17,299	15,611	12,946	557	2,429
Income tax expense	8.3.5 (f)	(4,370)	(3,968)	(3,641)	(521)	(1,265)
Net profit for the financial years, representing total comprehensive income for the financial years		12,929	11,643	9,305	36	1,164
<i>Gross profit margin (%)</i>		<i>16.66</i>	<i>32.37</i>	<i>35.78</i>	<i>32.56</i>	<i>33.40</i>
<i>Profit before tax margin (%)</i>		<i>12.56</i>	<i>24.54</i>	<i>21.24</i>	<i>2.84</i>	<i>10.01</i>
<i>Effective tax rate (%)</i>		<i>25.26</i>	<i>25.42</i>	<i>28.12</i>	<i>93.54</i>	<i>52.08</i>
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>		<i>2,000</i>	<i>2,000</i>	<i>2,000</i>	<i>2,000</i>	<i>2,000</i>
<i>Gross earnings per share ("EPS") (RM)</i>		<i>8.65</i>	<i>7.81</i>	<i>6.47</i>	<i>0.28</i>	<i>1.21</i>
<i>Net EPS (RM)</i>		<i>6.46</i>	<i>5.82</i>	<i>4.65</i>	<i>0.02</i>	<i>0.58</i>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.2 Audited Statements of Financial Position of NPO Development

The audited statements of financial position of NPO Development as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 are as follows:-

	Note	As at 30 June				
		2009 RM'000 (Restated)	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Non-current assets						
Property, plant and equipment	8.3.5 (g)	341	132	4,260	4,559	4,326
Land held for property development	8.3.5 (h)	7,302	12,537	10,261	10,261	10,261
Investments in subsidiary companies	8.3.5 (i)	7,600	7,600	4,589	4,589	4,589
Investment in associated companies	8.3.5 (j)	1,000	1,000	-	-	-
Investment properties	8.3.5 (k)	1,650	1,463	1,445	1,428	5,126
Other investments	8.3.5 (l)	5	5	5	5	5
Amount due from a subsidiary company	8.3.5 (n)	21,992	29,149	-	-	-
Total non-current assets		39,890	51,886	20,560	20,842	24,307
Current assets						
Property development costs	8.3.5 (h)	39,629	22,401	-	4,197	13,958
Inventories	8.3.5 (m)	18,138	11,521	17,913	8,884	3,439
Trade and other receivables	8.3.5 (n)	63,360	66,045	76,333	25,177	45,608
Tax recoverable		-	-	-	1,064	648
Accrued billings in respect of property development costs		666	6	-	-	-
Fixed deposits placed with a licensed bank	8.3.5 (o)	4,537	2,016	965	-	-
Cash and bank balances	8.3.5 (p)	5,523	4,028	7,039	991	499
Total current assets		131,853	106,017	102,250	40,313	64,152
TOTAL ASSETS		171,743	157,903	122,810	61,155	88,459
EQUITY AND LIABILITIES						
Equity attributable to the owner of NPO Development						
Share capital	8.3.5 (r)	2,000	2,000	2,000	2,000	2,000
Retained earnings	8.3.5 (s)	48,046	59,689	68,994	10,030	11,194
Total equity		50,046	61,689	70,994	12,030	13,194

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.2 Audited Statements of Financial Position of NPO Development (Continued)

	Note	As at 30 June				
		2009 RM'000 (Restated)	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Non-current liabilities						
Hire purchase payables	8.3.5 (t)	72	16	388	471	313
Bank borrowings	8.3.5 (u)	2,810	11,233	6,412	5,956	5,666
Deferred tax liability	8.3.5 (v)	22	22	6	13	17
Total non-current liabilities		2,904	11,271	6,806	6,440	5,996
Current liabilities						
Trade and other payables	8.3.5 (w)	78,033	57,077	40,988	34,571	45,067
Progress billings in respect of property development costs		23,622	11,214	-	3,382	8,805
Hire purchase payables	8.3.5 (t)	78	56	119	150	158
Bank borrowings	8.3.5 (u)	8,030	12,277	2,728	4,582	15,239
Current tax payable		9,030	4,319	1,175	-	-
Total current liabilities		118,793	84,943	45,010	42,685	69,269
Total liabilities		121,697	96,214	51,816	49,125	75,265
TOTAL EQUITY AND LIABILITIES		171,743	157,903	122,810	61,155	88,459
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>						
		2,000	2,000	2,000	2,000	2,000
<i>NTA (RM'000)</i>						
		50,046	61,689	70,994	12,030	13,194
<i>NTA per ordinary share (RM)</i>						
		25.02	30.84	35.50	6.02	6.60
<i>NA (RM'000)</i>						
		50,046	61,689	70,994	12,030	13,194
<i>NA per ordinary share (RM)</i>						
		25.02	30.84	35.50	6.02	6.60

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.3 Audited Statements of Changes in Equity of NPO Development

The audited statements of changes in equity of NPO Development for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	Share Capital RM'000	<u>Distributable</u> Retained Earnings RM'000	Total Equity RM'000
At 1 July 2008		2,000	35,117	37,117
Total comprehensive income for the financial year		-	12,929	12,929
At 30 June 2009		2,000	48,046	50,046
Total comprehensive income for the financial year		-	11,643	11,643
At 30 June 2010		2,000	59,689	61,689
Total comprehensive income for the financial year		-	9,305	9,305
At 30 June 2011		2,000	68,994	70,994
Total comprehensive income for the financial year		-	36	36
Dividends paid	8.3.5 (x)	-	(59,000)	(59,000)
At 30 June 2012		2,000	10,030	12,030
Total comprehensive income for the financial year		-	1,164	1,164
At 30 June 2013		2,000	11,194	13,194

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.4 Audited Statements of Cash Flows of NPO Development

The audited statements of cash flows of NPO Development for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	17,299	15,611	12,946	557	2,429
Adjustments for:					
Depreciation of investment properties	-	17	17	17	80
Depreciation of property, plant and equipment	321	223	195	268	284
Gain on disposal of property, plant and equipment	-	-	(150)	-	-
Gain on disposal of investment in subsidiary companies	-	-	(9)	-	-
Dividend income	-	-	*	(2)	#
Interest expense	211	1,149	3,505	632	911
Interest income	(574)	(404)	(367)	(231)	(3)
Waiver of interest income	-	-	-	-	45
Operating profit before working capital changes	17,257	16,596	16,137	1,241	3,746
Changes In Working Capital					
Inventories	(11,311)	6,617	(9,931)	9,029	1,667
Receivables	17,499	3,185	4,115	(4,646)	6,358
Payables	33,144	(27,360)	(10,228)	(4,466)	2,737
Property development costs	5,527	20,920	20,014	(4,197)	(9,761)
Cash generated from/(used in) operations	62,116	19,958	20,107	(3,039)	4,747
Interests paid	(211)	(369)	(419)	(49)	(366)
Interests received	574	404	367	231	3
Income tax paid	(2,147)	(8,679)	(6,801)	(2,754)	(845)
Net Operating Cash Flows	60,332	11,314	13,254	(5,611)	3,539

* (RM184)

(RM142)

13. ACCOUNTANTS' REPORT (Cont'd)

TTIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.4 Audited Statements of Cash Flows of NPO Development (Continued)

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received	-	-	-	2	^
Purchase of property, plant and equipment	(37)	(14)	(228)	(305)	(51)
Proceeds from disposal of property, plant and equipment	-	-	150	-	-
Proceeds from disposal of property development projects	-	-	4,663	-	-
Proceeds from disposal of investments in subsidiary companies	-	-	3,208	-	-
Proceeds from disposal of investment in associated companies	-	-	1,000	-	-
Acquisition of additional equity interest in a subsidiary company	-	-	(188)	-	-
Construction costs paid for investment properties	(36)	-	-	-	-
Net Investing Cash Flows	(73)	(14)	8,605	(303)	(51)
CASH FLOWS FROM FINANCING ACTIVITIES					
Fixed deposits (pledged as)/uplifted from securities values	(719)	529	(46)	965	-
Interests paid	(8,671)	(9,707)	(3,086)	(583)	(545)
Net change in amount due from/to related parties	(29,796)	(18,201)	(2,323)	(1,766)	(13,652)
Repayment of hire purchase payables	(96)	(78)	(120)	(148)	(150)
Net (repayment)/drawdown of bank borrowings	(20,665)	4,154	(7,867)	(205)	(406)
Net Financing Cash Flows	(59,947)	(23,303)	(13,442)	(1,737)	(14,753)
NET CHANGE IN CASH AND CASH EQUIVALENTS	312	(12,003)	8,417	(7,651)	(11,265)

^ RM122

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.4 Audited Statements of Cash Flows of NPO Development (Continued)

	←		FYE 30 June		→	
	2009	2010	2011	2012	2013	
	RM'000	RM'000	RM'000	RM'000	RM'000	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	8,300	8,612	(3,391)	5,026	(2,625)	
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	8,612	(3,391)	5,026	(2,625)	(13,890)	
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	5,523	4,028	7,039	991	499	
Fixed deposits placed with licensed banks	4,537	2,016	965	-	-	
Bank overdrafts	-	(8,517)	(2,013)	(3,616)	(14,389)	
	10,060	(2,473)	5,991	(2,625)	(13,890)	
Less: Fixed deposits held as security values	(1,448)	(918)	(965)	-	-	
	8,612	(3,391)	5,026	(2,625)	(13,890)	
NON-CASH INVESTING AND FINANCING ACTIVITIES						
Transfer from inventories to investment properties	-	-	-	-	3,778	
Dividends paid by way of set-off against the related companies balances	-	-	-	(59,000)	-	

During the FYE 30 June 2013, NPO Development acquired property, plant and equipment amounting to RM51,477 (2009: 36,898, 2010: RM14,391, 2011: RM782,975 and 2012: RM566,438) of which RM Nil (2009 and 2010: RM Nil, 2011: RM765,531 and 2012: RM307,567) were under hire purchase arrangement. Cash payment amounting to RM Nil (2009 and 2010: RM Nil, 2011: RM210,531 and 2012: RM45,667) were made towards the hire purchase.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development

(a) Revenue

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Property development revenue	135,136	54,569	52,658	5,902	21,434
Revenue from sale of completed properties	2,617	9,050	8,297	13,720	2,824
	<u>137,753</u>	<u>63,619</u>	<u>60,955</u>	<u>19,622</u>	<u>24,258</u>

(b) Cost of Sales

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Property development costs recognised as expense	113,242	36,304	35,158	2,091	7,593
Profit shared by landowner via joint venture development	-	-	-	1,906	6,920
Cost of completed properties sold	1,559	6,724	3,986	9,237	1,642
	<u>114,801</u>	<u>43,028</u>	<u>39,144</u>	<u>13,234</u>	<u>16,155</u>

(c) Finance Costs

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense on:					
- Hire purchase	10	5	23	33	28
- Bank overdrafts	201	364	419	49	366
- Bridging loan	-	481	1,338	-	-
- Term loans	-	299	1,725	550	517
	<u>211</u>	<u>1,149</u>	<u>3,505</u>	<u>632</u>	<u>911</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(d) Profit Before Taxation

Profit before taxation is arrived at after charging and crediting:-

	←————— FYE 30 June —————→				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
After charging:-					
Auditors' remuneration					
- current financial years	30	30	42	30	23
- under accrual in prior years	-	-	-	15	7
Depreciation	321	240	212	285	364
Directors' emoluments	683	824	914	1,145	1,434
Rental of equipment	3	3	3	3	-
Rental of office	314	355	219	40	-
Staff costs (Note 8.3.5 (e))	2,985	3,215	2,895	3,570	5,174
Waiver of interest income	-	-	-	-	45
And crediting:-					
Bank interests income	182	^	1	2	1
Fixed deposit interest income	+	242	46	53	-
Dividend income from					
other investments	-	-	*	2	#
Gain on disposal of property, plant and equipment	-	-	150	-	-
Gain on disposal of investments in subsidiary companies	-	-	9	-	-
Other interest income	392	162	320	176	2
Rental income	90	440	130	51	516

+ RM101

^ RM227

* RM184

RM142

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(e) Staff Costs

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	2,470	2,752	2,413	2,959	4,190
Defined contribution	291	317	277	341	505
Other staff related expenses	224	146	205	270	479
	<u>2,985</u>	<u>3,215</u>	<u>2,895</u>	<u>3,570</u>	<u>5,174</u>
Included in staff costs were remunerations for key management personnel other than directors					
- salaries, allowances and bonuses	310	360	259	285	604
- defined contribution	37	48	31	34	72
	<u>347</u>	<u>408</u>	<u>290</u>	<u>319</u>	<u>676</u>

Other key management personnel comprise persons other than the directors of NPO Development, having authority and responsibility for planning, directing and controlling the activities of NPO Development either directly or indirectly.

(f) Income Tax Expense

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Income tax					
- current financial years	4,370	3,968	3,886	384	1,180
- (over)/under accrual in prior financial years	-	-	(229)	130	81
	<u>4,370</u>	<u>3,968</u>	<u>3,657</u>	<u>514</u>	<u>1,261</u>
Deferred taxation (Note 8.3.5 (v))					
- current financial year	-	-	*	7	3
- (over)/under accrual in prior financial years	-	-	(16)	-	1
	<u>4,370</u>	<u>3,968</u>	<u>3,641</u>	<u>521</u>	<u>1,265</u>

* (RM238)

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.3 Audited Financial Statements of NPO Development (Continued)****8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)****(f) Income Tax Expense (Continued)**

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the financial years.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of NPO Development are as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation	17,299	15,611	12,946	557	2,429
Taxation at applicable statutory tax rate	4,325	3,903	3,237	139	607
Expenses not deductible for tax purposes	70	90	284	252	200
Deemed disposal on withdrawal of inventories	-	-	-	-	376
Deemed disposal of development property	-	-	365	-	-
(Over)/under accrual of current tax in prior financial years	-	-	(229)	130	81
(Over)/under accrual of deferred tax in prior financial years	-	-	(16)	-	1
Differential in tax rates	(25)	(25)	-	-	-
Tax expense for the financial year	4,370	3,968	3,641	521	1,265

13. ACCOUNTANTS' REPORT (Cont'd)


TITJAYA LAND BERHAD
 Accountants' Report

 8. AUDITED FINANCIAL STATEMENTS (Continued)
 8.3 Audited Financial Statements of NPO Development (Continued)
 8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)
 (g) Property, Plant and Equipment

Cost	Freehold							Total RM'000
	Land and Building RM'000	Computers RM'000	Office Equipment RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Renovation RM'000	Cabins RM'000	
At 1 July 2008	-	114	87	88	1,297	48	22	1,656
Additions	-	9	8	20	-	-	-	37
Disposal	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
At 30 June 2009	-	123	95	108	1,297	48	22	1,693
Additions	-	12	2	*	-	-	-	14
At 30 June 2010	-	135	97	108	1,297	48	22	1,707
Additions	-	17	^	-	766	-	-	783
Transferred from inventories	3,540	-	-	-	-	-	-	3,540
Disposal	-	-	-	-	(500)	-	-	(500)
At 30 June 2011	3,540	152	97	108	1,563	48	22	5,530
Additions	-	53	1	178	308	27	-	567
At 30 June 2012	3,540	205	98	286	1,871	75	22	6,097
Additions	7	26	4	14	-	-	-	51
At 30 June 2013	3,547	231	102	300	1,871	75	22	6,148
* RM560	^	RM299	#	RM890				

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
 8.3 Audited Financial Statements of NPO Development (Continued)
 8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)
 (g) Property, Plant and Equipment (Continued)

	Freehold Land and Building RM'000	Computers RM'000	Office Equipment RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Renovation RM'000	Cabins RM'000	Total RM'000
Accumulated depreciation								
At 1 July 2008	-	80	64	54	795	29	9	1,031
Depreciation for the financial year	-	19	12	16	260	10	4	321
Disposals	-	-	-	-	-	-	-	-
At 30 June 2009	-	99	76	70	1,055	39	13	1,352
Depreciation for the financial year	-	13	8	15	173	9	5	223
At 30 June 2010	-	112	84	85	1,228	48	18	1,575
Depreciation for the financial year	-	11	6	14	160	-	4	195
Disposals	-	-	-	-	(500)	-	-	(500)
At 30 June 2011	-	123	90	99	888	48	22	1,270
Depreciation for the financial year	-	14	4	25	221	4	-	268
At 30 June 2012	-	137	94	124	1,109	52	22	1,538
Depreciation for the financial year	-	20	3	41	215	5	-	284
At 30 June 2013	-	157	97	165	1,324	57	22	1,822

13. ACCOUNTANTS' REPORT (Cont'd)


TITIJAYA LAND BERHAD
 Accountants' Report

 8. AUDITED FINANCIAL STATEMENTS (Continued)
 8.3 Audited Financial Statements of NPO Development (Continued)
 8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)
 (g) Property, Plant and Equipment (Continued)

	Freehold							Total RM'000
	Land and Building RM'000	Computers RM'000	Office Equipment RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Renovation RM'000	Cabins RM'000	
Net carrying amount								
At 30 June 2009	-	24	19	38	242	9	9	341
At 30 June 2010	-	23	13	23	69	*	4	132
At 30 June 2011	3,540	29	7	9	675	*	^	4,260
At 30 June 2012	3,540	68	4	162	762	23	^	4,559
At 30 June 2013	3,547	74	5	135	547	18	^	4,326

* RM12

^ RMI

Motor vehicles with a total carrying amount of RM546,684 (2009: RM69,690, 2010: RM20,815, 2011: RM650,701 and 2012: RM761,304) were under hire purchase arrangements.

Freehold land and building have been pledged to financial institutions to secure credit facilities granted to NPO Development as disclosed in Note 8.3.5(u).

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(h) Land Held for Property Development and Property Development Cost

(i) Land Held for Property Development

	Freehold Land RM'000	Development Costs RM'000	Total RM'000
At 1 July 2008	5,037	2,265	7,302
Additions	-	-	-
At 30 June 2009	5,037	2,265	7,302
Transfer from property development cost	9,567	705	10,272
Reversal due to variation in the joint venture agreement	(5,037)	-	(5,037)
At 30 June 2010	9,567	2,970	12,537
Cost reversed during the financial year	-	(11)	(11)
Disposal of land held for property development	-	(2,265)	(2,265)
At 30 June 2011/ 30 June 2012/30 June 2013	9,567	694	10,261

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
 8.3 Audited Financial Statements of NPO Development (Continued)
 8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)
 (h) Land Held for Property Development and Property Development Cost (Continued)
 (ii) Property Development Costs

	Freehold Land RM'000	Development Costs RM'000	Total RM'000
Cumulative Property Development Costs			
At 1 July 2008	75,139	210,686	285,825
Costs incurred during the financial year	-	97,564	97,564
Reversal of completed projects	(38,935)	(211,314)	(250,249)
Unsold units transferred to inventories	(2,025)	(26,310)	(28,335)
At 30 June 2009	34,179	70,626	104,805
Costs incurred during the financial year	-	29,348	29,348
Transfer to land held for property development	(9,567)	(705)	(10,272)
At 30 June 2010	24,612	99,269	123,881
Costs incurred during the financial year	-	29,588	29,588
Disposals of property development costs	-	(2,398)	(2,398)
Reversal of completed projects	(22,730)	(113,161)	(135,891)
Unsold units transferred to inventories	(1,882)	(13,298)	(15,180)
At 30 June 2011	-	-	-
Costs incurred during the financial year	-	6,288	6,288
At 30 June 2012	-	6,288	6,288
Costs incurred during the financial year	-	17,354	17,354
At 30 June 2013	-	23,642	23,642

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(h) Land Held for Property Development and Property Development Cost (Continued)

(ii) Property Development Costs (Continued)

	Freehold Land RM'000	Development Costs RM'000	Total RM'000
Cumulative Costs Recognised in Profit or Loss			
At 1 July 2008	(27,056)	(191,664)	(218,720)
Recognised during the financial year	(17,348)	(79,357)	(96,705)
Reversal of completed projects	38,935	211,314	250,249
At 30 June 2009	(5,469)	(59,707)	(65,176)
Recognised during the financial year	(6,567)	(29,737)	(36,304)
At 30 June 2010	(12,036)	(89,444)	(101,480)
Recognised during the financial year	(10,694)	(23,717)	(34,411)
Reversal of completed projects	22,730	113,161	135,891
At 30 June 2011	-	-	-
Recognised during the financial year	-	(2,091)	(2,091)
At 30 June 2012	-	(2,091)	(2,091)
Recognised during the financial year	-	(7,593)	(7,593)
At 30 June 2013	-	(9,684)	(9,684)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(h) Land Held for Property Development and Property Development Cost (Continued)

(ii) Property Development Costs (Continued)

	Freehold Land RM'000	Development Costs RM'000	Total RM'000
Property Development Costs			
At 30 June 2009	28,710	10,919	39,629
At 30 June 2010	12,576	9,825	22,401
At 30 June 2011	-	-	-
At 30 June 2012	-	4,197	4,197
At 30 June 2013	-	13,958	13,958

Included in property development costs of NPO Development are amounts totalling RM Nil (2009: RM8,671,674, 2010: RM285,364, 2011: RM117,770 and 2012: RM Nil) representing interests expenses capitalised during the financial years.

(i) Investments In Subsidiary Companies

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	7,600	7,600	4,589	4,589	4,589

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(i) Investment In Subsidiary Companies (Continued)

Pursuant to Paragraph 10 of FRS 127 Consolidated and Separate Financial Statements and Paragraph (5)(4) of the Ninth Schedule of the Companies Act, 1965 in Malaysia, the financial statements of the subsidiary companies have not been consolidated with that of NPO Development as NPO Development is a wholly-owned subsidiary company of Titijaya, which in turn is a wholly-owned subsidiary company of TGSB, being the ultimate holding company. Both companies are incorporated and domiciled in Malaysia and Titijaya publish its consolidated financial statements having registered office at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur. In accordance with the requirements of the Ninth Schedule of the Companies Act, 1965 in Malaysia, the audited financial statements of the subsidiary companies are annexed.

(j) Investment In Associated Companies

	← As at 30 June →				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Unquoted shares, at cost	1,000	1,000	-	-	-

Details of the associated companies which are incorporated in Malaysia are as follows:

Company Name	Effective Equity Interest					Principal Activities
	← As at 30 June →					
	2009 %	2010 %	2011 %	2012 %	2013 %	
Direct associated company						
NPO Builders Sdn Bhd * ^ #	49	49	-	-	-	Property development
Indirect associated company held through NPO Land						
Cekal Unggul Sdn Bhd * ^	21	21	-	-	-	Property development

* Audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng.

^ NPO Builders Sdn Bhd and Cekal Unggul Sdn Bhd have financial year ends of 31 March and 31 December respectively which is different to the financial year end of NPO Development.

On 16 December 2010, NPO Development had entered into a share sale agreement with its ultimate holding company to dispose off its investment in associated company for a cash consideration of RM1,000,000.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(j) Investment In Associated Companies (Continued)

Investment in associated companies was not accounted for using the equity method of accounting as NPO Development is a wholly-owned subsidiary of TGSB, a company incorporated and domiciled in Malaysia and publishes its consolidated financial statements having registered office at No. 52A, Lebuhr Enggang, 41150 Klang, Selangor Darul Ehsan.

The summarised financial information of the associated companies, not adjusted for the proportion of ownership interests held by NPO Development, is as follows:-

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets and liabilities					
Non-current assets					
Current assets	104,254	114,881	-	-	-
Total assets	<u>18,238</u>	<u>320</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>122,492</u>	<u>115,201</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current liabilities					
Current liabilities	28,252	33,902	-	-	-
Total liabilities	<u>90,887</u>	<u>102,342</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>119,139</u>	<u>136,244</u>	<u>-</u>	<u>-</u>	<u>-</u>

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Results					
Loss for the financial year	<u>(3,102)</u>	<u>(1,330)</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(k) Investment Properties

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Costs					
At the beginning of the financial years	1,614	1,650	1,480	1,480	1,480
Additions	36	-	-	-	-
Reversal of overprovision of development costs	-	(170)	-	-	-
Transfer from inventories	-	-	-	-	3,778
At the end of the financial years	<u>1,650</u>	<u>1,480</u>	<u>1,480</u>	<u>1,480</u>	<u>5,258</u>
Accumulated Depreciation					
At the beginning of the financial years	-	-	17	35	52
Depreciation for the financial years	-	17	18	17	80
At the end of the financial years	<u>-</u>	<u>17</u>	<u>35</u>	<u>52</u>	<u>132</u>
Net Carrying Amount	<u>1,650</u>	<u>1,463</u>	<u>1,445</u>	<u>1,428</u>	<u>5,126</u>
Represented by:					
Freehold land	609	609	609	609	609
Buildings	-	854	836	819	4,517
Development costs	1,041	-	-	-	-
	<u>1,650</u>	<u>1,463</u>	<u>1,445</u>	<u>1,428</u>	<u>5,126</u>
Fair value of investment property	<u>1,650</u>	<u>1,463</u>	<u>1,445</u>	<u>1,428</u>	<u>7,011</u>
Rental income generated	-	12	-	-	438

The fair value of investment properties of approximately RM5,600,000 is determined based on the valuation performed by the independent professional valuers with recent experience in the location and categories of properties being valued.

Included in building is a self-constructed food court with net carrying amount of RM1,410,536 (2009: RM1,650,161, 2010: RM1,462,786, 2011: RM1,445,370 and 2012: RM1,427,953) which was completed on 28 August 2006 and located at Daerah Klang Utara. The Directors are of the opinion that the fair value of this investment property is approximately their net carrying amount.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(1) Other Investments

	Carrying Amount RM'000	Market Value of Quoted Investments RM'000
As at 30 June 2009*		
Non-current		
Held for trading investments		
Unit trust funds	5	5
	<hr/>	<hr/>
As at 30 June 2010*		
Non-current		
Held for trading investments		
Unit trust funds	5	5
	<hr/>	<hr/>
As at 30 June 2011		
Non-current		
Held for trading investments		
Unit trust funds	5	5
	<hr/>	<hr/>
As at 30 June 2012		
Non-current		
Held for trading investments		
Unit trust funds	5	5
	<hr/>	<hr/>
As at 30 June 2013		
Non-current		
Held for trading investments		
Unit trust funds	5	6
	<hr/>	<hr/>

* Prior to 1 July 2010, the other investments were stated at cost less impairment.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(m) Inventories

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Completed properties held for sale, at cost	18,138	11,521	17,913	8,884	3,439

(n) Trade and Other Receivables

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)				
Trade receivables	8,769	6,175	2,610	8,385	2,117
Amount due from related parties					
Holding company	746	850	57,480	-	2,534
Subsidiary companies	26,127	30,861	2,472	617	17,677
Associated companies	2,821	3,032	-	-	-
Related companies	22,033	22,194	11,382	14,914	22,154
Other receivables	1,005	1,579	1,381	229	426
Deposits	1,859	1,354	1,008	1,032	700
	54,591	59,870	73,723	16,792	43,491
Total trade and other receivables classified within current assets	63,360	66,045	76,333	25,177	45,608
Amount due from a subsidiary company classified as non-current asset	21,992	29,149	-	-	-
Total trade and other receivables	85,352	95,194	76,333	25,177	45,608
Add: Cash and bank balances (Note 8.3.5 (p))	5,523	4,028	7,039	991	499
Fixed deposits placed with a licensed bank (Note 8.3.5 (o))	4,537	2,016	965	-	-
Total loans and receivables	95,412	101,238	84,337	26,168	46,107

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(n) Trade Receivables and Other Receivables (Continued)

(i) Trade receivables

NPO Development's normal trade credit term ranges from 14 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Ageing analysis of trade receivables are as follows:-

	←	As at 30 June	→
	2011	2012	2013
	RM'000	RM'000	RM'000
Neither past due nor impaired	1,781	6,481	1,198
1 to 30 days past due not impaired	67	79	-
31 to 75 days past due not impaired	409	323	-
More than 75 days past due but not impaired	353	1,502	919
	2,610	8,385	2,117

Receivables that are neither past due nor impaired

The directors of NPO Development are of the opinion that no impairment loss is necessary in respect of these not past due trade receivables.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing approximately 43% (2011: 32% and 2012: 23%) of NPO Development's trade receivables are unsecured in nature.

Based on the management experience, no receivables past due were written off as a result of irrecoverability. The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of NPO Development are of the opinion that no impairment loss is necessary in respect of these past due trade receivables.

(ii) Amounts due from related parties

The amounts due from related parties are unsecured, interest free and receivable upon demand.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(n) Trade and Other receivables (Continued)

(iii) Deposits

Included in the deposits is an amount of RM Nil (2009, 2010, 2011 and 2012: RM259,028) deposited with a lawyer as stakeholders' sum pending the outcome of the appeal of a judgement against NPO Development.

(o) Fixed Deposits Placed With A Licensed Bank

Fixed deposits placed with a licensed bank for FYE 30 June 2011 have varying maturity dates of between one (1) to thirteen (13) months (2009 and 2010: one (1) to thirteen (13) months), which bear interests rates ranging from 2.50% to 3.25% (2009 and 2010: 2.00% to 2.50%) per annum for the financial years under review.

Fixed deposits placed with licensed banks for FYE 30 June 2011 of NPO Development amounting RM964,773 (2009: RM1,447,591 and 2010: RM918,500) have been pledged to the licensed banks to secure credit facilities granted to NPO Development as disclosed in Note 8.3.5 (u).

(p) Cash and Bank Balances

	←————— As at 30 June —————→				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash in hand	4	2	5	5	5
Housing Development Account	5	5	5	5	5
Cash at banks	5,514	4,021	7,029	981	489
	5,523	4,028	7,039	991	499

The HDA pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966, comprises monies received from purchasers, are for the payment of property development expenditure incurred and are restricted from use in other operations. The surplus monies, if any, will be released to NPO Development upon the completion of the property development projects and after all property development expenditure have been fully settled.

(q) Holding Companies

NPO Development is a wholly-owned subsidiary company of Titijaya. Prior to FYE 30 June 2013, NPO Development was a wholly-owned subsidiary company of TGSB. The directors of NPO Development regard TGSB as the ultimate holding company. Both companies are incorporated and domiciled in Malaysia

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



BAKER TILLY

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(r) Share Capital

	As at 30 June				
	2009	2010	2011	2012	2013
	Number of Shares Unit ('000)	Number of Shares Unit ('000)	Number of Shares Unit ('000)	Number of Shares Unit ('000)	Number of Shares Unit ('000)
Ordinary shares of RM1.00 each :-					
Authorised					
At the beginning/end of the financial years	5,000 5,000	5,000 5,000	5,000 5,000	5,000 5,000	5,000 5,000
Issued and fully paid-up					
At the beginning/end of the financial years	2,000 2,000	2,000 2,000	2,000 2,000	2,000 2,000	2,000 2,000
		RM'000	RM'000	RM'000	RM'000

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.3 Audited Financial Statements of NPO Development (Continued)****8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)****(s) Retained Earnings**

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to frank dividends to their shareholders under limited circumstances. Companies also have irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 30 June 2007 in accordance with Section 39 of the Finance Act, 2007.

NPO Development has elected for the irrevocable option to disregard the 108 balance. Hence, NPO Development will be able to distribute dividends out of its entire retained earnings as at 30 June 2013 under the single tier system.

(t) Hire Purchase Payables

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments					
- within twelve months	83	58	144	178	178
- more than twelve months	75	16	425	509	331
	158	74	569	687	509
Less: Future interest charges	(8)	(2)	(62)	(66)	(38)
Present value of hire purchase payables	150	72	507	621	471

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(t) Hire Purchase Payables (Continued)

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Analysis of present value of hire purchase payables					
- not later than one year	78	56	119	150	158
- later than one year and not later than five years	72	16	388	462	313
- later than five years	-	-	-	9	-
	150	72	507	621	471

The hire purchase payables bear interest at 1.88% to 3.66% per annum.

(u) Bank Borrowings

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Short term bank borrowings					
Bank overdrafts	-	8,517	2,013	3,616	14,389
Bridging loans	3,490	-	-	-	-
Term loans	4,540	3,760	715	966	850
	8,030	12,277	2,728	4,582	15,239
Long term bank borrowings					
Term loans	2,810	11,233	6,412	5,956	5,666
Total bank borrowings (secure)	10,840	23,510	9,140	10,538	20,905

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(u) Bank Borrowings (Continued)

	←	As at 30 June			→
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Comprising portion repayable					
Within one year	8,030	12,277	2,728	4,582	15,239
More than one year but less than two years	1,692	2,424	714	966	850
More than two years but less than five years	1,118	2,143	2,143	2,898	2,550
More than five years	-	6,666	3,555	2,092	2,266
	10,840	23,510	9,140	10,538	20,905

The bank borrowings are secured by the following:-

- (a) Third party and second legal charge over the development land of a related company;
- (b) Third party and first fixed legal charged over the development properties of a wholly-owned subsidiary company;
- (c) Specific debenture over all the fixed and floating assets on the property development land;
- (d) Deed of assignment over all the sale proceeds arising from the property development projects and monies in the project accounts maintained with the licensed banks granting the facilities;
- (e) Deed of assignment over the property, plant and equipment of NPO Development;
- (f) Corporate guarantee granted by TGSB; and
- (g) Jointly and severally guarantee by certain directors of NPO Development.

The respective term loans are repayable in the following manners:-

- (a) 24 quarterly instalments commencing September 2007 and/or by redemption for units sold, whichever is earlier;
- (b) 60 monthly instalments commencing from the date of first disbursement or upon receipt of redemption amount, whichever is earlier;
- (c) 168 equal monthly instalments of RM59,524 commencing November 2010; and
- (d) 157 monthly instalments of RM20,985 commencing October 2011.

The bank borrowings bear interests at rates which are on a floating rate basis ranging from 6.25% to 8.35% (2009 and 2010: 6.25% to 8.75%, 2011 and 2012: 6.25% to 8.35%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(v) Deferred Tax Liability

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
At the beginning of the financial years	22	22	22	6	13
Recognised in profit or loss (Note 8.3.5 (f))	-	-	(16)	7	4
At the end of the financial years	22	22	6	13	17

Deferred tax liability comprises of the temporary differences between the net carrying amounts and the corresponding tax written down value of property, plant and equipment.

(w) Trade and Other Payables

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	27,422	15,196	9,800	6,147	6,260
Other payables					
Amount due to related parties					
Subsidiaries	279	355	-	2,029	1,539
Related companies	167	9,116	5,106	7,395	27,366
Directors	4,195	1,140	1,477	1,710	810
Companies in which certain directors have financial interests	25,876	16,089	9,547	7,427	2,028
Joint venture partners	8,521	6,504	-	-	-
Other payables	2,426	1,555	1,644	1,759	1,751
Deposits	400	607	86	91	281
Accruals	8,747	6,515	13,328	8,013	5,032
	50,611	41,881	31,188	28,424	38,807
Total trade and other payables	78,033	57,077	40,988	34,571	45,067

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(w) Trade Payables and Other Payables (Continued)

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Add: Hire purchase payables (Note 8.3.5 (t))	150	72	507	621	471
Bank borrowings (Note 8.3.5 (u))	10,840	23,510	9,140	10,538	20,905
Total other financial liabilities carried at amortised cost	<u>89,023</u>	<u>80,659</u>	<u>50,635</u>	<u>45,730</u>	<u>66,443</u>

(i) Trade payables

The normal trade credit term granted to NPO Development ranges from 30 days to 60 days.

(ii) Amount due to related parties

The amounts due to related parties are unsecured, interest free and payable upon demand.

(iii) Accruals

Included in accruals are an amount totalling RM4,544,184 (2009: RM5,691,390, 2010: RM5,646,306, 2011: RM12,008,994 and 2012: RM7,263,783) which represents costs accrued for the development projects undertaken by NPO Development.

(x) Dividends paid

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
In respect of the FYE 30 June 2011: Interim tax exempt (single-tier) dividend of RM29.50 per share	-	-	-	59,000	-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(y) Contingent Liabilities

	←————— As at 30 June —————→				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Corporate guarantee for credit facilities granted to the following companies:-					
As at the reporting date:-					
- subsidiaries	60,700	131,500	128,000	128,000	128,000
- related companies	56,242	88,242	100,242	117,242	73,242
	116,942	219,742	228,242	245,242	201,242

(z) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with NPO Development or that has an interest in NPO Development that gives it significant influence over NPO Development's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in NPO Development resides with, directly or indirectly.

The nature of the relationship with the related parties is as follows:

<u>Name of Related Parties</u>	<u>Nature of Relationship</u>
TGSB	Ultimate holding company
Titijaya	Holding company
Sendi Bangsa	Subsidiary company
NPO Land	Subsidiary company
Titijaya Assets Sdn. Bhd.	A related company, a wholly-owned subsidiary company of TGSB
NPO Trading Sdn. Bhd.	A related company, a wholly-owned subsidiary company of TGSB
Indra Tropika Sdn. Bhd.	A company in which a director has financial interest

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(z) Significant Related Party Disclosures (Continued)

The nature of the relationship with the related parties is as follows (Continued):

<u>Related Parties</u>	<u>Nature of Relationship</u>
Safetags #	A related company which is a wholly-owned subsidiary company of Titijaya
Pin Hwa *	A related company which is a wholly-owned subsidiary company of Titijaya
Tan Sri Dato' Lim Soon Peng	A director of NPO Development

Prior to 29 March 2013, Safetags was a wholly-owned subsidiary company of TGSB.

* Prior to 29 March 2013, Pin Hwa was a company in which a director has interest.

Significant transactions between NPO Development and its related parties during the financial years are as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
TGSB					
- Proceeds from disposal of subsidiary companies	-	-	3,209	-	-
- Proceeds from disposal of associate company	-	-	1,000	-	-
- Dividends paid	-	-	-	59,000	-
Sendi Bangga					
- Project management fee income	-	1,049	2,249	1,865	3,432
NPO Land					
- Project management fee income	-	-	-	648	-
Safetags					
- Project management fee income	-	-	-	88	268

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.3 Audited Financial Statements of NPO Development (Continued)****8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)****(z) Significant Related Party Disclosures (Continued)**

Significant transactions between NPO Development and its related parties during the financial years are as follows (Continued):-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Titijaya Assets Sdn. Bhd.					
- Sales of development properties	37,923	11,328	-	-	-
NPO Trading Sdn. Bhd.					
- Purchase of building materials	88	19	6	1,407	130
Indra Tropika Sdn. Bhd.					
- Rental expenses	-	120	120	40	-
Tan Sri Dato' Lim Soon Peng					
- Sales of property	-	-	-	518	-
Pin Hwa					
- Profit shared by landowner via joint venture development	-	-	-	1,906	6,920
- Project management fee income	-	-	-	-	366

(aa) Financial Instruments**(i) Financial Risk Management and Objectives**

NPO Development is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Directors of NPO Development review and agree policies and procedures for the management of these risks.

The following sections provide details regarding NPO Development's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(aa) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. NPO Development's exposure to credit risk arises primarily from trade and other receivables.

NPO Development's objective is to seek continual revenue growth while minimising losses incurred due to increase credit risk exposure. Receivable balances are monitored on an on-going basis with the result that NPO Development's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, NPO Development's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 8.3.5(n).

Receivables that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.3.5(n).

Receivables that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.3.5(n).

Credit risk concentration profile

NPO Development does not have any significant exposure to any individual customer.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(aa) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(b) Liquidity risk

Liquidity risk is the risk that NPO Development will encounter difficulty in meeting financial obligations due to shortage of funds, NPO Development's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities.

At 30 June 2013, approximately 72% (2011: 30% and 2012: 42%) of NPO Development's loans and borrowings, as disclosed in Notes 8.3.5(t) and 8.3.5(u), will mature in less than one year based on the carrying amounts reflected in the statements of financial position.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of NPO Development's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	Within one to five years RM'000	More than five years RM'000	Total RM'000
30 June 2011				
Trade payables	9,800	-	-	9,800
Other payables, deposits and accruals	31,188	-	-	31,188
Hire purchase payables	144	425	-	569
Bank borrowings	2,742	2,857	3,556	9,155
	<u>43,874</u>	<u>3,282</u>	<u>3,556</u>	<u>50,712</u>

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.3 Audited Financial Statements of NPO Development (Continued)****8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)****(aa) Financial Instruments (Continued)****(i) Financial Risk Management and Objectives (Continued)****(b) Liquidity risk (Continued)****Analysis of financial instruments by remaining contractual maturities (Continued)**

	On demand or within one year RM'000	Within one to five years RM'000	More than five years RM'000	Total RM'000
30 June 2012				
Trade payables	6,147	-	-	6,147
Other payables, deposits and accruals	28,424	-	-	28,424
Hire purchase payables	178	500	9	687
Bank borrowings	4,613	3,864	2,092	10,569
	<u>39,362</u>	<u>4,364</u>	<u>2,101</u>	<u>45,827</u>
30 June 2013				
Trade payables	6,260	-	-	6,260
Other payables, deposits and accruals	38,807	-	-	38,807
Hire purchase payables	178	331	-	509
Bank borrowings	15,341	3,400	2,266	21,007
	<u>60,586</u>	<u>3,731</u>	<u>2,266</u>	<u>66,583</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8.3 Audited Financial Statements of NPO Development (Continued)

8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)

(aa) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of NPO Development's financial instruments will fluctuate because of changes in market interest rates.

NPO Development's exposure to interest rate risk arises primarily from its loans and borrowings. Most of NPO Development's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by Bank Negara Malaysia.

Interest rate risk sensitivity

An increase in market interest rates by 0.5% on financial liabilities of NPO Development which have variable interest rates at the end of the reporting period would decrease the profit after tax by RM78,393 (2011: RM34,327 and 2012: RM39,516). This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 0.5% on financial liabilities of NPO Development which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

(ii) Fair Values

(a) Recognised financial instruments

The fair values of financial assets and financial liabilities of NPO Development approximate their carrying values on the statements of financial position of NPO Development.

(b) Unrecognised financial instruments

Fair value of other investments is determined directly by reference to their published market closing price at the reporting date.

NPO Development's financial instruments carried at fair value by level of fair value hierarchy in which the different levels have been defined as follows:

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.3 Audited Financial Statements of NPO Development (Continued)****8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)****(aa) Financial Instruments (Continued)****(ii) Fair Values (Continued)**

Level 1 : Unadjusted quoted prices in active markets for identical financial instrument

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 : Inputs for the financial instrument that are not based on observable market data

The other investments of NPO Development amounting to RM5,478 (2011: RM5,409 and 2012: RM5,455) is measured at Level 1 hierarchy.

NPO Development does not have any financial assets or financial liabilities measured at Levels 2 and 3 hierarchy.

The nominal/notional amount and net fair value of contingent liabilities as disclosed in Note 8.3.5(y) are not recognised in the statements of financial position as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

There were no other unrecognised financial instruments as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 that are required to be disclosed.

(ab) Capital Management

The primary objective of NPO Development's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time to be able to leverage on the capital to provide the funds to fund its expansion and growth.

NPO Development manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, NPO Development may adjust dividend payment to shareholder, return capital to shareholder or issue new shares, raise new debts and reduce existing debts.

NPO Development monitors the level of dividends to be paid to shareholders. NPO Development's objective is to pay out regular dividends to the shareholder based on the level of NPO Development's profitability and cash flows.

The capital structure of NPO Development consists of equity attributable to the owner of NPO Development, comprising share capital, retained earnings and total liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.3 Audited Financial Statements of NPO Development (Continued)****8.3.5 Notes to the Audited Financial Statements of NPO Development (Continued)****(ab) Capital Management (Continued)**

The debt-to-equity ratio is as follows:-

	←	As at 30 June			→
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Total liabilities	<u>121,697</u>	<u>96,214</u>	<u>51,816</u>	<u>49,125</u>	<u>75,265</u>
Equity attributable to the owner of NPO Development	<u>50,046</u>	<u>61,689</u>	<u>70,994</u>	<u>12,030</u>	<u>13,194</u>
Debt -to-equity ratio	<u>243.2%</u>	<u>156.0%</u>	<u>73.0%</u>	<u>408.4%</u>	<u>570.4%</u>

There were no changes in NPO Development's approach to capital management during the financial years under review.

NPO Development is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land

8.4.1 Audited Statements of Comprehensive Income of NPO Land

The audited statements of comprehensive income of NPO Land for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	← FYE 30 June →				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	8.4.5 (a)	-	-	4,341	-	-
Cost of sales		-	-	(2,459)	-	-
Gross profit		-	-	1,882	-	-
Other income		416	3,428	2,443	98	153
Selling and distribution expenses		-	-	(205)	(887)	(37)
Administrative expenses		(37)	(57)	(56)	(164)	(44)
Other expenses		(24)	(387)	(2,473)	(844)	(59)
Operating profit/(loss)		355	2,984	1,591	(1,797)	13
Finance cost	8.4.5 (b)	-	(3,421)	-	-	-
Profit/(loss) before tax	8.4.5 (c)	355	(437)	1,591	(1,797)	13
Income tax (expense)/benefit	8.4.5 (d)	(93)	#	(317)	(54)	-
Net profit/(loss) for the financial years, representing total comprehensive income/(loss) for the financial years		262	(437)	1,274	(1,851)	13
Gross profit margin (%)		N/A	N/A	43.35	N/A	N/A
Profit/(loss) before tax margin (%)		N/A	N/A	36.65	N/A	N/A
Effective tax rate (%)		26.20	N/A	19.92	3.01	N/A
Number of ordinary shares in issue of RM1.00 each ('000)		2,000	2,000	2,000	2,000	2,000
Gross EPS/Loss per share ("LPS") (RM)		0.18	(0.22)	0.80	(0.90)	0.01
Net EPS/(LPS) (RM)		0.13	(0.22)	0.64	(0.93)	0.01

RM540

N/A: Not applicable

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.2 Audited Statements of Financial Position of NPO Land

The audited statements of financial position of NPO Land as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 are as follows (after adjusted for the reclassification of amount due from a former related company of RM51.517 million and RM53.906 million as at 30 June 2009 and 30 June 2010 respectively, as described in Note 8.4.5(i) from other receivables to trade receivables):-

	Note	As at 30 June				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Non-current assets						
Property, plant and equipment	8.4.5 (e)	34	29	-	-	-
Land held for property development	8.4.5 (f)	55,001	70,576	1,111	951	951
Investment in subsidiary companies	8.4.5 (g)	100	100	-	-	-
Investment properties	8.4.5 (h)	12,322	-	-	-	-
Total non-current assets		67,457	70,705	1,111	951	951
Current assets						
Property development costs	8.4.5 (f)	-	-	72,836	82,509	89,406
Trade and other receivables	8.4.5 (i)	75,007	78,094	6,763	13,231	13,629
Tax recoverable		1,353	1,353	1,037	1,110	1,875
Fixed deposit placed with a licensed bank	8.4.5 (k)	-	-	3,013	3,105	3,193
Cash and bank balances	8.4.5 (l)	35	3,853	4,592	2,830	2,666
Total current assets		76,395	83,300	88,241	102,785	110,769
Non-current assets classified as held for sale	8.4.5 (m)	-	2,459	-	-	-
TOTAL ASSETS		143,852	156,464	89,352	103,736	111,720
EQUITY AND LIABILITIES						
Equity attributable to the owner of NPO Land						
Share capital	8.4.5 (n)	2,000	2,000	2,000	2,000	2,000
Accumulated losses		(935)	(1,372)	(98)	(1,949)	(1,936)
Total equity		1,065	628	1,902	51	64

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.2 Audited Statements of Financial Position of NPO Land (Continued)

Note	As at 30 June				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Non-current liabilities					
Amount owing to holding company	21,990	29,149	-	-	-
Borrowings	-	46,006	22,837	16,364	7,893
Total non-current liabilities	21,990	75,155	22,837	16,364	7,893
Current liabilities					
Trade and other payables	120,797	80,681	55,704	25,738	60,751
Progress billings in respect of property development costs	-	-	6,741	34,277	35,406
Borrowings	-	-	2,168	27,306	7,606
Total current liabilities	120,797	80,681	64,613	87,321	103,763
Total liabilities	142,787	155,836	87,450	103,685	111,656
TOTAL EQUITY AND LIABILITIES	143,852	156,464	89,352	103,736	111,720
<i>Number of ordinary shares</i>					
<i>of RM1.00 each in issue ('000)</i>	2,000	2,000	2,000	2,000	2,000
<i>NTA (RM'000)</i>	1,065	628	1,902	51	64
<i>NTA per ordinary share (RM)</i>	0.53	0.31	0.95	0.03	0.03
<i>NA (RM'000)</i>	1,065	628	1,902	51	64
<i>NA per ordinary share (RM)</i>	0.53	0.31	0.95	0.03	0.03

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.3 Audited Statements of Changes in Equity of NPO Land

The audited statements of changes in equity of NPO Land for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Share Capital RM'000	<u>Distributable</u> Accumulated Losses RM'000	Total Equity RM'000
At 1 July 2008	2,000	(1,197)	803
Total comprehensive income for the financial year	-	262	262
At 30 June 2009	2,000	(935)	1,065
Total comprehensive loss for the financial year	-	(437)	(437)
At 30 June 2010	2,000	(1,372)	628
Total comprehensive income for the financial year	-	1,274	1,274
At 30 June 2011	2,000	(98)	1,902
Total comprehensive loss for the financial year	-	(1,851)	(1,851)
At 30 June 2012	2,000	(1,949)	51
Total comprehensive income for the financial year	-	13	13
At 30 June 2013	2,000	(1,936)	64

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.4 Audited Statements of Cash Flows of NPO Land

The audited statements of cash flows of NPO Land for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows (after adjusted for the reclassification of amount due from a former related company of RM51.517 million and RM53.906 million as at 30 June 2009 and 30 June 2010 respectively, as described in Note 8.4.5(i) from other receivables to trade receivables):-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	355	(437)	1,591	(1,797)	13
Adjustments for:					
Depreciation	5	5	-	-	-
Bad debt written off	-	371	-	-	-
Property, plant and equipment written off	-	-	29	-	-
Development expenditure written off	-	-	-	185	25
Interest expenses	-	3,421	-	-	-
Interest income	(10)	(3,421)	(13)	(92)	(88)
Waiver of interest expenses	-	-	2,422	-	-
Waiver of interest income	-	-	(2,422)	-	-
Operating profit/(loss) before working capital changes	350	(61)	1,607	(1,704)	(50)
Changes In Working Capital					
Receivables	(516)	5,600	(329)	(2,512)	(698)
Payables	(4,435)	(1,462)	35,324	7,576	(2,938)
Property development costs	-	-	-	(6,325)	(4,422)
Cash (used in)/generated from operations	(4,601)	4,077	36,602	(2,965)	(8,108)
Interests received	10	^	13	92	88
Tax refunded	-	-	-	1,248	-
Tax paid	(455)	-	-	(1,375)	(765)
Net Operating Cash Flows	(5,046)	4,077	36,615	(3,000)	(8,785)

^ RM126

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.4 Audited Statements of Cash Flows of NPO Land (Continued)

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Land held for property development	443	(5,703)	(813)	-	-
Proceeds from disposal of land held for property development	-	-	2,459	-	-
Property development costs incurred	-	-	-	-	(25)
Payments for land held for property development	-	(50,177)	-	-	-
Investment properties	(235)	-	-	-	-
Net Investing Cash Flows	208	(55,880)	1,646	-	(25)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interests paid	-	(8)	(2,558)	(3,373)	(2,475)
Fixed deposit pledged as security value	-	-	(3,013)	(92)	(88)
Net change in amounts due from/to related parties	(394)	9,623	(10,950)	(13,962)	39,380
Net repayment of borrowings	-	46,006	(21,001)	(2,064)	(7,442)
Net Financing Cash Flows	(394)	55,621	(37,522)	(19,491)	29,375
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,232)	3,818	739	(22,491)	20,565
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	5,267	35	3,853	4,592	(17,899)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	35	3,853	4,592	(17,899)	2,666
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Fixed deposits placed with a licensed bank	-	-	3,013	3,105	3,193
Cash and bank balances	35	3,853	4,592	2,830	2,666
Bank overdraft	-	-	-	(20,729)	-
	35	3,853	7,605	(14,794)	5,859
Fixed deposit pledged as security value	-	-	(3,013)	(3,105)	(3,193)
	35	3,853	4,592	(17,899)	2,666

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land

(a) Revenue

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Disposal of land held for property development	-	-	4,341	-	-

(b) Finance Cost

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Late payment interest	-	3,421	-	-	-

(c) Profit/(Loss) Before Tax

Profit/(loss) before tax is arrived at after charging and crediting:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
After charging:-					
Auditors' remuneration					
- current financial year	10	5	7	10	8
- prior years	-	(5)	2	-	-
Bad debts written off	-	371	-	-	-
Depreciation	5	5	-	-	-
Property, plant and equipment written off	-	-	29	-	-
Development expenditure written off	-	-	-	185	25
Waiver of back charge late payment interest income	-	-	2,422	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(c) Profit/(Loss) Before Tax (Continued)

	←		FYE 30 June	→	
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
And crediting:-					
Back charge of late payment interest	-	3,421	-	-	-
Fixed deposit interests income	10	*	13	92	88
Rental income	-	7	6	-	-
Waiver of late payment interest expense	-	-	2,422	-	-

* RM126

(d) Income Tax Expense/(Benefit)

	←		FYE 30 June	→	
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax					
- current financial year	92	-	317	-	-
- underprovision in prior years	1	^	-	54	-
	93	^	317	54	-

^ (RM540)

The income tax rate applicable to SME incorporated in Malaysia with paid-up capital of RM2,500,000 and below is subject to the statutory tax rate of 20% on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% is still applicable.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(d) Income Tax Expense/(Benefit) (Continued)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rates to income tax expense at the effective income tax rates of NPO Land are as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	355	(437)	1,591	(1,797)	13
Tax at applicable statutory tax rates	89	(109)	398	(449)	3
Expenses not deductible for tax purposes	3	98	14	17	19
Utilisation of previously unrecognised tax losses	-	-	-	-	(22)
Deferred tax asset not recognised during the financial years	-	11	-	432	-
Utilisation of deferred tax assets	-	-	(95)	-	-
Under/(over) provision of tax expense in prior financial years	1	^	-	54	-
Tax expense/(benefit) for the financial years	93	^	317	54	-

^ (RM540)

Deferred tax assets have not been recognised in respect of the following item:

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	-	45	-	1,729	1,641
Potential deferred tax benefit at 25%	-	11	-	432	410

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.4 Audited Financial Statements of NPO Land (Continued)
- 8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)
- (e) Property, Plant and Equipment

	Office Renovation RM'000
Cost	
At 1 July 2008	49
Additions	-
At 30 June 2009	49
Additions	-
At 30 June 2010	49
Written off	(49)
At 30 June 2011/ 30 June 2012/ 30 June 2013	-
Accumulated Depreciation	
At 1 July 2008	10
Depreciation for the financial year	5
At 30 June 2009	15
Depreciation for the financial year	5
At 30 June 2010	20
Assets written off	(20)
At 30 June 2011/ 30 June 2012/ 30 June 2013	-
Net Carrying Amount	
At 30 June 2009	34
At 30 June 2010	29
At 30 June 2011 / 30 June 2012 / 30 June 2013	-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(f) Land held for Property Development and Property development Costs

(i) Land Held for Property Development

	Freehold Land RM'000	Development Costs RM'000	Total RM'000
At 1 July 2008	51,324	4,120	55,444
Cost incurred during the financial year	-	617	617
Disposal	-	(1,060)	(1,060)
At 30 June 2009	51,324	3,677	55,001
Cost incurred during the financial year	2,313	2,339	4,652
Reclassified as held for sale	(1,184)	(1,275)	(2,459)
Transfer from investment properties	8,208	5,174	13,382
At 30 June 2010	60,661	9,915	70,576
Cost incurred during the financial year	-	3,371	3,371
Transfer to property development costs	(60,127)	(12,709)	(72,836)
At 30 June 2011	534	577	1,111
Cost incurred during the financial year	-	25	25
Written off	-	(185)	(185)
At 30 June 2012	534	417	951
Cost incurred during the financial year	-	25	25
Written off	-	(25)	(25)
At 30 June 2013	534	417	951

Included in the costs incurred of the land held for property development was an amount of RM Nil (2009: RM Nil, 2010: RM7,693, 2011: RM2,558,559 and 2012: RM Nil) representing interest expense capitalised during the financial years.

The freehold land amounting to RM534,014 (2009: RM51,324,020, 2010: RM60,661,352, 2011 and 2012: RM534,014) has been pledged to a financial institution to secure the credit facilities granted to NPO Land as disclosed in Note 8.4.5 (p).

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(f) Land held for Property Development and Property Development Cost (Continued)

(ii) Property Development Costs

	Freehold Land RM'000	Development Costs RM'000	Total RM'000
At 1 July 2010	-	-	-
Transferred from land held for property development	60,127	12,709	72,836
At 30 June 2011	60,127	12,709	72,836
Cost incurred during the financial year year	-	9,673	9,673
At 30 June 2012	60,127	22,382	82,509
Cost incurred during the financial year year	18	6,879	6,897
At 30 June 2013	60,145	29,261	89,406

Included in the costs incurred of the property development costs is an amount of RM2,475,030 (2011: RM Nil and 2012: RM3,372,964) representing interest expense capitalised during the financial years.

The freehold land has been pledged to a financial institution to secure the credit facilities granted to NPO Land as disclosed in Note 8.4.5(p).

(g) Investment In Subsidiary Companies

	← 2009 RM'000	2010 RM'000	As at 30 June 2011 RM'000	2012 RM'000	→ 2013 RM'000
Unquoted shares, at cost	100	100	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(g) Investment In Subsidiary Companies (Continued)

Details of the subsidiary companies which are all incorporated in Malaysia are as follows:-

Company Name	Effective Equity Interest					Principal Activities
	As at 30 June					
	2009	2010	2011	2012	2013	
	%	%	%	%	%	
NPO Realty Sdn Bhd *	100	100	-	-	-	Investment holding
NPO Prima Properties Sdn Bhd *	100	100	-	-	-	Inactive
<i>Held through NPO Realty Sdn Bhd</i>						
Cekal Unggul Sdn Bhd *	30	30	-	-	-	Property development

* Audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng.

NPO Land had disposal of all its subsidiary companies to TGSB at the carrying values during FYE 30 June 2011.

(h) Investment Properties

	As at 30 June				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost and Net Carrying Amount					
At the beginning of the financial year	12,081	12,322	-	-	-
Cost incurred during the financial year	241	1,061	-	-	-
Transfer to land held for property development	-	(13,383)	-	-	-
At the end of the financial year	12,322	-	-	-	-
Fair value of investment properties	12,322	-	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(i) Trade and Other Receivables

	← As at 30 June →				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade receivables	53,497	53,987	507	3,023	3,691
Amounts due from related parties					
Ultimate holding company	3,589	7,411	-	-	-
Subsidiary	7,883	7,883	-	-	-
Related companies	5,962	8,611	6,172	10,128	9,828
Other receivables	4,076	202	84	80	80
Sundry deposits	*	*	*	*	30
	21,510	24,107	6,256	10,208	9,938
Trade and other receivables	75,007	78,094	6,763	13,231	13,629
Add: Fixed deposit placed with a licensed bank (Note 8.4.5 (k))	-	-	3,013	3,105	3,193
Cash and bank balances (Note 8.4.5 (l))	35	3,853	4,592	2,830	2,666
Total loans and receivables	75,042	81,947	14,368	19,166	19,488

* RM100

(i) Trade receivables

Included in the trade receivables was an amount of RM Nil (2009: RM51,516,746, 2010: 53,925,947, 2011 and 2012: RM Nil) representing the outstanding sales consideration and late payment interest in relation to sale of two parcels of land held for property development due from a former related company.

NPO Land entered in a novation agreement with the Vendor as mentioned in Note 8.4.5(o). The said novation agreement was completed during the FYE 30 June 2011.

NPO Land's normal trade credit term ranges from 14 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(i) Trade and Other Receivables (Continued)

(i) Trade receivables (Continued)

Ageing analysis of trade receivables are as follows:-

	← 2011	As at 30 June 2012	2013 →
	RM'000	RM'000	RM'000
Neither past due nor impaired	459	1,174	502
1 to 30 days past due not impaired	-	-	-
31 to 75 days past due not impaired	-	40	842
More than 75 days past due not impaired	48	1,809	2,347
	507	3,023	3,691

Receivables that are neither past due nor impaired

The directors of NPO Land are of that opinion that, no impairment loss is necessary in respect of these not past due trade receivables.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired, and are unsecured in nature.

Based on the management experience, no receivables past due were written off as a result of irrevocable. The management has a credit procedure in place to monitor and minimise the exposure of default. All in all, NPO Land believe that, no impairment loss is necessary in respect of these trade receivables past due.

(ii) Other receivables

The amounts due from related parties are unsecured, interest free and receivable upon demand

(j) Holding Companies

NPO Land is a wholly-owned subsidiary company of NPO Development, which in turn is a wholly-owned subsidiary company of TGSB during the FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and Titijaya during the FYE 30 June 2013. The directors of NPO Land regard TGSB as the ultimate holding company. All the companies are incorporated and domiciled in Malaysia.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(k) Fixed Deposit Placed With A Licensed Bank

Fixed deposit placed with a licensed bank has maturity dates of one (1) month, which bear interests rates of 2.8% per annum.

The fixed deposit placed with a licensed bank of NPO Land has been pledged to the licensed bank to secure credit facilities granted to NPO Land as disclosed in Note 8.4.5(p).

(l) Cash and Bank Balances

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Short term funds	5	5	5	5	5
Cash in hand	*	*	*	*	*
Cash at banks	30	3,848	4,587	2,825	2,661
	<u>35</u>	<u>3,853</u>	<u>4,592</u>	<u>2,830</u>	<u>2,666</u>

* RM2

The short term funds represent investment in fixed income trust funds which can be redeemed within a period of less than 30 days with tax exempt interests at the rates ranging from 2.00% to 2.23% (2009: 2.47% to 2.53%, 2010: 2.19% to 2.47%, 2011: 2.09% to 2.47% and 2012: 2.06% to 2.26%) per annum.

(m) Non-Current Assets Held for Sale

Non-current assets held for sale on NPO Land's statement of financial position were as follows:

	Carrying amount immediately before reclassification RM'000	Allocation of remeasurement RM'000	Carrying amount as at 30 June 2010 RM'000
Assets			
Land held for property development	2,459	-	2,459

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(n) Share Capital

	As at 30 June				
	2009	2010	2011	2012	2013
Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares
Unit ('000)	Unit ('000)	Unit ('000)	Unit ('000)	Unit ('000)	Unit ('000)
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1.00 each :-					
Authorised					
At the beginning/end of the financial years	5,000	5,000	5,000	5,000	5,000
Issued and fully paid-up					
At the beginning/end of the financial years	2,000	2,000	2,000	2,000	2,000

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(o) Trade and Other Payables

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	104,656	57,901	353	1,466	965
Amounts due to related parties					
Ultimate holding company	-	-	-	300	300
Holding company	-	-	1,146	617	17,677
Subsidiary companies	49	49	-	-	-
Directors	1,772	9,423	9,691	2,330	2,220
Related companies	7,607	8,073	7,622	5,206	27,336
Company in which persons connected to directors have interest	564	548	-	-	-
Other payables	6,139	4,640	4,656	4,608	4,319
Sundry deposits	-	42	32,061	11,201	7,926
Accruals	10	5	175	10	8
	16,141	22,780	55,351	24,272	59,786
Trade and other payables	120,797	80,681	55,704	25,738	60,751
Add:					
Borrowings (Note 8.4.5 (p))	-	46,006	25,005	43,670	15,499
Amount owing to holding company	21,990	29,149	-	-	-
Total other financial liabilities carried at amortised cost	142,787	155,836	80,709	69,408	76,250

(i) Trade payables

The normal trade credit term granted to NPO Land ranges from 30 days to 60 days.

Included in trade payables is an amount due to Sime Darby Property (Sungai Kapar) Sdn Bhd ("the Vendor") amounting to RM Nil (2009: RM90,493,832, 2010: RM57,523,277, 2011 and 2012: RM Nil) being the outstanding purchase consideration and late payment interest in respect of the purchase of two parcels of land held for property development from the vendor in 2007. NPO Land had entered into a novation agreement with the Vendor and a former related company to assign the outstanding purchase consideration together with its rights, obligations and any liabilities on the said land to the said former related company as mentioned in Note 8.4.5 (i).

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(o) Trade and Other Payables (Continued)

(ii) Other payables

The amounts due to related parties are unsecured, interest free and payable on demand.

(iii) Sundry deposits

The sundry deposits are in relation to partial payment towards the sales of development properties. Included herein is an amount of RM1,750,500 (2009, 2010 and 2011: RM Nil and 2012: RM1,750,500) being deposits received from a former director in relation to the sale of development properties.

(p) Borrowings

	← As at 30 June →				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Long term borrowings					
Bank overdraft	-	21,003	-	-	-
Term loans	-	25,003	22,837	16,364	7,893
Short term borrowings					
Bank overdraft	-	-	-	20,729	-
Term loans	-	-	2,168	6,577	7,606
Total borrowings (secured)	<u>-</u>	<u>46,006</u>	<u>25,005</u>	<u>43,670</u>	<u>15,499</u>

The term loans and bank overdrafts are secured by:-

- (i) First party legal charge over the development properties;
- (ii) Specific debenture over the property development land;
- (iii) A fixed deposit of RM3.0 million together with interest accrued thereon as disclosed in Note 8.4.5 (k);
- (iv) Corporate guarantee granted by NPO Development; and
- (v) Jointly and severally guarantee by directors of NPO Land.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(p) Borrowings (Continued)

The term loans are repayable by 35 and 47 monthly instalments of RM416,660 and RM243,426 each commencing June 2012 and June 2011, with a final instalment of RM416,900 and RM245,144 respectively and/or by redemption for units sold, whichever is earlier.

The term loans bear interests at rates which is on floating rate basis ranging from 7.85% to 8.35% (2009: Nil, 2010: 7.05% to 8.05%, 2011 and 2012: 7.85% to 8.35%) per annum.

The bank overdraft bear interest at rate which is on floating rate basis ranging from 7.85% to 8.35% (2009: Nil, 2010: 7.05% to 8.05%, 2011 and 2012: 7.85% to 8.35%) per annum. The bank overdraft is not utilised during the FYE 30 June 2013.

(q) Contingent Liability

On 15 June 2010, NPO Development, the holding company, received from a writ of summons dated 2 June 2010 and statement of claim dated 17 May 2010 from a trade creditor in respect of an alleged outstanding architectural fees which are due and owing by NPO Development amounting to RM2,980,575 in respect of certain proposed projects. NPO Development had filed the statement of defence dated 21 July 2010 to dispute the amount of fees claimed contending that the sum claimed is not in accordance with the agreed fees and the work done is not up to the stage indicated in the respective bills.

On 23 August 2010, the said trade creditor had made an application to amend the name of the defendant from NPO Development to NPO Land. The court has granted the permission for the said trade creditor and NPO Land to amend the statement of claim and statement of defence on 23 September 2010 and 29 November 2011 respectively.

The matter was fixed for mediation on 17 July 2012 and the said trade creditor was directed to forward all the relevant documents to substantiate its claim against NPO Land. The mediation before the High Court Judge which was fixed on 6 November 2012 had failed and the parties were directed to proceed with case management scheduled on 28 November 2012. On the said date, the matter was fixed for full trial on 18 March 2013 and 19 March 2013. Subsequently on 10 January 2013, the High Court had struck out the said trade creditor's claim with no liberty to file afresh together with costs of RM5,000 paid by the said trade creditor to NPO Land. The said trade creditor may proceed to continue the matter by arbitration but as at to-date, no formal notice has been issued.

Based on the above, the management of NPO Land is of the opinion that the claim is not in accordance with the agreed fees and the work done is not up to the state indicated in the respective bills. Accordingly, no provision for liabilities was made by NPO Land.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
 8.4 Audited Financial Statements of NPO Land (Continued)
 8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)
 (r) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with NPO Land or that has an interest in NPO Land that gives it significant influence over NPO Land's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in NPO Land resides with, directly or indirectly.

Significant transactions between NPO Land and its related parties during the financial years are as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Proceeds from disposal of subsidiary companies to TGSB	-	-	100	-	-
Project management fee charged by NPO Development	-	-	-	648	-

- (s) Financial Instruments
 (i) Financial Risk Management and Objectives

NPO Land is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, and interest rate risk.

The Directors of NPO Land review and agree policies and procedures for the management of these risks.

The following sections provide details regarding NPO Land's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

- (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. NPO Land's exposure to credit risk arises primarily from trade and other receivables.

NPO Land's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Receivable balances are monitored on an on-going basis with the result that NPO Land's exposure to bad debts is not significant.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.4 **Audited Financial Statements of NPO Land (Continued)**
- 8.4.5 **Notes to the Audited Financial Statements of NPO Land (Continued)**
- (s) **Financial Instruments (Continued)**
- (i) **Financial Risk Management and Objectives (Continued)**
- (a) **Credit risk (Continued)**

Exposure to credit risk

At the reporting date, NPO Land's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 8.4.5 (i).

Receivables that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.4.5 (i).

Receivables that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.4.5 (i).

Credit risk concentration profile

NPO Land does not have any significant exposure to any individual customer.

(b) **Liquidity risk**

Liquidity risk is the risk that NPO Land will encounter difficulty in meeting financial obligations due to shortage of funds, NPO Land's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

At 30 June 2013, approximately 49% (2011: 9% and 2012: 63%) of NPO Land's loans and borrowings, as disclosed in Note 8.4.5 (p), will mature in less than one year based on the carrying amounts reflected in the statements of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(s) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the NPO Land's liabilities at the reporting date:-

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
30 June 2011			
Trade payables	353	-	353
Other payables, deposits and accruals	55,351	-	55,351
Borrowings	4,174	25,905	30,079
	<u>59,878</u>	<u>25,905</u>	<u>85,783</u>
30 June 2012			
Trade payables	1,466	-	1,466
Other payables, deposits and accruals	24,272	-	24,272
Borrowings	29,092	17,695	46,787
	<u>54,830</u>	<u>17,695</u>	<u>72,525</u>
30 June 2013			
Trade payables	965	-	965
Other payables, deposits and accruals	59,786	-	59,786
Borrowings	8,567	8,150	16,717
	<u>69,318</u>	<u>8,150</u>	<u>77,468</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of NPO Land (Continued)

8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)

(s) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(c) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of NPO Land's financial instruments will fluctuate because of changes in market interest rates.

NPO Land's exposure to interest rate risk arises primarily from their loans and borrowings. Most of NPO Land's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by Bank Negara Malaysia.

Interest rate risk sensitivity

	Carrying Amount RM'000	Movement in basis point	Effect on profit after tax RM'000
At 30 June 2011			
Fixed deposit placed with a licensed bank	3,013	0.5%	11
Borrowings	25,005	0.5%	94
At 30 June 2012			
Fixed deposit placed with a licensed bank	3,105	0.5%	12
Borrowings	43,670	0.5%	164
At 30 June 2013			
Fixed deposit placed with a licensed bank	3,193	0.5%	12
Borrowings	15,499	0.5%	58

The profit/(loss) after tax will be higher/lower when the interest rates decrease/increase.

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.4 Audited Financial Statements of NPO Land (Continued)****8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)****(s) Financial Instruments (Continued)****(ii) Fair values****(a) Recognised financial instruments**

The fair values of financial assets and financial liabilities of NPO Land approximate their carrying values on the statements of financial position of NPO Land.

(b) Unrecognised financial instruments

The nominal/notional amount and net fair value of contingent liabilities as disclosed in Note 8.4.5(q) are not recognised in the statements of financial position as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

There were no other unrecognised financial instruments as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 that are required to be disclosed.

(t) Capital Management

The primary objective of NPO Land's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

NPO Land manages their capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, NPO Land may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

NPO Land monitors the level of dividends to be paid to shareholders. NPO Land's objective is to pay out regular dividends to the shareholders based on the level of NPO Land's profitability and cash flows.

The capital structure of NPO Land consists of equity attributable to owner of NPO Land, comprising share capital, accumulated losses and total borrowings.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.4 Audited Financial Statements of NPO Land (Continued)****8.4.5 Notes to the Audited Financial Statements of NPO Land (Continued)****(i) Capital Management (Continued)**

The gearing ratios are as follows:-

	←————— As at 30 June —————→				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Total borrowings	-	46,006	25,005	43,670	15,499
Equity attributable to the owner of NPO Land	1,065	628	1,902	51	64
Gearing ratio (times)	-	73.3	13.1	856.3	242.2

There were no changes in NPO Land's approach to capital management during the financial years.

NPO Land is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga

8.5.1 Audited Statements of Comprehensive Income of Sendi Bangga

The audited statements of comprehensive income of Sendi Bangga for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	← FYE 30 June →				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	8.5.5 (a)	13,359	38,212	71,808	91,938	157,851
Cost of sales	8.5.5 (b)	(11,362)	(29,146)	(51,897)	(55,545)	(82,523)
Gross profit		<u>1,997</u>	<u>9,066</u>	<u>19,911</u>	<u>36,393</u>	<u>75,328</u>
Other income		43	158	337	433	442
Selling and distribution expenses		(1,368)	(1,514)	(1,547)	(3,197)	(7,707)
Administrative expenses		(60)	(164)	(309)	(361)	(261)
Other expenses		(47)	(1,069)	(2,295)	(2,567)	(5,027)
Operating profits		<u>565</u>	<u>6,477</u>	<u>16,097</u>	<u>30,701</u>	<u>62,775</u>
Finance costs		(47)	#	-	-	-
Profit before tax	8.5.5 (c)	<u>518</u>	<u>6,477</u>	<u>16,097</u>	<u>30,701</u>	<u>62,775</u>
Income tax expense	8.5.5 (d)	(138)	(1,642)	(4,091)	(7,991)	(15,934)
Net profit for the financial years, representing total comprehensive income for the financial years		<u>380</u>	<u>4,835</u>	<u>12,006</u>	<u>22,710</u>	<u>46,841</u>
<i>Gross profit margin (%)</i>		14.95	23.73	27.73	39.58	47.72
<i>Profit before tax margin (%)</i>		3.88	16.95	22.42	33.39	39.77
<i>Effective tax rate (%)</i>		26.64	25.35	25.41	26.03	25.38
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>		3,000	3,000	3,000	3,000	3,000
<i>Gross EPS (RM)</i>		0.17	2.16	5.37	10.23	20.93
<i>Net EPS (RM)</i>		0.13	1.61	4.00	7.57	15.61

(RM268)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.2 Audited Statements of Financial Position of Sendi Bangga

The audited statements of financial position of Sendi Bangga as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 are as follows:-

		← As at 30 June →				
	Note	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Current assets						
Property development costs	8.5.5 (e)	37,777	34,028	34,066	39,220	14,192
Inventories	8.5.5 (f)	-	-	-	409	10,707
Trade and other receivables	8.5.5 (g)	14,617	18,260	14,731	25,994	30,143
Accrued billings in respect of property development costs		-	-	-	-	78,807
Current tax assets		74	-	-	-	-
Fixed deposit placed with a licensed bank	8.5.5 (i)	-	-	-	-	505
Cash and bank balances	8.5.5 (j)	946	2,433	3,773	26,997	11,562
Total current assets		53,414	54,721	52,570	92,620	145,916
TOTAL ASSETS		53,414	54,721	52,570	92,620	145,916
EQUITY AND LIABILITIES						
Equity attributable to the owner of Sendi Bangga						
Share capital	8.5.5 (k)	3,000	3,000	3,000	3,000	3,000
Retained earnings	8.5.5 (l)	3,407	8,242	20,248	42,958	89,799
Total equity		6,407	11,242	23,248	45,958	92,799

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.2 Audited Statements of Financial Position of Sendi Bangga (Continued)

	← As at 30 June →					
	2009	2010	2011	2012	2013	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Non-current liability						
Bank borrowings	8.5.5 (m)	15,943	11,937	7,936	2,005	-
Total non-current liability		15,943	11,937	7,936	2,005	-
Current liabilities						
Trade and other payables	8.5.5 (n)	21,581	22,018	11,486	21,913	45,516
Progress billings in respect of property development costs		8,163	1,502	7,786	19,959	1,955
Bank borrowings	8.5.5 (m)	1,320	7,328	958	-	-
Current tax payable		-	694	1,156	2,785	5,646
Total current liabilities		31,064	31,542	21,386	44,657	53,117
Total liabilities		47,007	43,479	29,322	46,662	53,117
TOTAL EQUITY AND LIABILITIES		53,414	54,721	52,570	92,620	145,916
<i>Number of ordinary shares in issue ('000)</i>		3,000	3,000	3,000	3,000	3,000
<i>NTA (RM'000)</i>		6,407	11,242	23,248	45,958	92,799
<i>NTA per ordinary share (RM)</i>		2.14	3.75	7.75	15.32	30.93
<i>NA (RM'000)</i>		6,407	11,242	23,248	45,958	92,799
<i>NA per ordinary share (RM)</i>		2.14	3.75	7.75	15.32	30.93

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.3 Audited Statements of Changes in Equity of Sendi Bangga

The audited statements of changes in equity of Sendi Bangga for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Share Capital RM'000	<u>Distributable</u> Retained Earnings RM'000	Total Equity RM'000
At 1 July 2008	3,000	3,027	6,027
Total comprehensive income for the financial year	-	380	380
At 30 June 2009	3,000	3,407	6,407
Total comprehensive income for the financial year	-	4,835	4,835
At 30 June 2010	3,000	8,242	11,242
Total comprehensive income for the financial year	-	12,006	12,006
At 30 June 2011	3,000	20,248	23,248
Total comprehensive income for the financial year	-	22,710	22,710
At 30 June 2012	3,000	42,958	45,958
Total comprehensive income for the financial year	-	46,841	46,841
At 30 June 2013	3,000	89,799	92,799

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.4 Audited Statements of Cash Flows of Sendi Bangga

The audited statements of cash flows of Sendi Bangga for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	518	6,477	16,097	30,701	62,775
Adjustments for					
Interests income	-	-	(69)	(342)	(279)
Waiver of amount due from a related company	-	-	-	700	300
Operating profit before working capital changes	518	6,477	16,028	31,059	62,796
Change In Working Capital					
Inventories	-	-	-	-	158
Receivables	(3,461)	(1,406)	(160)	(6,102)	(81,545)
Payables	(1,447)	(4,879)	9,551	24,172	519
Property development costs	(5,525)	4,771	1,074	(5,181)	14,618
Net cash (used in)/generated from operations	(9,915)	4,963	26,493	43,948	(3,454)
Income tax paid	(500)	(875)	(3,629)	(6,362)	(13,421)
Interests received	-	-	69	342	279
Tax refunded	111	-	-	-	348
Net Operating Cash Flows	(10,304)	4,088	22,933	37,928	(16,248)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance from/(repayment to) related parties	14,334	(3,581)	(10,110)	(7,433)	3,369
Fixed deposit pledged as security value	-	-	-	-	(505)
Interests paid	(1,135)	(1,022)	(1,112)	(382)	(46)
Repayment of borrowings	(1,965)	2,002	(10,371)	(6,889)	(2,005)
Net Financing Cash Flows	11,234	(2,601)	(21,593)	(14,704)	813
NET CHANGE IN CASH AND CASH EQUIVALENTS	930	1,487	1,340	23,224	(15,435)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.4 Audited Statements of Cash Flows of Sendi Bangga (Continued)

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	16	946	2,433	3,773	26,997
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	946	2,433	3,773	26,997	11,562
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	946	2,433	3,773	26,997	11,562
Fixed deposit placed with a licensed bank	-	-	-	-	505
	946	2,433	3,773	26,997	12,067
Less: Fixed deposit held as security value	-	-	-	-	(505)
	946	2,433	3,773	26,997	11,562

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga

(a) Revenue

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Property development revenue	13,359	38,212	71,808	91,633	157,489
Revenue from sale of completed properties	-	-	-	305	362
	13,359	38,212	71,808	91,938	157,851

(b) Cost of Sales

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Property development cost recognised as expenses	11,362	29,146	51,897	55,387	82,365
Cost of completed property sold	-	-	-	158	158
	11,362	29,146	51,897	55,545	82,523

(c) Profit Before Tax

Profit before tax is arrived at after charging and crediting the following:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
After charging:-					
Auditors' remuneration					
- current financial year	15	15	20	49	36
- under accrual in prior financial years	-	-	9	11	-
Rental of premises	83	63	-	-	-
Waiver of amount due from a related company	-	-	-	700	300
And crediting:-					
Bank interests received	-	-	29	130	237
Other interest income	-	-	39	212	37
Fixed deposit interests	-	-	-	-	5

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(d) Income Tax Expense

	← FYE 30 June →				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Income tax					
- current financial years	138	1,642	4,062	7,904	15,920
- under accrual in prior financial years	-	-	29	87	14
	138	1,642	4,091	7,991	15,934

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the financial years.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of Sendi Bangga are as follows:

	← FYE 30 June →				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Profit before tax	518	6,477	16,097	30,701	62,775
Taxation at applicable statutory tax rate	130	1,619	4,024	7,675	15,694
Expenses not deductible for tax purposes	8	23	38	229	226
Underaccrual in prior financial years	-	-	29	87	14
Tax expense for the financial years	138	1,642	4,091	7,991	15,934

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(e) Property Development Costs

	Freehold Land RM'000	Development Costs RM'000	Total RM'000
Cumulative Property Development Costs			
At 1 July 2008	34,695	35,724	70,419
Cost incurred during the financial year	-	18,021	18,021
Reversal of completed projects	(16,087)	(34,576)	(50,663)
At 30 June 2009	18,608	19,169	37,777
Cost incurred during the financial year	-	25,397	25,397
At 30 June 2010	18,608	44,566	63,174
Cost incurred during the financial year	-	51,935	51,935
At 30 June 2011	18,608	96,501	115,109
Cost incurred during the financial year	-	61,107	61,107
Reversal of completed project	(4,067)	(83,323)	(87,390)
Unsold units transferred to inventories	(26)	(541)	(567)
At 30 June 2012	14,515	73,744	88,259
Cost incurred during the financial year	-	67,794	67,794
Reversal of completed project	(8,566)	(115,230)	(123,796)
Unsold units transferred to inventories	(724)	(9,733)	(10,457)
At 30 June 2013	5,225	16,575	21,800

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(e) Property Development Costs (Continued)

	Freehold Land RM'000	Development Costs RM'000	Total RM'000
Cumulative Costs recognised in Profit or Loss			
At 1 July 2008	(12,387)	(26,914)	(39,301)
Recognised during the financial year	(3,700)	(7,662)	(11,362)
Reversal of completed projects	16,087	34,576	50,663
At 30 June 2009	-	-	-
Recognised during the financial year	(1,302)	(27,844)	(29,146)
At 30 June 2010	(1,302)	(27,844)	(29,146)
Recognised during the financial year	(2,499)	(49,398)	(51,897)
At 30 June 2011	(3,801)	(77,242)	(81,043)
Recognised during the financial year	(3,450)	(51,937)	(55,387)
Reversal of completed project	4,068	83,323	87,391
At 30 June 2012	(3,183)	(45,856)	(49,039)
Recognised during the financial year	(5,880)	(76,485)	(82,365)
Reversal of completed project	8,566	115,230	123,796
At 30 June 2013	(497)	(7,111)	(7,608)
Property Development Costs			
At 30 June 2009	18,608	19,169	37,777
At 30 June 2010	17,306	16,722	34,028
At 30 June 2011	14,807	19,259	34,066
At 30 June 2012	11,332	27,888	39,220
At 30 June 2013	4,728	9,464	14,192

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(e) Property Development Costs (Continued)

Included in property development costs of Sendi Bangga are RM46,616 (2009: RM1,134,654, 2010: RM1,022,229, 2011: RM1,112,411 and 2012: RM382,487) representing borrowing costs capitalised during the financial years.

Sendi Bangga's freehold land under property development costs have been charged to the financial institutions for banking facilities granted to Sendi Bangga as disclosed in Note 8.5.5(m).

(f) Inventories

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Completed properties held for sale, at cost	-	-	-	409	10,707

(g) Trade and Other Receivables

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	3,499	4,840	4,550	11,166	12,654
Other receivables					
Amount due from related parties					
Related companies	10,808	13,044	9,356	12,488	14,302
Holding companies	-	-	-	2,029	1,626
Other receivables	115	170	602	-	816
Deposits	195	206	223	311	745
	11,118	13,420	10,181	14,828	17,489
Total trade and other receivables	14,617	18,260	14,731	25,994	30,143
Add:					
Fixed deposit placed with a licensed bank (Note 8.5.5 (i))	-	-	-	-	505
Cash and bank balances (Note 8.5.5 (j))	946	2,433	3,773	26,997	11,562
Total loans and receivables	15,563	20,693	18,504	52,991	42,210

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(g) Trade and Other Receivables (Continued)

(i) Trade receivables

Sendi Bangga's normal trade credit term ranges from 14 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Ageing analysis of trade receivables are as follows:-

	←	As at 30 June	→
	2011	2012	2013
	RM'000	RM'000	RM'000
Neither past due nor impaired	3,702	7,232	11,853
1 to 30 days past due not impaired	50	2,416	100
31 to 75 days past due not impaired	326	157	115
More than 75 days past due but not impaired	472	1,361	586
	4,550	11,166	12,654

Receivables that are neither past due nor impaired

The directors of Sendi Bangga are of that opinion that, no impairment loss is necessary in respect of these not past due trade receivables.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing 6% (2011: 19% and 2012: 35%) of Sendi Bangga's trade receivables are unsecured in nature.

Based on the management experience, no receivables past due were written off as a result of irrecoverable. The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of Sendi Bangga are of the opinion that, no allowance for doubtful debts is required to be made in respect of these past due trade receivables.

(ii) Other receivables

The amounts due from related parties are non-trade in nature, unsecured, interest free and receivable upon demand.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.5 Audited Financial Statements of Sendi Bangga (Continued)****8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)****(h) Holding Companies**

Sendi Bangga is a wholly-owned subsidiary company of NPO Development, which in turn is a wholly-owned subsidiary company of TGSB during the FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and Titijaya during the FYE 30 June 2013. The directors of Sendi Bangga regard TGSB as the ultimate holding company. All the companies are incorporated and domiciled in Malaysia.

(i) Fixed Deposit Placed With A Licensed Bank

Fixed deposit placed with a licensed bank has maturity date of 1 month, which bears interest rate of 2.75% per annum for the financial year under review.

The fixed deposit placed with a licensed bank is pledged to a licensed bank to secure banking facilities granted to Sendi Bangga.

(j) Cash and Bank Balances

Included in cash and bank balances is an amount totalling RM5,670,468 (2009: RM90,2010: RM958,599, 2011: RM923,491 and 2012: RM25,193,019) held under the HDA which are interest bearing pursuant to Section 7A of the Housing Developments (Control and Licensing) Act, 1966. This account, which comprises monies received from purchasers, are for the payment of property development expenditure incurred and are restricted from use in other operations.

The surplus monies, if any, will be released to Sendi Bangga upon the completion of the property development projects and after all property development expenditure have been fully settled.

13. ACCOUNTANTS' REPORT (Cont'd)

TITJAYA LAND BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(k) Share Capital

	As at 30 June			
	2009	2010	2011	2012
	Number of Shares Unit ('000)	Number of Shares Unit ('000)	Number of Shares Unit ('000)	Number of Shares Unit ('000)
Ordinary shares of RM1 each :-				
Authorised				
At the beginning/end of the financial years	5,000	5,000	5,000	5,000
Issued and fully paid-up				
At the beginning/end of the financial years	3,000	3,000	3,000	3,000
		RM'000	RM'000	RM'000
		5,000	5,000	5,000
		3,000	3,000	3,000

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(l) Retained Earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to frank dividends to their shareholders under limited circumstances. Companies also have irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

Sendi Bangga has elected for the irrevocable option to disregard the Section 108 balance. Hence Sendi Bangga will be able to distribute dividends out of its entire retained earnings as at 30 June 2013 under the single tier system.

(m) Bank borrowings

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Short term borrowings					
Term loans	1,320	2,734	958	-	-
Bridging loan	-	4,594	-	-	-
	1,320	7,328	958	-	-
Long term borrowings					
Term loans	15,943	11,937	7,936	2,005	-
Total bank borrowings (secured)	17,263	19,265	8,894	2,005	-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(m) Bank borrowings (Continued)

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Comprising portion repayable					
Within one year	1,320	7,328	958	-	-
More than one year but					
less than two years	2,734	2,967	4,708	1,301	-
More than two years but					
less than five years	13,209	8,970	3,228	704	-
Total bank borrowings	<u>17,263</u>	<u>19,265</u>	<u>8,894</u>	<u>2,005</u>	<u>-</u>

The bank borrowings are secured by the following:-

- (i) A facility agreement between Sendi Bangga and the financial institution;
- (ii) A specific debenture incorporating fixed and floating charge over all Sendi Bangga's asset, properties, rights, revenue and undertakings both present and future pertaining to the development of the project, including project land;
- (iii) A fixed charge in respect of the project land;
- (iv) A specific debenture by a third party company, incorporating a fixed charge for all monies owing or payable under the banking facilities over the project land;
- (v) Joint and several guarantees from the directors of Sendi Bangga, NPO Development and TGSB for the principal sum and any interest, commissions and charges accruing thereon; and
- (vi) Deed of undertaking from the directors of Sendi Bangga, TGSB and NPO Development.

The bank borrowings are repayable by redemption for units sold and via reduction schedules according to the facilities agreements.

The bank borrowings bear interests at the rates of 6.6% (2009 and 2010: 8.25% to 8.5%, 2011: 6.6% to 8.25% and 2012: 6.6%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(n) Trade and Other Payables

	←	As at 30 June	→		
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	4,146	5,567	8,849	14,641	12,734
Other payables					
Amounts due to related parties					
Holding company	16,159	15,505	1,326	-	-
Ultimate holding company	-	-	-	221	221
Related companies	591	-	216	249	5,329
A director	152	52	500	-	-
Company in which directors have interests	355	67	-	-	-
Other payables	148	782	282	392	4,595
Deposits	-	-	-	85	155
Accruals	30	45	313	6,325	22,482
	17,435	16,451	2,637	7,272	32,782
Total trade and other payables	21,581	22,018	11,486	21,913	45,516
Add:					
Bank borrowings (Note 8.5.5 (m))	17,263	19,265	8,894	2,005	-
Total other financial liabilities carried at amortised cost	38,844	41,283	20,380	23,918	45,516

(i) Trade payables

Trade payables are non-interest bearing debts and the normal trade credit term granted to Sendi Bangga ranges from 30 days to 60 days.

(ii) Other payables

The amount due to related parties are non-trade in nature, unsecured, interest free and payable upon demand.

(iii) Accruals

Included in accruals are amounts totalling RM22,443,304 (2009 and 2010: RM Nil, 2011: RM 290,037 and 2012: RM6,272,656) which represents costs accrued for the development projects undertaken by Sendi Bangga.

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report

8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.5 **Audited Financial Statements of Sendi Bangga (Continued)**
- 8.5.5 **Notes to the Audited Financial Statements of Sendi Bangga (Continued)**
- (o) **Contingent Liability**

On 22 August 2013, Sendi Bangga received from a Writ of summons and Statement of Claim from a nominated sub-contractor of Sendi Bangga's trade payable for a breach of collateral contract. The sub-contractor alleged that it has suffered loss and damage and thereby claims against Sendi Bangga.

Sendi Bangga will file its defence and striking out application by 19 September 2013. As at the date of this report, the trial dates have been fixed from 8 January 2014 to 10 January 2014.

The management is of the opinion that the claim is not valid as the nominated sub-contractor has no contractual relationship with Sendi Bangga. Accordingly, no provision for liabilities was made.

- (p) **Commitment**

Sendi Bangga has granted a promotion scheme with various buyers whereby Sendi Bangga will bear the first year service charges of the buyers upon the completion of the related development properties. As at 30 June 2013, the related commitments are totalling RM1,905,599.

- (q) **Significant Related Party Disclosures**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Sendi Bangga or that has an interest in Sendi Bangga that gives it significant influence over Sendi Bangga's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Sendi Bangga resides with, directly or indirectly.

The nature of the relationship with the related parties is as follows:

<u>Related Parties</u>	<u>Nature of Relationship</u>
NPO Trading Sdn. Bhd.	A related company, a wholly-owned subsidiary company of TGSB.
Safetags #	A related company, a wholly-owned subsidiary company of Titijaya.
Tan Sri Dato' Lim Soon Peng	Director of Sendi Bangga.
#	<i>Prior to 29 March 2013, Safetags was a wholly-owned subsidiary company of TGSB.</i>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(q) Significant Related Party Disclosures (Continued)

Significant transactions between Sendi Bangga and its related parties during the financial years under review were as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
NPO Development					
- Project management fee paid	-	1,049	2,249	1,865	3,432
NPO Trading Sdn. Bhd.					
- Supply of building materials	1,003	-	1,738	2,582	61
Safetags					
- Waiver of amount due from a related company	-	-	-	700	300
Tan Sri Dato' Lim Soon Peng					
- Sale of properties	-	-	-	4,323	-

(r) Financial Instruments

(i) Financial Risk Management and Objectives

Sendi Bangga is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors review and agree policies and procedures for the management of these risks.

The following sections provide details regarding Sendi Bangga's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Sendi Bangga's exposure to credit risk arises primarily from trade and other receivables.

Sendi Bangga's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Receivable balances are monitored on an on-going basis with the result that Sendi Bangga's exposure to bad debts is not significant.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.5 Audited Financial Statements of Sendi Bangga (Continued)****8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)****(r) Financial Instruments (Continued)****(i) Financial Risk Management and Objectives (Continued)****(a) Credit risk (Continued)**Exposure to credit risk

At the reporting date, Sendi Bangga's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 8.5.5 (g).

Receivables that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.5.5 (g).

Receivables that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.5.5 (g).

Credit risk concentration profile

Sendi Bangga does not have any significant exposure to any individual customer.

(b) Liquidity risk

Liquidity risk is the risk that Sendi Bangga will encounter difficulty in meeting financial obligations due to shortage of funds, Sendi Bangga's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

At 30 June 2013, 0% (2011: 11% and 2012: 0%) of Sendi Bangga's loans and borrowings, as disclosed in Note 8.6.5 (m), will mature in less than one year based on the carrying amounts reflected in the statements of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of Sendi Bangga (Continued)

8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)

(r) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of Sendi Bangga's liabilities at the reporting date.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
30 June 2011			
Trade payables	8,849	-	8,849
Other payables, deposits and accruals	2,637	-	2,637
Bank borrowings	958	7,936	8,894
	<u>12,444</u>	<u>7,936</u>	<u>20,380</u>
30 June 2012			
Trade payables	14,641	-	14,641
Other payables, deposits and accruals	7,272	-	7,272
Bank borrowings	-	2,005	2,005
	<u>21,913</u>	<u>2,005</u>	<u>23,918</u>
30 June 2013			
Trade payables	12,734	-	12,734
Other payables, deposits and accruals	32,782	-	32,782
	<u>45,516</u>	<u>-</u>	<u>45,516</u>

(c) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of Sendi Bangga's financial instruments will fluctuate because of changes in market interest rates.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.5 Audited Financial Statements of Sendi Bangga (Continued)
- 8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)
- (r) Financial instruments (Continued)
- (i) Financial Risk Management and Objectives (Continued)
- (c) Interest rate risk (Continued)

Sendi Bangga's exposure to interest rate risk arises primarily from their loans and borrowings. Most of Sendi Bangga's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by Bank Negara Malaysia. For interest income from cash deposits, Sendi Bangga manages the interest rate risks by placing cash deposits with reputable financial institutions with varying maturities and interest rate terms.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of Sendi Bangga's profit after taxation:-

	Carrying Amount RM'000	Movement in basis point	Total Effect on profit after tax RM'000
At 30 June 2011			
Bank borrowings	8,894	0.5%	33
At 30 June 2012			
Bank borrowings	2,005	0.5%	8
At 30 June 2013			
Bank borrowings	-	0.5%	-

The profit after tax will be higher/lower when the interest rates decrease/increase.

- (ii) Fair values
- (a) Recognised financial instruments

The fair values of financial assets and financial liabilities of Sendi Bangga approximate their carrying values on the statements of financial position of Sendi Bangga.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.5 Audited Financial Statements of Sendi Bangga (Continued)
- 8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)
- (r) Financial instruments (Continued)
- (ii) Fair values (Continued)
- (b) Unrecognised financial instruments

The nominal/notional amount and net fair value of contingent liabilities as disclosed in Note 8.5.5(p) are not recognised in the statements of financial position as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

There were no other unrecognised financial instruments as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 that are required to be disclosed.

(s) Capital Management

The primary objective of Sendi Bangga's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

Sendi Bangga manages their capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Sendi Bangga may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

Sendi Bangga monitors the level of dividends to be paid to shareholders. Sendi Bangga's objective is to pay out regular dividends to the shareholders based on the level of Sendi Bangga's profitability and cash flows.

The capital structure of Sendi Bangga consists of equity attributable to the owner of Sendi Bangga, comprising share capital, retained earnings and total liabilities.

The debt-to-equity ratios are as follows:-

	←————— As at 30 June —————→				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Total liabilities	47,007	43,479	29,322	46,662	53,117
Equity attributable to the owner of Sendi Bangga	6,407	11,242	23,248	45,958	92,799
Debt -to-equity ratio	734%	387%	126%	102%	57%

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



- 8. AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.5 Audited Financial Statements of Sendi Bangga (Continued)**
- 8.5.5 Notes to the Audited Financial Statements of Sendi Bangga (Continued)**
- (s) Capital Management (Continued)**

There were no changes in Sendi Bangga's approach to capital management during the financial years under review.

Sendi Bangga is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC

8.6.1 Audited Statements of Comprehensive Income of SACC

The audited statements of comprehensive income of SACC for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	← FYE 30 June →				
		2009	2010	2011	2012	2013
		RM'000	RM'000	RM'000	RM'000	RM'000
Revenue		-	-	-	-	-
Cost of sales		-	-	-	-	-
Gross profit		-	-	-	-	-
Other income		218	11,643	53	4,631	847
Administrative expenses		(3)	(29)	(4)	(23)	(82)
Selling and distribution expenses		-	-	(54)	(56)	(6)
Operating profit/(loss)		215	11,614	(5)	4,552	759
Finance costs	8.6.5 (a)	(224)	(153)	(48)	-	-
(Loss)/profit before tax	8.6.5 (b)	(9)	11,461	(53)	4,552	759
Income tax expense	8.6.5 (c)	-	-	-	*	#
Net (loss)/profit for the financial years, representing total comprehensive (loss)/income for the financial years		(9)	11,461	(53)	4,552	759
Gross profit margin (%)		N/A	N/A	N/A	N/A	N/A
(Loss)/profit before tax margin (%)		N/A	N/A	N/A	N/A	N/A
Effective tax rate (%)		N/A	N/A	N/A	N/A	N/A
Number of ordinary shares in issue of RM1.00 each ('000)		2,000	2,000	2,000	2,000	2,000
Gross (LPS)/EPS (sen)		(0.45)	573.05	(2.65)	227.60	37.95
Net (LPS)/EPS (sen)		(0.45)	573.05	(2.65)	227.60	37.95

* (RM201)

(RM14)

N/A: Not applicable

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.2 Audited Statements of Financial Position of SACC

The audited statements of financial position of SACC as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 are as follows:-

	Note	As at 30 June				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Non-current asset						
Land held for property development	8.6.5 (d)	33,754	34,811	36,212	38,846	43,012
Current assets						
Other receivables	8.6.5 (e)	396	5,544	4,614	5,462	2,770
Cash and bank balances		172	132	99	176	83
Total current assets		568	5,676	4,713	5,638	2,853
TOTAL ASSETS		34,322	40,487	40,925	44,484	45,865
EQUITY AND LIABILITIES						
Equity attributable to the owner of SACC						
Share capital	8.6.5 (g)	2,000	2,000	2,000	2,000	2,000
(Accumulated losses)/retained earnings	8.6.5 (h)	(288)	11,173	11,120	15,672	16,431
Total equity		1,712	13,173	13,120	17,672	18,431
Non-current liability						
Bank borrowings	8.6.5 (i)	15,761	11,515	17,162	5,163	14,103
Current liabilities						
Trade and other payables	8.6.5 (j)	11,209	10,159	10,643	9,649	10,271
Bank borrowings	8.6.5 (i)	5,640	5,640	-	12,000	3,060
Total current liabilities		16,849	15,799	10,643	21,649	13,331
Total liabilities		32,610	27,314	27,805	26,812	27,434
TOTAL EQUITY AND LIABILITIES		34,322	40,487	40,925	44,484	45,865
Number of ordinary shares in issue of RM1.00 each ('000)						
NTA (RM'000)		1,712	13,173	13,120	17,672	18,431
NTA per ordinary share (RM)		0.86	6.59	6.56	8.84	9.22
NA (RM'000)		1,712	13,173	13,120	17,672	18,431
NA per ordinary share (RM)		0.86	6.59	6.56	8.84	9.22

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.3 Audited Statements of Changes in Equity of SACC

The audited statements of changes in equity of SACC for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Share Capital RM'000	(Accumulated Losses)/ Retained Earnings RM'000	Total Equity RM'000
At 1 July 2008	2,000	(279)	1,721
Total comprehensive loss for the financial year	-	(9)	(9)
At 30 June 2009	2,000	(288)	1,712
Total comprehensive income for the financial year	-	11,461	11,461
At 30 June 2010	2,000	11,173	13,173
Total comprehensive loss for the financial year	-	(53)	(53)
At 30 June 2011	2,000	11,120	13,120
Total comprehensive income for the financial year	-	4,552	4,552
At 30 June 2012	2,000	15,672	17,672
Total comprehensive income for the financial year	-	759	759
At 30 June 2013	2,000	16,431	18,431

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.4 Audited Statements of Cash Flows of SACC

The audited statements of cash flows of SACC for the FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(9)	11,461	(53)	4,552	759
Adjustments for:					
Interest expenses	224	153	48	-	-
Interest income on compulsory acquisition of land	-	-	-	-	(847)
Gain on compulsory acquisition of land	-	(11,488)	-	(4,631)	-
Operating profit/(loss) before working capital changes	215	126	(5)	(79)	(88)
Changes In Working Capital:					
Receivables	(228)	200	(1)	(898)	62
Payables	26	56	(73)	(14)	393
Net Cash generated from/(used in) operations	13	382	(79)	(991)	367
Tax paid	-	-	-	*	#
Net Operating Cash Flows	13	382	(79)	(991)	367
CASH FLOWS FROM INVESTING ACTIVITIES					
Compensation received from compulsory acquisition of land	-	13,959	-	4,631	-
Interest income on compulsory acquisition of land	-	-	-	-	847
Property development costs incurred	(1,272)	(2,697)	(367)	(1,503)	(3,038)
Net Investing Cash Flows	(1,272)	11,262	(367)	3,128	(2,191)
* (RM201)					
# (RM14)					

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.4 Audited Statements of Cash Flows of SACC (Continued)

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of term loans	(17)	(4,246)	-	-	-
Interests paid	(225)	(984)	(1,074)	(1,131)	(1,128)
Net change in bank borrowings	-	-	-	1	@
Net change in amount due from/to related parties	81	(6,454)	1,487	(930)	2,859
Net Financing Cash Flows	(161)	(11,684)	413	(2,060)	1,731
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,420)	(40)	(33)	77	(93)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	1,592	172	132	99	176
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	172	132	99	176	83
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	172	132	99	176	83

@ (RM540)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.5 Notes to the Audited Financial Statements of SACC

(a) Finance Costs

	←		FYE 30 June	→	
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Term loan interests	224	153	48	-	-
Bank overdraft interests	-	*	^	-	-
	<u>224</u>	<u>153</u>	<u>48</u>	<u>-</u>	<u>-</u>

* RM3

^ RM14

(b) (Loss)/Profit Before Tax

(Loss)/profit before tax is arrived at after charging and crediting the following:

	←		FYE 30 June	→	
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
After charging:-					
Audit fee:					
- current financial years	2	4	4	9	6
- (over)/under accrual in prior financial years	-	-	*	1	1
	<u>-</u>	<u>-</u>	<u>*</u>	<u>1</u>	<u>1</u>
And crediting:-					
Interest income on compulsory acquisition of land	-	-	-	-	847
Rental income	182	156	52	-	-
Reversal of overaccrual of expenses	-	-	1	-	-
Gain on compulsory acquisition of land	-	11,488	-	4,631	-
	<u>-</u>	<u>11,488</u>	<u>-</u>	<u>4,631</u>	<u>-</u>

* (RM300)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.5 Notes to the Audited Financial Statements of SACC (Continued)

(c) Income Tax Expense

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Income tax					
- Current financial years	-	-	-	-	^
- Under accrual in prior financial years	-	-	-	@	-
	-	-	-	@	^

@ RM201 ^ RM14

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the financial years.

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of SACC are as follows:

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before tax	(9)	11,461	(53)	4,552	759
Taxation at applicable statutory tax rate	(2)	2,865	(13)	1,138	190
Non-taxable income	-	(2,877)	-	(1,158)	(212)
Expenses not deductible for tax purpose	2	12	13	2	3
Deferred tax asset not recognised in respect of current financial year tax losses	-	-	-	18	19
Under accrual of current income tax in prior financial year	-	-	-	@	-
Tax expense for the financial years	-	-	-	@	^

@ RM201 ^ RM14

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.5 Notes to the Audited Financial Statements of SACC (Continued)

(c) Income Tax Expense (Continued)

Deferred tax assets have not been recognised in respect of the following items:-

	← FYE 30 June →				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Unutilised tax losses	-	-	-	71	148
Potential deferred tax benefit at 25%	-	-	-	18	37

(d) Land Held for Property Development

	Freehold land RM'000	Development costs RM'000	Total RM'000
At 1 July 2008	30,434	2,048	32,482
Cost incurred during the financial year	-	1,272	1,272
At 30 June 2009	30,434	3,320	33,754
Cost incurred during the financial year	-	3,527	3,527
Compulsary acquisition	(2,193)	(277)	(2,470)
At 30 June 2010	28,241	6,570	34,811
Cost incurred during the financial year	-	1,401	1,401
At 30 June 2011	28,241	7,971	36,212
Cost incurred during the financial year	-	2,634	2,634
At 30 June 2012	28,241	10,605	38,846
Cost incurred during the financial year	-	4,166	4,166
At 30 June 2013	28,241	14,771	43,012

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.5 Notes to the Audited Financial Statements of SACC (Continued)

(d) Land Held for Property Development (Continued)

Included in development costs of SACC are amounts totalling RM1,127,681 (2009: RM1,063,462, 2010: RM830,491, 2011: RM1,033,551 and 2012: RM1,131,270) representing interests expenses capitalised during the financial years.

SACC's freehold land has been charged to the financial institutions for banking facilities granted to SACC as disclosed in Note 8.6.5(i).

(e) Other Receivables

	←		As at 30 June	→	
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due from related companies	-	5,348	4,418	4,368	1,738
Other receivables	-	-	-	60	-
Deposits	396	196	196	1,032	1,032
Prepayments	-	-	-	2	-
Total other receivables	396	5,544	4,614	5,462	2,770
Add: Cash and bank balances	172	132	99	176	83
Total loans and receivables	568	5,676	4,713	5,638	2,853

The amounts due from related companies are unsecured, interest free and receivable upon demand.

Included in the deposits is an amount of RM1,031,505 (2009, 2010 and 2011: RM195,993 and 2012: RM1,031,505) in relation to the deposit paid for the purchase of land held for property development for a total consideration of RM5,570,080. The capital commitment for this purchase has been disclosed in Note 8.6.5(k).

(f) Holding Companies

SACC is a wholly-owned subsidiary company of Titijaya. Prior to FYE 30 June 2013, SACC was a wholly-owned subsidiary company of TGSB. The directors of SACC regard TGSB as the ultimate holding company. Both companies are incorporated and domiciled in Malaysia

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.6 Audited Financial Statements of SACC (Continued)
- 8.6.5 Notes to the Audited Financial Statements of SACC (Continued)

(g) Share Capital

	← As at 30 June →			
	2009	2010	2011	2013
	Number of Shares Unit ('000)	Number of Shares Unit ('000)	Number of Shares Unit ('000)	Number of Shares Unit ('000)
	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1.00 each :-				
Authorised				
At the beginning/end of the financial years	3,000	3,000	3,000	3,000
Issued and fully paid				
At the beginning/end of the financial years	2,000	2,000	2,000	2,000

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.5 Notes to the Audited Financial Statements of SACC (Continued)

(h) Retained Earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to frank dividends to their shareholders under limited circumstances. Companies also have irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

SACC does not have any Section 108 balance under the financial years under review. SACC may distribute dividends out of its entire retained earnings as at 30 June 2013 under the single tier system.

(i) Bank Borrowings

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Short term bank borrowings					
Term loans	5,640	5,640	-	12,000	3,060
Long term bank borrowings					
Term loans	15,761	11,515	17,162	5,163	14,103
Total bank borrowings (secured)	<u>21,401</u>	<u>17,155</u>	<u>17,162</u>	<u>17,163</u>	<u>17,163</u>
Comprising portion repayable					
Within one year	5,640	5,640	-	12,000	3,060
More than one year but less than two years	15,761	11,515	17,162	5,163	9,710
More than two years but less than five years	-	-	-	-	4,393
	<u>21,401</u>	<u>17,155</u>	<u>17,162</u>	<u>17,163</u>	<u>17,163</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.5 Notes to the Audited Financial Statements of SACC (Continued)

(i) Bank Borrowings (Continued)

The bank borrowings are secured by the following:-

- (a) Fixed legal charged over the development properties;
- (b) Third party and fixed legal charge over the development properties;
- (c) Specific debenture over all the fixed and floating assets on the property development land;
- (d) Deed of assignment over all the sale proceeds arising from the property development projects and monies in the project accounts maintained with the licensed banks granting the facilities;
- (e) Corporate guarantee granted by TGSB; and
- (f) Jointly and severally guarantee by the directors of SACC.

The term loans are repayable by redemption of titles or via a reduction schedule, whichever is earlier.

The bank borrowings bear interests at rates which are on a floating rate basis of 6.85% (2009: 6.25%, 2010 and 2011: 6.55% and 2012: 6.85%) per annum.

(j) Trade and Other Payables

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	-	2	73	88	484
Amounts due to related parties					
Related companies	10,013	8,906	9,429	9,449	9,678
Director	103	103	103	103	103
Holding company	1,000	1,000	1,000	-	-
Other payables	65	118	35	*	-
Sundry deposits	26	26	-	-	-
Accruals	2	4	3	9	6
	<u>11,209</u>	<u>10,157</u>	<u>10,570</u>	<u>9,561</u>	<u>9,787</u>
Total trade and other payables	11,209	10,159	10,643	9,649	10,271
Add: Borrowings (Note 8.6.5 (i))	21,401	17,155	17,162	17,163	17,163
Total other financial liabilities carried at amortised cost	<u>32,610</u>	<u>27,314</u>	<u>27,805</u>	<u>26,812</u>	<u>27,434</u>

* RM15

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.6 Audited Financial Statements of SACC (Continued)****8.6.5 Notes to the Audited Financial Statements of SACC (Continued)****(j) Trade and Other Payables (Continued)****(i) Trade payables**

The normal trade credit term granted to SACC ranges from 30 days to 60 days.

(ii) Related parties

The amounts due to related parties are non-trade in nature, unsecured, interest free and payable on demand.

(k) Capital Commitment

	←————— As at 30 June —————→				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Approved and contracted but not provided for					
- Land held for property development					
Purchase consideration	5,570	5,570	5,570	5,570	5,570
Less: Deposits paid (Note 8.6.5(e))	(196)	(196)	(196)	(1,032)	(1,032)
	5,374	5,374	5,374	4,538	4,538

(l) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with SACC or that has an interest in SACC that gives it significant influence over SACC's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in SACC resides with, directly or indirectly.

There were no significant transactions between SACC and its related parties during the financial years and the outstanding balances are disclosed in the respective notes.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.5 Notes to the Audited Financial Statements of SACC (Continued)

(m) Financial Instruments

(i) Financial Risk Management and Objectives

SACC is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The directors of SACC review and agree policies and procedures for the management of these risks.

The following sections provide details regarding SACC's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. SACC's exposure to credit risk arises primarily from other receivables.

Exposure to credit risk

At the reporting date, SACC's maximum exposure to the credit risk is represented by the carrying amount of financial assets recognised in the statements of financial position.

Credit risk concentration profile

At the reporting date, there was no significant concentration of credit risk in SACC.

(b) Liquidity risk

Liquidity risk is the risk that SACC will encounter difficulty in meeting financial obligations due to shortage of funds, SACC's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

At 30 June 2013, 17.8% (2011: 0% and 2012: 69.9%) of SACC's loans and borrowings, as disclosed in Note 8.6.5(i) will mature in less than one year based on the carrying amounts reflected in the statements of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
 8.6 Audited Financial Statements of SACC (Continued)
 8.6.5 Notes to the Audited Financial Statements of SACC (Continued)
 (m) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of SACC's liabilities at the reporting date based on contractual undiscounted repayment obligations:-

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
30 June 2011			
Trade and other payables	10,643	-	10,643
Bank borrowings	1,131	20,201	21,332
	<u>11,774</u>	<u>20,201</u>	<u>31,975</u>
30 June 2012			
Trade and other payables	9,649	-	9,649
Bank borrowings	12,813	5,182	17,995
	<u>22,462</u>	<u>5,182</u>	<u>27,644</u>
30 June 2013			
Trade and other payables	10,271	-	10,271
Bank borrowings	4,199	14,925	19,124
	<u>14,470</u>	<u>14,925</u>	<u>29,395</u>

(c) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of SACC's financial instruments will fluctuate because of changes in market interest rates.

SACC's exposure to interest rate risk arises primarily from its loans and borrowings. Most of SACC's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by Bank Negara Malaysia.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of SACC (Continued)

8.6.5 Notes to the Audited Financial Statements of SACC (Continued)

(m) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(c) Interest rate risk (Continued)

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of SACC's profit after tax:-

	Carrying Amount RM'000	Movement in basis point	Effect on profit after tax RM'000
At 30 June 2011			
Bank borrowings	17,162	0.5%	64
At 30 June 2012			
Bank borrowings	17,163	0.5%	64
At 30 June 2013			
Bank borrowings	17,163	0.5%	64

The profit after tax will be higher/lower when the interest rates decrease/increase.

(ii) Fair Values

(a) Recognised financial instruments

The fair values of financial assets and financial liabilities of SACC approximate their carrying values on the statements of financial position of SACC.

(b) Unrecognised financial instruments

There were no unrecognised financial instruments as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.6 Audited Financial Statements of SACC (Continued)****8.6.5 Notes to the Audited Financial Statements of SACC (Continued)****(n) Capital Management**

The primary objective of SACC's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

SACC manages their capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, SACC may adjust dividend payment to shareholders, return capital to shareholders based on the level of SACC's profitability and cash flows.

SACC monitors the level of dividends to be paid to shareholders. SACC's objectives are to pay out regular dividends to the shareholders based on the level of SACC's profitability and cash flows.

The capital structure of SACC consists of equity attributable to owner of SACC, comprising share capital, retained earnings and total liabilities.

The debt-to-equity ratios are as follows:

	←————— As at 30 June —————→				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Total liabilities	32,610	27,314	27,805	26,812	27,434
Equity attributable to owner of SACC	1,712	13,173	13,120	17,672	18,431
Debt-to-equity ratio	1904%	207%	212%	152%	149%

There were no changes in SACC's approach to capital management during the financial years under review.

SACC is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags

8.7.1 Audited Statements of Comprehensive Income of Safetags

The audited statements of comprehensive income of Safetags for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	← FYE 30 June →				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	8.7.5 (a)	-	-	-	6,078	10,541
Cost of sales		-	-	-	(4,592)	(7,965)
Gross profit		-	-	-	1,486	2,576
Other income		-	-	-	706	386
Administrative expenses		(2)	(3)	(8)	(42)	(142)
Selling and distribution expenses		*	!	&	(2,459)	(2,413)
Other expenses		-	-	-	(128)	(275)
Operating (loss)/profit		(2)	(3)	(8)	(437)	132
Finance costs		-	-	-	-	-
(Loss)/profit before tax	8.7.5 (b)	(2)	(3)	(8)	(437)	132
Income tax expense	8.7.5 (c)	-	-	-	-	-
Net (loss)/profit for the financial years, representing total comprehensive (loss)/income for the financial years		(2)	(3)	(8)	(437)	132
<i>Gross profit margin (%)</i>		N/A	N/A	N/A	24.45	24.44
<i>(Loss)/profit before tax margin (%)</i>		N/A	N/A	N/A	(7.19)	1.25
<i>Effective tax rate (%)</i>		N/A	N/A	N/A	N/A	N/A
<i>Weighted average number of shares in issue of RM1.00 each ('000)</i>		+	+	14	375	500
<i>Gross LPS (RM)</i>		(1,000)	(1,500)	(0.57)	(1.17)	0.26
<i>Net LPS (RM)</i>		(1,000)	(1,500)	(0.57)	(1.17)	0.26
* (RM680)						
! (RM490)						
& (RM300)						
+ 2 shares						

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.2 Audited Statements of Financial Position of Safetags

The audited statements of financial position of Safetags as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 are as follows:-

	Note	← As at 30 June →				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Non-current asset						
Land held for property development	8.7.5 (d)	-	19,600	16,045	-	-
Current assets						
Property development costs	8.7.5 (d)	-	-	4,793	21,728	38,345
Trade and other receivables	8.7.5 (e)	-	-	53	3,349	10,358
Tax recoverable		-	-	-	-	68
Cash and bank balances	8.7.5 (f)	*	*	194	2,863	10,872
Total current assets		*	*	5,040	27,940	59,643
TOTAL ASSETS		*	19,600	21,085	27,940	59,643
EQUITY AND LIABILITIES						
Equity attributable to the owner of Safetags						
Share capital	8.7.5 (g)	*	*	250	500	500
Accumulated losses		(5)	(8)	(16)	(453)	(321)
Total equity		(5)	(8)	234	47	179

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.2 Audited Statements of Financial Position of Safetags (Continued)

	Note	As at 30 June				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Non-current liability						
Bank borrowings	8.7.5 (h)	-	-	13,720	11,327	1,673
Total non-current liability		-	-	13,720	11,327	1,673
Current liabilities						
Trade and other payables	8.7.5 (j)	5	19,608	7,056	11,558	14,497
Progress billings in respect of property development costs		-	-	-	4,942	43,294
Bank borrowings	8.7.5 (h)	-	-	75	66	-
Total current liabilities		5	19,608	7,131	16,566	57,791
Total liabilities		5	19,608	20,851	27,893	59,464
TOTAL EQUITY AND LIABILITIES		*	19,600	21,085	27,940	59,643
<i>Number of ordinary shares</i>						
<i>Number of ordinary shares in issue ('000)</i>		+	+	250	500	500
<i>Net tangible liabilities ("NTL")/NTA (RM'000)</i>		(5)	(8)	234	47	179
<i>(NTL)/NTA per ordinary share (RM)</i>		(2,500)	(4,000)	0.94	0.09	0.36
<i>Net liabilities ("NL")/NA (RM'000)</i>		(5)	(8)	234	47	179
<i>(NL)/NA per ordinary share (RM)</i>		(2,500)	(4,000)	0.94	0.09	0.36

+ Two (2) shares

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.3 Audited Statements of Changes in Equity of Safetags

The audited statements of changes in equity of Safetags for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Share Capital RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 July 2008	*	(3)	(3)
Total comprehensive loss for the financial year	-	(2)	(2)
At 30 June 2009	*	(5)	(5)
Total comprehensive loss for the financial year	-	(3)	(3)
At 30 June 2010	*	(8)	(8)
Shares issued during the financial year	250	-	250
Total comprehensive loss for the financial year	-	(8)	(8)
At 30 June 2011	250	(16)	234
Shares issued during the financial year	250	-	250
Total comprehensive loss for the financial year	-	(437)	(437)
At 30 June 2012	500	(453)	47
Total comprehensive income for the financial year	-	132	132
At 30 June 2013	500	(321)	179

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.4 Audited Statements of Cash Flows of Safetags

The audited statements of cash flows of Safetags for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	← FYE 30 June →				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(2)	(3)	(8)	(437)	132
Adjustments for:					
Interests income	-	-	-	#	(9)
Waiver of debt by a related company	-	-	-	(700)	(300)
Operating loss before working capital changes	(2)	(3)	(8)	(1,137)	(177)
Changes In Working Capital					
Receivables	-	-	(53)	(2,996)	(6,909)
Payables	1	17,641	(17,466)	7,803	41,252
Property development costs	-	(19,600)	(852)	10	(16,213)
Net cash (used in)/generated from operations	(1)	(1,962)	(18,379)	3,680	17,953
Interests received	-	-	-	@	9
Income tax paid	-	-	-	-	(68)
Net Operating Cash Flows	(1)	(1,962)	(18,379)	3,680	17,894
CASH FLOWS FROM FINANCING ACTIVITIES					
Interests paid	-	-	(386)	(900)	(404)
Proceeds from issuance of shares	-	-	249	-	-
Advances from related parties	1	1,962	4,915	2,291	239
Drawdown of borrowings	-	-	13,795	-	6,880
Repayment of borrowings	-	-	-	(2,402)	(16,600)
Net Financing Cash Flows	1	1,962	18,573	(1,011)	(9,885)

(RM17)

@ RM17

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.4 Audited Statements of Cash Flows of Safetags (Continued)

	←	FYE 30 June	→		
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	194	2,669	8,009
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	*	*	*	194	2,863
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	*	*	194	2,863	10,872
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	*	*	194	2,863	10,872
NON-CASH FINANCING ACTIVITIES					
Issuance of shares by way of capitalisation	-	-	-	250	-

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags

(a) Revenue

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Property development revenue	-	-	-	6,078	10,541

(b) (Loss)/Profit Before Tax

(Loss)/profit before tax is arrived at after charging and crediting:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
After charging:-					
Auditors' remuneration	1	2	5	15	12
Rental	-	-	-	-	24
Rental of equipment	-	-	-	3	3
And crediting:-					
Bank interests received	-	-	-	*	9
Waiver of debt by a related company	-	-	-	700	300

* RM17

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(c) Income Tax Expense

There is no tax charge during the financial years under review as Safetags has no chargeable business income.

The reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of Safetags is as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before tax	(2)	(3)	(8)	(437)	132
Tax at statutory tax rate of 25%	(1)	(1)	(2)	(109)	33
Income not subject to tax	-	-	-	(175)	(75)
Expenses not deductible for tax purposes	1	1	1	20	14
Deferred tax assets not recognised in respect of current financial years tax loss	-	-	1	264	28
Tax expense for the financial years	-	-	-	-	-

Deferred tax assets have not been recognised in respect of the following item:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	-	-	6	1,062	1,173
Potential deferred tax benefit at 25%	-	-	1	265	293

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(d) Land Held for Property Development and Property Development Costs

(i) Land held for property development

	Leasehold Land RM'000	Development Costs RM'000	Total RM'000
At 1 July 2009	-	-	-
Cost incurred during the financial year	19,600	-	19,600
At 30 June 2010	19,600	-	19,600
Cost reversal during the financial year	(800)	-	(800)
Cost incurred during the financial year	-	2,038	2,038
Transfer to property development costs	(4,324)	(469)	(4,793)
At 30 June 2011	14,476	1,569	16,045
Transfer to property development costs	(14,476)	(1,569)	(16,045)
At 30 June 2012 / 30 June 2013	-	-	-

Included in land held for property development of Safetags are RM Nil (2010: RM Nil, 2011: RM386,453 and 2012: RM Nil) representing interest expenses capitalised during the financial years.

(ii) Property development costs

	Leasehold Land RM'000	Development Costs RM'000	Total RM'000
Cumulative property development costs			
At 1 July 2010	-	-	-
Transfer from land held for property development	4,324	469	4,793
At 30 June 2011	4,324	469	4,793
Transfer from land held for property development	14,476	1,569	16,045
Costs incurred during the financial year	-	5,482	5,482
At 30 June 2012	18,800	7,520	26,320
Costs incurred during the financial year	-	24,582	24,582
At 30 June 2013	18,800	32,102	50,902

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(d) Land Held for Property Development and Property Development Costs (Continued)

(ii) Property Development Costs (Continued)

	Leasehold Land RM'000	Development Costs RM'000	Total RM'000
Cumulative costs recognised in profit or loss			
At 1 July 2010	-	-	-
Recognised during the financial year	-	-	-
At 30 June 2011	-	-	-
Recognised during the financial year	(428)	(4,164)	(4,592)
At 30 June 2012	(428)	(4,164)	(4,592)
Recognised during the financial year	(744)	(7,221)	(7,965)
At 30 June 2013	(1,172)	(11,385)	(12,557)
Property development costs			
At 30 June 2011	4,324	469	4,793
At 30 June 2012	18,372	3,356	21,728
At 30 June 2013	17,628	20,717	38,345

Included in property development costs of Safetags are RM403,734 (2011: RM Nil and 2012: RM900,374) representing interest expenses capitalised during the financial years.

Safetags's leasehold land has been charged to the financial institution for banking facilities granted to Safetags as disclosed in Note 8.7.5(h).

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(e) Trade and Other Receivables

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	-	-	-	2,755	9,710
Other receivables					
Amount due from related companies	-	-	-	300	400
Other receivables	-	-	-	190	89
Deposits	-	-	53	104	159
	-	-	53	594	648
Total trade and other receivables	-	-	53	3,349	10,358
Add: Cash and bank balances (Note 8.7.5(f))	*	*	194	2,863	10,872
Total loan and receivables	*	*	247	6,212	21,230

* RM2

(a) Trade receivables

Safetags's normal trade credit term ranges from 14 days to 90 days (2009, 2010 and 2011: Nil and 2012: 14 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Ageing analysis of trade receivables are as follows:-

	As at 30 June	
	2012	2013
	RM'000	RM'000
Neither past due nor impaired	1,170	8,355
1 to 30 days past due not impaired	358	661
31 to 75 days past due not impaired	1,227	44
More than 75 days past due but not impaired	*	650
	2,755	9,710

* RM80

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(e) Trade and Other Receivables (Continued)

(a) Trade receivables (Continued)

Receivables that are neither past due nor impaired

The directors of Safetags are of that opinion that, no impairment loss is necessary in respect of these not past due trade receivables.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing 14% (30.6.2012: 42%) of Safetags's trade receivables are unsecured in nature.

Based on the management experience, no receivables past due were written off as a result of irrecoverable. The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of Safetags are of the opinion that, no allowance for doubtful debts is required to be made in respect of these past due trade receivables.

(b) Other receivables

The amounts due from related companies are unsecured, interest free and receivable upon demand.

(f) Cash and Bank Balances

Included in cash and bank balances is an amount totalling RM1,005,852 (2009, 2010 and 2011: RM Nil and 30.6.2012: RM1,987) held under the HDA which are interest bearing pursuant to Section 7A of the Housing Developments (Control and Licensing) Act, 1966. This account, which comprises monies received from purchasers, are for the payment of property development expenditure incurred and are restricted from use in other operations.

The surplus monies, if any, will be released to Safetags upon the completion of the property development projects and after all property development expenditure have been fully settled.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

 **BAKER TILLY**

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(g) Share Capital

	As at 30 June									
	2009		2010		2011		2012		2013	
	Number of shares Unit ('000)	RM'000	Number of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000
Ordinary shares of RM1.00 each:-										
Authorised										
At the beginning of the financial years	100	100	100	100	100	100	500	500	500	500
Created during the financial years	-	-	-	-	400	400	-	-	-	-
At the end of the financial years	100	100	100	100	500	500	500	500	500	500
Issued and fully paid										
At the beginning of the financial years	*	*	*	*	*	*	*	*	*	*
Issued during the financial years	-	-	-	-	250	250	250	250	250	250
At the end of the financial years	*	*	*	*	250	250	500	500	500	500

* RM2

During the FYE 30 June 2011, Safetags had increased its issued and paid up share capital from RM2 to RM250,000 by way of allotment of 249,998 ordinary shares of RM1.00 each by way of capitalisation of debts.

During the FYE 30 June 2012, Safetags had increased its issued and paid up share capital from RM250,000 to RM500,000 by way of allotment of 250,000 ordinary shares of RM1.00 each by way of capitalisation of debts for additional working capital purposes.

These new ordinary shares issued during the previous financial years ranked *pari passu* in all respects with the existing shares of Safetags.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(h) Bank Borrowings

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Short term borrowing					
Term loan	-	-	75	66	-
Long term borrowings					
Term loan	-	-	13,720	11,327	-
Bridging loan	-	-	-	-	1,673
	-	-	13,720	11,327	1,673
Total borrowings	-	-	13,795	11,393	1,673
Comprising portion repayable					
Within one year	-	-	75	66	-
More than one year but less than two years	-	-	-	6,864	-
More than two years but less than five years	-	-	13,720	4,463	1,673
Total borrowings	-	-	13,795	11,393	1,673

The term loan was secured by the following:-

- (a) A facility agreement between Safetags and the financial institutions;
- (b) A debenture by Safetags in favour of the financial institution, creating a first fixed and floating charge over all Safetags's present and future assets and properties in connection with the development of the project;
- (c) A first fixed legal charge in respect of the project land;
- (d) Assignment of HDA and project account of the development project;
- (e) Personal guarantee by directors of Safetags; and
- (f) A corporate guarantee by TGSB.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(h) Bank Borrowings (Continued)

The bridging loan is secured by the following:-

- (a) A facility agreement between Safetags and the financial institution;
- (b) A supplementary debenture in favour of the financial institution over all Safetags's present and future assets and properties in connection with the development of the projects;
- (c) Second and third legal charges in respect of the project land;
- (d) Supplementary assignment of HDA and project account of the development project;
- (e) Personal guarantee by directors of Safetags; and
- (f) A corporate guarantee by TGSB.

The term loan is repayable by 24 monthly principal instalments of RM572,000 each commencing 30 months from the date of first drawdown of the term loan or repayment via redemption for unit sold.

The bridging loan is repayable by 24 monthly principal instalments of RM1,250,000 each commencing 30 months from the date of first drawdown of the bridging loan or repayment via redemption for unit sold.

The term loan bears interest at a rate of 6.6% (2009 and 2010: Nil, 2011: 6.3% to 6.6% and 2012: 6.6%) per annum.

The bridging loan bears interest at a rate of 6.6% (2009 and 2010: Nil, 2011: 6.3% to 6.6% and 2012: 6.6%) per annum.

(i) Holding Companies

Safetags is a wholly-owned subsidiary company of Titijaya. Prior to FYE 30 June 2013, Safetags was a wholly-owned subsidiary company of TGSB. The directors of Safetags regard TGSB as the ultimate holding company. Both companies are incorporated and domiciled in Malaysia

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(j) Trade and Other Payables

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM	RM	RM	RM'000	RM'000
Trade payables	-	-	43	765	2,199
Other payables					
Amount due to related parties					
Ultimate holding company	-	1,568	1,962	424	424
Related companies	-	392	983	8,094	8,133
Company in which directors have interests	1	1	3,932	-	-
Company in which person connected to directors have interests	*	2	-	-	-
Other payables	3	17,643	131	724	2,538
Deposits	-	-	-	1,536	1,191
Accruals	1	2	5	15	12
	5	19,608	7,013	10,793	12,298
Total trade and other payables	5	19,608	7,056	11,558	14,497
Add: Borrowings (Note 8.7.5 (h))	-	-	13,795	11,393	1,673
Total other financial liabilities carried at amortised cost	5	19,608	20,851	22,951	16,170

* RM402

(i) Trade payables

Trade payables are non-interest bearing debts and the normal trade term granted to Safetags ranges from 30 days to 60 days.

(ii) Other payables

The amounts due to related parties are unsecured, interest free and payable upon demand.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(j) Trade and Other Payables (Continued)

(ii) Other payables (Continued)

Included in other payables as at 30 June 2010 was an amount of RM17.64 million represented the balance of the consideration payable for the acquisition of land held for property development. The said amount was subsequently settled via the drawdown of term loan during FYE 30 June 2011.

(k) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Safetags or that has an interest in Safetags that gives it significant influence over Safetags's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Safetags resides with, directly or indirectly.

The nature of the relationship with the related parties is as follows:

Related Parties	Nature of Relationship
NPO Trading Sdn. Bhd.	A related company, a wholly-owned subsidiary company of TGSB.
NPO Development #	A related company, a wholly-owned subsidiary company of Titijaya.
Sendi Bangga	A related company, a wholly-owned subsidiary company of NPO Development.

Prior to 29 March 2013, NPO Development was a wholly-owned subsidiary company of TGSB.

Significant transactions between Safetags and its related parties during the financial years were as follows:-

	← FYE 30 June →				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
NPO Trading Sdn. Bhd.					
- Supply of building materials	-	-	-	640	25
NPO Development					
- Project management fees	-	-	-	88	268
Sendi Bangga					
- Waiver of debt	-	-	-	700	300

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.7 **Audited Financial Statements of Safetags (Continued)**
- 8.7.5 **Notes to the Audited Financial Statements of Safetags (Continued)**
- (l) **Financial Instruments**

(a) **Financial Risk Management and Objectives**

Safetags is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Directors of Safetags review and agree policies and procedures for the management of these risks.

The following sections provide details regarding Safetags's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Safetags's exposure to credit risk arises primarily from trade and other receivables.

Safetags's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Receivable balances are monitored on an on-going basis with the result that Safetags's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, Safetags's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 8.7.5 (e).

Receivables that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.7.5 (e).

Receivables that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.7.5 (e).

Credit risk concentration profile

Safetags does not have any significant exposure to any individual customer.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(l) Financial Instruments (Continued)

(a) Financial Risk Management and Objectives (Continued)

(ii) Liquidity risk

Liquidity risk is the risk that Safetags will encounter difficulty in meeting financial obligations due to shortage of fund. Safetags's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

At 30 June 2013, 0% (2011: 0.5% and 2012: 0.6%) of Safetags's loans and borrowings, as disclosed in Note 8.7.5 (h), will mature in less than one year based on the carrying amounts reflected in the statements of financial position.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of Safetags's liabilities at the reporting date.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
30 June 2011			
Trade payables	43	-	43
Other payables and accruals	7,013	-	7,013
Bank borrowings	75	13,720	13,795
	7,131	13,720	20,851

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(l) Financial Instruments (Continued)

(a) Financial Risk Management and Objectives (Continued)

(ii) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities
(Continued)

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
30 June 2012			
Trade payables	765	-	765
Other payables and accruals	10,793	-	10,793
Bank borrowings	66	11,327	11,393
	<u>11,624</u>	<u>11,327</u>	<u>22,951</u>
30 June 2013			
Trade payables	2,199	-	2,199
Other payables and accruals	12,298	-	12,298
Bank borrowings	-	1,673	1,673
	<u>14,497</u>	<u>1,673</u>	<u>16,170</u>

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(l) Financial Instruments (Continued)

(a) Financial Risk Management and Objectives (Continued)

(iii) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of Safetags's financial instruments will fluctuate because of changes in market interest rates.

Safetags's exposure to interest rate risk arises primarily from their loans and borrowings. Most of Safetags's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by Bank Negara Malaysia.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of Safetags's (loss)/profit after tax:-

	Carrying Amount RM'000	Movement in basis point RM'000	Effect on (loss)/profit after tax RM'000
At 30 June 2011			
Bank borrowings	13,795	0.5%	52
At 30 June 2012			
Bank borrowings	11,393	0.5%	43
At 30 June 2013			
Bank borrowings	1,673	0.5%	6

The (loss)/profit after tax will be higher/lower when the interest rates decrease/ increase.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.7 Audited Financial Statements of Safetags (Continued)

8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)

(l) Financial Instruments (Continued)

(b) Fair Values

(i) Recognised financial instruments

The fair values of financial assets and financial liabilities of Safetags approximate their carrying values on the statements of financial position of Safetags.

(ii) Unrecognised financial instruments

There were no unrecognised financial instruments as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 that are required to be disclosed.

(m) Capital Management

The primary objective of Safetags's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

Safetags manages their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Safetags may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

Safetags monitors the level of dividends to be paid to shareholders. Safetags's objective is to pay out regular dividends to the shareholders based on the level of Safetags's profitability and cash flows.

The capital structure of Safetags consists of equity attributable to the owner of Safetags, comprising share capital, accumulated losses and total liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.7 Audited Financial Statements of Safetags (Continued)****8.7.5 Notes to the Audited Financial Statements of Safetags (Continued)****(m) Capital Management (Continued)**

The debt-to-equity ratio is as follow:-

	←	As at 30 June	→	
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Total liabilities	5	19,608	20,851	27,893
Equity attributable to the owner of Safetags	(5)	(8)	234	47
Debt-to-equity ratio	-100%	-245100%	8911%	59347%

There were no changes in Safetags's approach to capital management during the financial years under review.

Safetags is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah

8.8.1 Audited Statements of Comprehensive Income of Aman Kemensah

The audited statements of comprehensive income of Aman Kemensah for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	← FYE 30 June →				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue		-	-	-	-	-
Cost of sales		-	-	-	-	-
Gross profit		-	-	-	-	-
Other income		-	1	*	-	-
Administrative expenses		(3)	(7)	(20)	(17)	(31)
Marketing and distribution expenses		-	-	-	-	(51)
Loss before tax	8.8.5 (a)	(3)	(6)	(20)	(17)	(82)
Income tax expense	8.8.5 (b)	-	-	-	-	-
Net loss for the financial years, representing total comprehensive loss for the financial years		(3)	(6)	(20)	(17)	(82)
<i>Gross profit margin (%)</i>		N/A	N/A	N/A	N/A	N/A
<i>Loss before tax margin (%)</i>		N/A	N/A	N/A	N/A	N/A
<i>Effective tax rate (%)</i>		N/A	N/A	N/A	N/A	N/A
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>		1,000	1,000	1,000	1,000	1,000
<i>Gross LPS (sen)</i>		(0.30)	(0.60)	(2.00)	(1.70)	(8.20)
<i>Net LPS (sen)</i>		(0.30)	(0.60)	(2.00)	(1.70)	(8.20)

* RM60

N/A: Not applicable

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.2 Audited Statements of Financial Position of Aman Kemensah

The audited statements of financial position of Aman Kemensah as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 are as follows:-

		←————— As at 30 June —————→				
	Note	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Non-current asset						
Land held for property development	8.8.5 (c)	26,367	27,995	29,749	31,380	32,531
Total non-current asset		26,367	27,995	29,749	31,380	32,531
Current assets						
Other receivables	8.8.5 (d)	15	-	-	2	-
Cash and bank balances		26	18	392	544	311
Total current assets		41	18	392	546	311
TOTAL ASSETS		26,408	28,013	30,141	31,926	32,842
EQUITY AND LIABILITIES						
Equity attributable to the owner of Aman Kemensah						
Share capital	8.8.5 (e)	1,000	1,000	1,000	1,000	1,000
Accumulated losses		(32)	(38)	(58)	(75)	(157)
Total equity		968	962	942	925	843

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.2 Audited Statements of Financial Position of Aman Kemensah (Continued)

	Note	← As at 30 June →				
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Non-current liability						
Term loan	8.8.5 (f)	15,445	13,718	11,195	8,439	5,458
Total non-current liability		15,445	13,718	11,195	8,439	5,458
Current liabilities						
Trade and other payables	8.8.5 (h)	8,043	11,606	15,481	19,829	23,584
Term loan	8.8.5 (f)	1,952	1,727	2,523	2,733	2,957
Total current liabilities		9,995	13,333	18,004	22,562	26,541
Total liabilities		25,440	27,051	29,199	31,001	31,999
TOTAL EQUITY AND LIABILITIES		26,408	28,013	30,141	31,926	32,842
<i>Number of ordinary shares</i>						
<i>in issue of RM1.00 each ('000)</i>		1,000	1,000	1,000	1,000	1,000
<i>NTA (RM'000)</i>		968	962	942	925	843
<i>NTA per ordinary share (RM)</i>		0.97	0.96	0.94	0.93	0.84
<i>NA (RM'000)</i>		968	962	942	925	843
<i>NA per ordinary share (RM)</i>		0.97	0.96	0.94	0.93	0.84

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.3 Audited Statements of Changes in Equity of Aman Kemensah

The audited statements of changes in equity of Aman Kemensah for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Share Capital RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 July 2008	1,000	(29)	971
Total comprehensive loss for the financial year	-	(3)	(3)
At 30 June 2009	1,000	(32)	968
Total comprehensive loss for the financial year	-	(6)	(6)
At 30 June 2010	1,000	(38)	962
Total comprehensive loss for the financial year	-	(20)	(20)
At 30 June 2011	1,000	(58)	942
Total comprehensive loss for the financial year	-	(17)	(17)
At 30 June 2012	1,000	(75)	925
Total comprehensive loss for the financial year	-	(82)	(82)
At 30 June 2013	1,000	(157)	843

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.4 Audited Statements of Cash Flows of Aman Kemensah

The audited statements of cash flows of Aman Kemensah for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	←	FYE 30 June	→	
	2009	2010	2011	2012
	2013			
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(3)	(6)	(20)	(17)
Adjustment for:				
Depreciation	*	-	-	-
Operating loss before working capital changes	(3)	(6)	(20)	(17)
Changes In Working Capital				
Receivables	(15)	15	-	(2)
Payables	(3,105)	335	(314)	(1)
Net Operating Cash Flows	(3,123)	344	(334)	(20)
CASH FLOWS FROM INVESTING ACTIVITY				
Property development costs incurred	(201)	(689)	(714)	(664)
Net Investing Cash Flows	(201)	(689)	(714)	(664)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interests paid	(1,266)	(939)	(1,040)	(967)
Net change in amount due to related parties	4,616	3,228	4,188	4,349
Repayment of term loan	(17)	(1,952)	(1,726)	(2,546)
Net Financing Cash Flows	3,333	337	1,422	836

* RM69

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.4 Audited Statements of Cash Flows of Aman Kemensah (Continued)

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
NET CHANGE IN CASH AND CASH EQUIVALENTS	9	(8)	374	152	(233)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	17	26	18	392	544
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	26	18	392	544	311
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	26	18	392	544	311

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.5 Notes to the Audited Financial Statements of Aman Kemensah

(a) Loss Before Tax

Loss before tax is arrived at:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
After charging:-					
Auditors' remuneration					
- current financial year	2	3	5	8	6
- under/(over) accrual in prior financial years	1	-	#	-	1
Depreciation	*	-	-	-	-

* RM69

(RM500)

(b) Income Tax Expense

No provision for income tax has been made as Aman Kemensah incurred losses and has no chargeable income during the financial years under review.

The reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of Aman Kemensah is as follows:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Loss before tax	(3)	(6)	(20)	(17)	(82)
Tax at applicable statutory tax rates	(1)	(2)	(5)	(4)	(20)
Expenses not deductible for tax purposes	*	1	3	2	5
Deferred tax asset not recognised in the financial statements	1	1	2	2	15
Tax expense for the financial years	-	-	-	-	-

* RM55

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.5 Notes to the Audited Financial Statements of Aman Kemensah (Continued)

(b) Income Tax Expense (Continued)

Deferred tax assets have not been recognised in respect of the following items:-

	←	FYE 30 June			→
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	2	4	14	22	82
Potential deferred tax benefit at 25%	1	1	3	5	20

(c) Land Held for Property Development

	Freehold Land RM'000	Development Costs RM'000	Total RM'000
At 1 July 2008	23,940	960	24,900
Cost incurred during the financial year	-	1,467	1,467
At 30 June 2009	23,940	2,427	26,367
Cost incurred during the financial year	-	1,628	1,628
At 30 June 2010	23,940	4,055	27,995
Cost incurred during the financial year	-	1,754	1,754
At 30 June 2011	23,940	5,809	29,749
Cost incurred during the financial year	-	1,631	1,631
At 30 June 2012	23,940	7,440	31,380
Cost incurred during the financial year	-	1,151	1,151
At 30 June 2013	23,940	8,591	32,531

Included in property development costs of Aman Kemensah are RM756,721 (2009: RM1,266,370, 2010: RM938,762, 2011: RM1,039,632 and 2012: RM966,632) being interest expenses capitalised during the financial years.

Aman Kemensah's freehold land under land held for property development has been charged to the financial institution for banking facility granted to Aman Kemensah as disclosed in Note 8.8.5 (f).

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.8 Audited Financial Statements of Aman Kemensah (Continued)****8.8.5 Notes to the Audited Financial Statements of Aman Kemensah (Continued)****(d) Other Receivables**

	←	As at 30 June	→		
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Other receivables	15	-	-	-	-
Prepayment	-	-	-	2	-
	15	-	-	2	-
Add: Cash and bank balances	26	18	392	544	311
Total loans and receivables	41	18	392	546	311

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.5 Notes to the Audited Financial Statements of Aman Kemensah (Continued)

(f) Term Loan

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Short term borrowings					
Term loan	1,952	1,727	2,523	2,733	2,957
Long term borrowings					
Term loan	15,445	13,718	11,195	8,439	5,458
Total borrowings (secured)	<u>17,397</u>	<u>15,445</u>	<u>13,718</u>	<u>11,172</u>	<u>8,415</u>
Comprising portion repayable					
Within one year	1,952	1,727	2,523	2,733	2,957
More than one year but less than two years	1,727	2,523	2,731	2,955	3,198
More than two years but less than five years	8,207	8,877	8,464	5,484	2,260
More than five years	5,511	2,318	-	-	-
Total borrowings	<u>17,397</u>	<u>15,445</u>	<u>13,718</u>	<u>11,172</u>	<u>8,415</u>

The term loan granted to Aman Kemensah is for the purpose of part financing the purchase of land for development and is secured by:

- i) First legal charge over Aman Kemensah's land for development;
- ii) Corporate guarantee by a related company; and
- iii) Personal guarantee by a Director of Aman Kemensah.

The term loan bears interest rates at 7.85% (2009: 6.80%, 2010: 6.55%, 2011 and 2012: 7.85%) per annum and is repayable by way of 60 equal monthly instalments comprising principal and interests of RM292,779 each.

(g) Holding Companies

Aman Kemensah is a wholly-owned subsidiary company of Titijaya. Prior to FYE 30 June 2013, Aman Kemensah was a wholly-owned subsidiary company of TGSB. The directors of Aman Kemensah regard TGSB as the ultimate holding company. Both companies are incorporated and domiciled in Malaysia

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.5 Notes to the Audited Financial Statements of Aman Kemensah (Continued)

(h) Trade and Other Payables

	← As at 30 June →				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade payables	-	185	59	55	98
Other payables					
Amounts due to related parties					
Holding company	*	*	*	*	-
Related companies	4,894	8,122	12,311	19,766	23,465
Director	3,106	3,106	3,106	-	-
Other payables	41	190	-	-	15
Accruals	2	3	5	8	6
	8,043	11,421	15,422	19,774	23,486
Total trade and other payables	8,043	11,606	15,481	19,829	23,584
Add:					
Term loan (Note 8.8.5 (f))	17,397	15,445	13,718	11,172	8,415
Total other financial liabilities carried at amortised cost	25,440	27,051	29,199	31,001	31,999

* RM130

(i) Trade payables

Trade payables are non-interest bearing debts and the normal trade term granted to Aman Kemensah ranges from 30 days to 90 days (2009: Nil, 2010, 2011 and 2012: 60 days to 90 days).

(ii) Other payables

The amounts due to related parties are unsecured, interest free and payable upon demand.

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.8 Audited Financial Statements of Aman Kemensah (Continued)****8.8.5 Notes to the Audited Financial Statements of Aman Kemensah (Continued)****(i) Significant Related Party Disclosures**

A related party is an entity or person directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Aman Kemensah or that has an interest in Aman Kemensah that gives it significant influence over Aman Kemensah's financial and operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Aman Kemensah resides with, directly or indirectly.

There were no significant transactions between Aman Kemensah and its related parties during the financial years and the outstanding balances are disclosed in the respective notes..

(j) Financial Instruments**(i) Financial Risk Management and Objectives**

Aman Kemensah is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include liquidity risk and interest rate risk.

The Board of Directors review and agree policies and procedures for the management of these risks.

The following sections provide details regarding Aman Kemensah's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Liquidity risk

Liquidity risk is the risk that Aman Kemensah will encounter difficulty in meeting financial obligations due to shortage of fund. Aman Kemensah's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

At 30 June 2013, approximately 35.1% (2011: 18.4% and 2012: 24.5%) of Aman Kemensah's loans and borrowings, as disclosed in Note 8.8.5(f), will mature in less than one year based on the carrying amounts reflected in the statements of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.5 Notes to the Audited Financial Statements of Aman Kemensah (Continued)

(j) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(a) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of Aman Kemensah's liabilities at the reporting date.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
30 June 2011			
Trade payables	59	-	59
Other payables and accruals	15,422	-	15,422
Term loan	3,490	12,920	16,410
	18,971	12,920	31,891
30 June 2012			
Trade payables	55	-	55
Other payables and accruals	19,774	-	19,774
Term loan	3,514	9,383	12,897
	23,343	9,383	32,726
30 June 2013			
Trade payables	98	-	98
Other payables and accruals	23,486	-	23,486
Term loan	3,514	5,840	9,354
	27,098	5,840	32,938

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.5 Notes to the Audited Financial Statements of Aman Kemensah (Continued)

(j) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of Aman Kemensah's financial instruments will fluctuate because of changes in market interest rates.

Aman Kemensah's exposure to interest rate risk arises primarily from their loans and borrowings. Most of Aman Kemensah's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by Bank Negara Malaysia.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of Aman Kemensah's loss after tax:-

	Carrying Amount RM'000	Movement in basis point	Effect on loss after tax RM'000
As at 30 June 2011			
Term loan	13,718	0.5%	51
As at 30 June 2012			
Term loan	11,172	0.5%	42
As at 30 June 2013			
Term loan	8,415	0.5%	32

The loss after tax will be higher/lower when the interest rates decrease/increase.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.8 Audited Financial Statements of Aman Kemensah (Continued)

8.8.5 Notes to the Audited Financial Statements of Aman Kemensah (Continued)

(j) Financial Instruments (Continued)

(ii) Fair Values

(a) Recognised financial instruments

The fair values of financial assets and financial liabilities of Aman Kemensah approximate their carrying values on the statements of financial position of Aman Kemensah.

(b) Unrecognised financial instruments

There were no unrecognised financial instruments as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 that are required to be disclosed.

(k) Capital Management

The primary objective of Aman Kemensah's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund its expansion and growth.

Aman Kemensah manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Aman Kemensah may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

Aman Kemensah monitors the level of dividends to be paid to shareholders. Aman Kemensah's objective is to pay out regular dividends to the shareholders based on the level of Aman Kemensah's profitability and cash flows.

The capital structure of Aman Kemensah consists of equity attributable to owner of Aman Kemensah, comprising share capital, accumulated losses and total liabilities.

The debt-to-equity ratio is as follow:-

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Total liabilities	25,440	27,051	29,199	31,001	31,999
Equity attributable to the owner of Aman Kemensah	968	962	942	925	843
Debt-to-equity ratio	2628.1%	2812.0%	3099.7%	3351.5%	3795.8%

There were no changes in Aman Kemensah's approach to capital management during the financial years under review.

Aman Kemensah is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.9 Audited Financial Statements of Liberty Park

8.9.1 Audited Statements of Comprehensive Income of Liberty Park

The audited statements of comprehensive income of Liberty Park for the financial from 1 March 2011 (date of incorporation) to 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	Financial Period from		
		1 March 2011 to 30 June 2011 RM'000	FYE 30 June 2012 RM'000	2013 RM'000
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Administrative expenses		(5)	(4)	(9)
Loss before tax	8.9.5 (a)	(5)	(4)	(9)
Income tax expense	8.9.5 (b)	-	-	-
Net loss for the financial period/ years, representing total comprehensive loss for the the financial period/years		(5)	(4)	(9)
<i>Gross profit margin (%)</i>		N/A	N/A	N/A
<i>Loss before tax margin (%)</i>		N/A	N/A	N/A
<i>Effective tax rate (%)</i>		N/A	N/A	N/A
<i>Weighted average number of shares in issue of RM1.00 each ('000)</i>		215	250	250
<i>Gross LPS (sen)</i>		(2.33)	(1.60)	(3.60)
<i>Net LPS (sen)</i>		(2.33)	(1.60)	(3.60)

N/A: Not Applicable

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.9 Audited Financial Statements of Liberty Park (Continued)

8.9.1 Audited Statements of Financial Position of Liberty Park

The audited statements of financial position of Liberty Park as at 30 June 2011, 30 June 2012 and 30 June 2013 are as follows:-

	Note	← As at 30 June →		
		2011 RM'000	2012 RM'000	2013 RM'000
Current assets				
Other receivables	8.9.5 (c)	225	2	210
Bank balances		21	241	23
Total current assets		246	243	233
TOTAL ASSETS		246	243	233
EQUITY AND LIABILITIES				
Equity attributable to the owner of Liberty Park				
Share capital	8.9.5 (d)	250	250	250
Accumulated losses		(5)	(9)	(18)
Total equity		245	241	232
Current liability				
Other payable and accrual	8.9.5 (e)	1	2	1
Total liability		1	2	1
TOTAL EQUITY AND LIABILITY		246	243	233
<i>Number of shares</i>				
<i>in issue of RM1.00 each ('000)</i>		250	250	250
<i>NTA (RM'000)</i>		245	241	232
<i>NTA per ordinary share (RM)</i>		0.98	0.96	0.93
<i>NA (RM'000)</i>		245	241	232
<i>NA per ordinary share (RM)</i>		0.98	0.96	0.93

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.9 Audited Financial Statements of Liberty Park (Continued)

8.9.2 Audited Statements of Changes in Equity of Liberty Park

The audited statements of changes in equity of Liberty Park for the financial period from 1 March 2011 (date of incorporation) to 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Share Capital RM'000	<u>Distributable</u> Accumulated Losses RM'000	Total Equity RM'000
At 1 March 2011 (date of incorporation)	*	-	*
Issuance of shares	250	-	250
Total comprehensive loss for the financial period	-	(5)	(5)
At 30 June 2011	250	(5)	245
Total comprehensive loss for the financial year	-	(4)	(4)
At 30 June 2012	250	(9)	241
Total comprehensive loss for the financial year	-	(9)	(9)
At 30 June 2013	250	(18)	232

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.9 Audited Financial Statements of Liberty Park (Continued)

8.9.4 Audited Statements of Cash Flows of Liberty Park

The audited statement of cash flows of Liberty Park for the financial period from 1 March 2011 (date of incorporation) to 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Financial		
	Period from 1 March 2011 to 30 June 2011 RM'000	FYE 30 June	
		2012 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax and working capital changes	(5)	(4)	(9)
Changes In Working Capital			
Other receivables	-	(2)	2
Payables	1	1	(1)
Net Operating Cash Flows	(4)	(5)	(8)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	250	-	-
Net change in related party balances	(225)	225	(210)
Net Financing Cash Flows	25	225	(210)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
	21	220	(218)
CASH AND CASH EQUIVALENTS AT THE DATE OF INCORPORATION/ FINANCIAL YEARS			
	*	21	241
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD/YEARS			
	21	241	23
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances	21	241	23

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.9 Audited Financial Statements of Liberty Park (Continued)

8.9.5 Notes to the Audited Financial Statements of Liberty Park

(a) Loss Before Tax

Loss before taxation is arrived at:-

	Financial		
	Period from	FYE 30 June	
	1 March 2011 to	2012	2013
	30 June 2011		
	RM'000	RM'000	RM'000
After charging:-			
Audit fee	1	2	1

(b) Income Tax Expense

No provision for income tax has been made as Liberty Park incurred losses and has no chargeable income during the financial period/years under review.

The reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of Liberty Park is as follows:-

	Financial		
	Period from	FYE 30 June	
	1 March 2011 to	2012	2013
	30 June 2011		
	RM'000	RM'000	RM'000
Loss before tax	(5)	(4)	(9)
Taxation at statutory tax rate of 25%	(1)	(1)	(2)
Non-deductible expenses	1	1	2
Tax expense for the financial period/years	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.9 Audited Financial Statements of Liberty Park (Continued)

8.9.5 Notes to the Audited Financial Statements of Liberty Park (Continued)

(c) Other Receivables

	← As at 30 June →		
	2011 RM'000	2012 RM'000	2013 RM'000
Other receivables			
Amount due from holding company	225	-	210
Prepayment	-	2	-
	225	2	210
Cash and bank balances	21	241	23
Total loans and receivables	246	243	233

Liberty Park is a wholly-owned subsidiary company of Titijaya during FYE 30 June 2013. The directors of Liberty Park regard TGSB as the ultimate holding company. Both companies are incorporated and domiciled in Malaysia.

Prior to FYE 30 June 2013, Liberty Park was a wholly-owned subsidiary company of Yaelba Sdn Bhd (*formerly known as Yaelba Berhad*), a company incorporated and domiciled in Malaysia.

The amount due from holding company is non-trade in nature, unsecured, interest free and receivable upon demand.

(d) Share Capital

	← As at 30 June →					
	2011		2012		2013	
	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000
Ordinary shares of RM1.00 each:-						
Authorised						
At the date of incorporation / beginning of the financial years	100	100	500	500	500	500
Created during the financial period/years	400	400	-	-	-	-
At the end of the financial period/years	500	500	500	500	500	500

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.9 Audited Financial Statements of Liberty Park (Continued)

8.9.5 Notes to the Audited Financial Statements of Liberty Park (Continued)

(d) Share Capital (Continued)

	← As at 30 June →					
	2011		2012		2013	
	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000
Issued and fully paid						
At the date of incorporation /						
beginning of the financial years	#	*	250	250	250	250
Issued during the financial period/years	250	250	-	-	-	-
At the end of the financial period/years	250	250	250	250	250	250

* RM2 # Two (2) shares

During the financial period ended 30 June 2011, Liberty Park had increased its issued and paid up share capital from RM2 to RM250,000 by way of allotment of 249,998 ordinary shares of RM1.00 each for cash for additional working capital purposes.

(e) Other Payables and Accrual

	← As at 30 June →		
	2011 RM'000	2012 RM'000	2013 RM'000
Other payable and accrual			
Amount due to a related company	-	-	*
Accrual	1	2	1
Total other financial liabilities carried at amortised cost	1	2	1

* RM150

The amount due to a related company was non-trade in nature, unsecured, interest free and payable upon demand.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.9 Audited Financial Statements of Liberty Park (Continued)****8.9.5 Notes to the Audited Financial Statements of Liberty Park (Continued)****(f) Significant Related Party Disclosures**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Liberty Park or that has an interest in Liberty Park that gives it significant influence over Liberty Park's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Liberty Park resides with, directly or indirectly.

There were no significant transactions between Liberty Park and its related parties during the financial period/years and the outstanding balances are disclosed in the respective notes.

(g) Financial Instruments**(i) Financial Risk Management and Objectives**

Liberty Park has limited number of transactions and does not have significant exposure to financial risks. Financial support from holding company is available as and when required.

(ii) Fair Values**(i) Recognised financial instruments**

The fair values of financial assets and financial liabilities of Liberty Park approximate their carrying values on the statements of financial position of Liberty Park.

(ii) Unrecognised financial instruments

There were no unrecognised financial instruments as at 30 June 2011, 30 June 2012 and 30 June 2013 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)**TITIJAYA LAND BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.9 Audited Financial Statements of Liberty Park (Continued)****8.9.5 Notes to the Audited Financial Statements of Liberty Park (Continued)****(h) Capital Management**

The primary objective of Liberty Park's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

Liberty Park manages their capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Liberty Park may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

The capital structure of Liberty Park consists of equity attributable to owner of Liberty Park, comprising share capital, accumulated losses and total liabilities.

The debt-to-equity ratio is as follows:-

	←	As at 30 June	→
	2011	2012	2013
	RM'000	RM'000	RM'000
Total liabilities	1	2	1
Equity attributable to the owner of Liberty Park	245	241	232
Debt-to-equity ratio	0.4%	0.9%	0.4%

There were no changes in Liberty Park's approach to capital management during the financial period/years.

Liberty Park is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.10 Audited Financial Statements of City Meridian

8.10.1 Audited Statements of Comprehensive Income of City Meridian

The audited statements of comprehensive income of City Meridian for the financial period from 1 March 2011 (date of incorporation) to 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	Financial Period from		
		1 March 2011 to 30 June 2011 RM'000	FYE 30 June 2012 RM'000	2013 RM'000
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Administrative expenses		(5)	(14)	(5)
Loss before tax	8.10.5 (a)	(5)	(14)	(5)
Income tax expense	8.10.5 (b)	-	-	-
Net loss for the financial period/years, representing total comprehensive loss for the financial period/years		(5)	(14)	(5)
<i>Gross profit margin (%)</i>		<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Loss before tax margin (%)</i>		<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Effective tax rate (%)</i>		<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Weighted average number of shares in issue of RM1.00 each ('000)</i>		215	250	250
<i>Gross LPS (sen)</i>		(2.33)	(5.60)	(2.00)
<i>Net LPS (sen)</i>		(2.33)	(5.60)	(2.00)

N/A: Not Applicable

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.10 Audited Financial Statements of City Meridian (Continued)

8.10.2 Audited Statements of Financial Position of City Meridian

The audited statements of financial position of City Meridian as at 30 June 2011, 30 June 2012 and 30 June 2013 are as follows:-

	Note	As at 30 June		
		2011 RM'000	2012 RM'000	2013 RM'000
Current assets				
Other receivables	8.10.5 (c)	229	2	150
Bank balances		17	231	77
Total current assets		246	233	227
TOTAL ASSETS		246	233	227
EQUITY AND LIABILITIES				
Equity attributable to the owner of City Meridian				
Share capital	8.10.5 (d)	250	250	250
Accumulated losses		(5)	(19)	(24)
Total equity		245	231	226
Current liability				
Accrual	8.10.5 (e)	1	2	1
Total current liability		1	2	1
TOTAL EQUITY AND LIABILITY		246	233	227
<i>Number of shares in issue of RM1.00 each ('000)</i>		250	250	250
<i>NTA (RM'000)</i>		245	231	226
<i>NTA per ordinary share (RM)</i>		0.98	0.92	0.90
<i>NA (RM'000)</i>		245	231	226
<i>NA per ordinary share (RM)</i>		0.98	0.92	0.90

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.10 Audited Financial Statements of City Meridian (Continued)

8.10.3 Audited Statements of Changes in Equity of City Meridian

The audited statements of changes in equity of City Meridian for the financial period from 1 March 2011 (date of incorporation) to 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Share Capital RM'000	<u>Distributable</u> Accumulated Losses RM'000	Total Equity RM'000
Balance at 1 March 2011 (date of incorporation)	*	-	*
Issuance of shares	250	-	250
Total comprehensive loss for the financial period	-	(5)	(5)
Balance at 30 June 2011	250	(5)	245
Total comprehensive loss for the financial year	-	(14)	(14)
Balance at 30 June 2012	250	(19)	231
Total comprehensive loss for the financial year	-	(5)	(5)
Balance at 30 June 2013	250	(24)	226

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.10 Audited Financial Statements of City Meridian (Continued)

8.10.4 Audited Statements of Cash Flows of City Meridian

The audited statements of cash flows of City Meridian for the financial period from 1 March 2011 (date of incorporation) to 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Financial Period from 1 March 2011 to 30 June 2011 RM'000	FYE 30 June 2012 RM'000	FYE 30 June 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation and working capital changes	(5)	(14)	(5)
Changes In working capital			
Other receivables	-	(2)	2
Payables	1	1	(1)
Net Operating Cash Flows	<u>(4)</u>	<u>(15)</u>	<u>(4)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	250	-	-
Net change in related party balances	(229)	229	(150)
Net Financing Cash Flows	<u>21</u>	<u>229</u>	<u>(150)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	17	214	(154)
CASH AND CASH EQUIVALENTS AT THE DATE OF INCORPORATION/ FINANCIAL YEARS			
	*	17	231
CASH AND CASH EQUIVALENTS AT THE END OF THE THE FINANCIAL PERIOD/YEARS			
	<u>17</u>	<u>231</u>	<u>77</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances	<u>17</u>	<u>231</u>	<u>77</u>

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.10 Audited Financial Statements of City Meridian (Continued)

8.10.5 Notes to the Audited Financial Statements of City Meridian

(a) Loss Before Tax

Loss before taxation is arrived at:-

	Financial Period from		
	1 March 2011 to 30 June 2011 RM'000	FYE 30 June 2012 RM'000	2013 RM'000
After charging:-			
Audit fee	1	2	1

(b) Income Tax Expense

No provision for income tax has been made as City Meridian incurred losses and has no chargeable income during the financial period/years under review.

The reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of City Meridian is as follows:-

	Financial Period from		
	1 March 2011 to 30 June 2011 RM'000	FYE 30 June 2012 RM'000	2013 RM'000
Loss before tax	(5)	(14)	(5)
Taxation at statutory tax rate of 25%	(1)	(3)	(1)
Non-deductible expenses	1	3	1
Tax expense for the financial period/years	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.10 Audited Financial Statements of City Meridian (Continued)

8.10.5 Notes to the Audited Financial Statements of City Meridian (Continued)

(c) Other Receivables

	← As at 30 June →		
	2011 RM'000	2012 RM'000	2013 RM'000
Other receivables			
Amount due from holding company	229	-	150
Amount due from a related company	-	-	*
Prepayment	-	2	-
	229	2	150
Add:			
Bank balances	17	231	77
Total loans and receivables	246	233	227

* RM150

City Meridian is a wholly-owned subsidiary company of Titijaya during FYE 30 June 2013. The directors of City Meridian regard TGSB as the ultimate holding company. Both companies are incorporated and domiciled in Malaysia.

Prior to FYE 30 June 2013, City Meridian was a wholly-owned subsidiary company of Yaelba Sdn Bhd (*formerly known as Yaelba Berhad*), a company incorporated and domiciled in Malaysia.

The amount due from holding company and a related company are non-trade in nature, unsecured, interest free, expected to be settled in cash and receivable upon demand.

(d) Share Capital

	← As at 30 June →					
	2011		2012		2013	
	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000
Ordinary shares of RM1.00 each:-						
Authorised						
At the date of incorporation / beginning of the financial years	100	100	500	500	500	500
Created during the financial period/years	400	400	-	-	-	-
At the end of the financial period/years	500	500	500	500	500	500

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.10 Audited Financial Statements of City Meridian (Continued)

8.10.5 Notes to the Audited Financial Statements of City Meridian (Continued)

(d) Share Capital (Continued)

	← As at 30 June →					
	2011		2012		2013	
	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000	Numbers of shares Unit ('000)	RM'000
Issued and fully paid						
At the date of incorporation / beginning of the financial years	#	*	250	250	250	250
Issued during the financial period/years	250	250	-	-	-	-
At the end of the financial period/years	250	250	250	250	250	250

* RM2 # Two (2) shares

During the financial period ended 30 June 2011, City Meridian had increased its issued and paid up share capital from RM2 to RM250,000 by way of allotment of 249,998 ordinary shares of RM1.00 each for cash for additional working capital purposes.

(e) Accrual

	← As at 30 June →		
	2011 RM'000	2012 RM'000	2013 RM'000
Accrual	1	2	1
Total other financial liabilities carried at amortised cost	1	2	1

(f) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with City Meridian or that has an interest in City Meridian that gives it significant influence over City Meridian's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in City Meridian resides with, directly or indirectly.

There were no significant transactions between City Meridian and its related parties during the financial period/years and the outstanding balances are disclosed in the respective notes.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.10 Audited Financial Statements of City Meridian (Continued)****8.10.5 Notes to the Audited Financial Statements of City Meridian (Continued)****(g) Financial Instruments****(i) Financial Risk Management and Objectives**

City Meridian has limited number of transactions and does not have significant exposure to financial risks. Financial support from holding company is available as and when required.

(ii) Fair Values**(i) Recognised financial instruments**

The fair values of financial assets and financial liabilities of City Meridian approximate their carrying values on the statements of financial position of City Meridian.

(ii) Unrecognised financial instruments

There were no unrecognised financial instruments as at 30 June 2011, 30 June 2012 and 30 June 2013 that are required to be disclosed.

(h) Capital Management

The primary objective of City Meridian's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

City Meridian manages their capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, City Meridian may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

The capital structure of City Meridian consists of equity attributable to owner of City Meridian, comprising share capital, accumulated losses and total liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.10 Audited Financial Statements of City Meridian (Continued)****8.10.5 Notes to the Audited Financial Statements of City Meridian (Continued)****(h) Capital Management (Continued)**

The debt-to-equity ratio is as follows:-

	← 2011	As at 30 June 2012	2013 →
	RM'000	RM'000	RM'000
Total liabilities	1	2	1
Equity attributable to the owner of City Meridian	245	231	226
Debt-to-equity ratio	0.4%	0.9%	0.4%

There were no changes in City Meridian's approach to capital management during the financial period/years.

City Meridian is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana

8.11.1 Audited Statements of Comprehensive Income of Terbit Kelana

The audited statements of comprehensive income of Terbit Kelana for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	← FYE 30 June →				
		2009 RM'000 (Restated)	2010 RM'000 (Restated)	2011 RM'000 (Restated)	2012 RM'000	2013 RM'000
Revenue	8.11.5 (a)	4,718	(271)	77	84	114
Cost of sales		(4,845)	-	-	(6)	(6)
Gross (loss)/profit		(127)	(271)	77	78	108
Other income		-	1	3	7,714	2
Administrative expenses		(14)	(18)	(5)	(18)	(29)
Other expenses		*	#	!	(83)	(90)
(Loss)/profit before tax	8.11.5 (b)	(141)	(288)	75	7,691	(9)
Income tax expense	8.11.5 (c)	-	-	(16)	(14)	(22)
Net (loss)/profit for the financial years, representing total comprehensive (loss)/income for the financial years		(141)	(288)	59	7,677	(31)
<i>Gross (loss)/profit margin (%)</i>		<i>(2.69)</i>	<i>100</i>	<i>100</i>	<i>92.86</i>	<i>94.74</i>
<i>(Loss)/profit before tax margin (%)</i>		<i>(2.99)</i>	<i>106.27</i>	<i>97.40</i>	<i>9,155.95</i>	<i>(7.89)</i>
<i>Effective tax rate (%)</i>		<i>N/A</i>	<i>N/A</i>	<i>21.33</i>	<i>0.18</i>	<i>(244.44)</i>
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>		<i>1,000</i>	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>
<i>Gross (LPS)/EPS (RM)</i>		<i>(0.14)</i>	<i>(0.29)</i>	<i>0.08</i>	<i>7.69</i>	<i>(0.01)</i>
<i>Net (LPS)/EPS (RM)</i>		<i>(0.14)</i>	<i>(0.29)</i>	<i>0.06</i>	<i>7.68</i>	<i>(0.03)</i>

* (RM305)

(RM91)

! (RM230)

N/A: Not applicable

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.2 Audited Statements of Financial Position of Terbit Kelana

The audited statements of financial position of Terbit Kelana as at 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 are as follows:-

	Note	As at 30 June				
		2009 RM'000 (Restated)	2010 RM'000 (Restated)	2011 RM'000 (Restated)	2012 RM'000	2013 RM'000
Non-current asset						
Investment properties	8.11.5 (d)	4,713	4,713	4,486	4,377	4,377
Current assets						
Other receivables	8.11.5 (e)	4,186	8,275	12,431	5,109	5,231
Cash and bank balances		1	10	11	181	35
Total current assets		4,187	8,285	12,442	5,290	5,266
Non-current assets held for sale	8.11.5 (g)	324	324	661	-	-
TOTAL ASSETS		9,224	13,322	17,589	9,667	9,643
EQUITY AND LIABILITIES						
Equity attributable to the owner of Terbit Kelana						
Share capital	8.11.5 (h)	1,000	1,000	1,000	1,000	1,000
(Accumulated losses)/ retained earnings	8.11.5 (i)	(441)	(729)	(670)	3,007	2,976
Total equity		559	271	330	4,007	3,976
Current liabilities						
Other payables	8.11.5 (j)	8,665	13,051	17,243	5,645	5,646
Current tax payable		-	-	16	15	21
Total liabilities		8,665	13,051	17,259	5,660	5,667
TOTAL EQUITY AND LIABILITIES		9,224	13,322	17,589	9,667	9,643
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>						
		1,000	1,000	1,000	1,000	1,000
<i>NTA (RM'000)</i>						
		559	271	330	4,007	3,976
<i>NTA per ordinary share (RM)</i>						
		0.56	0.27	0.33	4.01	3.98
<i>NA (RM'000)</i>						
		559	271	330	4,007	3,976
<i>NA per ordinary share (RM)</i>						
		0.56	0.27	0.33	4.01	3.98

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.3 Audited Statements of Changes in Equity of Terbit Kelana

The audited statements of changes in equity of Terbit Kelana for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	Note	Share Capital RM'000	(Accumulated Losses)/ Retained Earnings RM'000	Total Equity RM'000
At 1 July 2008		1,000	(300)	700
Total comprehensive loss for the financial year		-	(141)	(141)
At 30 June 2009		1,000	(441)	559
Total comprehensive loss for the financial year				
As previously reported		-	(17)	(17)
Prior year adjustments	8.11.5 (p)	-	(271)	(271)
As restated		-	(288)	(288)
At 30 June 2010, as restated		1,000	(729)	271
At 1 July 2010				
As previously reported		1,000	(458)	542
Prior year adjustments	8.11.5 (p)	-	(271)	(271)
As restated		1,000	(729)	271
Total comprehensive income for the financial year				
As previously reported		-	56	56
Prior year adjustments	8.11.5 (p)	-	3	3
As restated		-	59	59
At 30 June 2011, as restated		1,000	(670)	330
At 1 July 2011				
As previously reported		1,000	(402)	598
Prior year adjustments	8.11.5 (p)	-	(268)	(268)
As restated		1,000	(670)	330
Total comprehensive income for the financial year		-	7,677	7,677
Dividends paid	8.11.5 (k)	-	(4,000)	(4,000)
At 30 June 2012		1,000	3,007	4,007
Total comprehensive loss for the financial year		-	(31)	(31)
At 30 June 2013		1,000	2,976	3,976

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.4 Audited Statements of Cash Flows of Terbit Kelana

The audited statements of cash flows of Terbit Kelana for the five (5) FYE 30 June 2009, FYE 30 June 2010, FYE 30 June 2011, FYE 30 June 2012 and FYE 30 June 2013 are as follows:-

	←	←	FYE 30 June	→	→
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)		
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(141)	(288)	75	7,691	(9)
Adjustments for:					
Interests income	-	(1)	*	^	(1)
Net gain on disposal of investment properties	-	-	-	(7,713)	-
Operating (loss)/profit before working capital changes	(141)	(289)	75	(22)	(10)
Changes In Working Capital					
Receivables	-	(609)	(75)	670	(28)
Payables	1,873	411	5,498	(421)	1
Interest in jointly controlled operations	4,844	-	-	-	-
Net cash generated from/ (used in) operations	6,576	(487)	5,498	227	(37)
Interests income	-	1	<	>	1
Tax paid	-	-	-	(15)	(16)
Net Operating Cash Flows	6,576	(486)	5,498	212	(52)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment properties costs incurred	-	-	(110)	109	-
Incidental costs incurred on disposal of investment properties	-	-	-	(75)	-
Net Investing Cash Flows	-	-	(110)	34	-

* (RM368)

^ (RM482)

< RM368

> RM482

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.4 Audited Statements of Cash Flows of Terbit Kelana (Continued)

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)		
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	-	-	-	(4,000)	-
Net change in amount due from/to related parties	(6,576)	495	(5,387)	3,924	(94)
Net Financing Cash Flows	(6,576)	495	(5,387)	(76)	(94)
NET CHANGE IN CASH AND CASH EQUIVALENTS					
	#	9	1	170	(146)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS					
	1	1	10	11	181
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS					
	1	10	11	181	35
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	1	10	11	181	35

(RM10)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

811.5 Notes to the Audited Financial Statements of Terbit Kelana

(a) Revenue

	←	←	FYE 30 June	→	→
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)	(Restated)		
Profit from jointly controlled operations	4,718	-	-	-	-
Overrecognition of profit from jointly controlled operations in prior years	-	(271)	-	-	-
Rental income	-	-	77	84	114
	4,718	(271)	77	84	114

(b) (Loss)/Profit Before Tax

(Loss)/profit before tax is arrived at after charging and crediting:

	←	←	FYE 30 June	→	→
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
After charging:-					
Auditor's remuneration	4	4	4	16	9
And crediting:-					
Net gain on disposal of investment properties	-	-	-	7,713	-
Bank interest income	-	1	*	#	1

* RM368

RM482

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.5 Notes to the Audited Financial Statements of Terbit Kelana (Continued)

(c) Income Tax Expense

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)		
Income tax					
- Current financial years	-	-	16	15	21
- (Over)/under accrual in prior financial years	-	-	-	(1)	1
	-	-	16	14	22

The statutory tax rate applicable to SME incorporated in Malaysia with paid up capital of RM2.5 million and below is subject to the statutory tax rate of 20% of chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% is still applicable.

The reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of Terbit Kelana are as follows:

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)		
(Loss)/profit before tax	(141)	(288)	75	7,691	(9)
Tax at statutory tax rate of 25%	(35)	(72)	19	1,923	(2)
Expenses not deductible for tax purposes	*	#	1	24	28
Income not subject to income tax	-	-	(1)	(1,928)	@
SME tax savings	-	-	(3)	(4)	(5)
Deferred tax assets not recognised					
in respect of current financial year tax loss	35	72	-	-	-
(Over)/under accrual in prior financial years	-	-	-	(1)	1
Tax expense for the financial years	-	-	16	14	22

* RM375

RM55

@ (RM147)

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.5 Notes to the Audited Financial Statements of Terbit Kelana (Continued)

(c) Income Tax Expense (Continued)

Deferred tax assets have not been recognised in respect of the following item:-

	← FYE 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)		
Unutilised tax losses	421	708	708	708	708
Potential deferred tax benefit at 25%	105	177	177	177	177

(d) Investment Properties

	← As at 30 June →				
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)		
Freehold land					
Cost					
At the beginning of the financial years	4,713	4,713	4,713	4,486	4,377
Additions	-	-	110	-	-
Cost over accrued in previous year	-	-	-	(109)	-
Transfer to non-current assets held for sale	-	-	(337)	-	-
At the end of the financial years	4,713	4,713	4,486	4,377	4,377
Fair value of investment properties	35,000	38,200	38,400	42,480	42,680

The fair values of the investment properties as at 30 June 2012 and 30 June 2013 are determined based on the valuation performed by an independent professional valuer with recent experience in the location and categories of land being valued.

The fair value of the investment properties as at 30 June 2009, 30 June 2010 and 30 June 2011 are determined based on the estimation by the directors of Terbit Kelana.

The investment properties have been pledged to a financial institution to secure the credit facilities granted to a related company.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.5 Notes to the Audited Financial Statements of Terbit Kelana (Continued)

(e) Other Receivables

	←	←	As at 30 June	→	→
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)		
Other receivables					
Amount due from related parties					
Persons connected to directors	1,000	1,460	1,460	-	-
Related companies	-	-	-	-	5,187
Companies in which directors have interests	-	-	6,509	1,624	-
Companies in which persons connected to directors have interests	-	-	3,777	3,469	-
Joint venture partner, a company in which a director has interest	3,185	6,205	-	-	-
Other receivables	1	610	685	14	44
Deposits	*	*	*	*	*
Prepayment	-	-	-	2	-
Total other receivables	4,186	8,275	12,431	5,109	5,231
Add: Cash and bank balances	1	10	11	181	35
Total loans and receivables	4,187	8,285	12,442	5,290	5,266

* RM100

Other receivables

The amounts due from related parties are unsecured, interest free and receivable upon demand.

(f) Holding Companies

Terbit Kelana is a wholly-owned subsidiary company of Titijaya during FYE 30 June 2013. The directors of Terbit Kelana regard TGSB, as the ultimate holding company. Both companies are incorporated and domiciled in Malaysia.

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.5 Notes to the Audited Financial Statements of Terbit Kelana (Continued)

(g) Non-current Assets Held For Sale

	←	As at 30 June	→	
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)	2013
				RM'000
Investment properties				
- at carrying amount	324	324	661	-

Terbit Kelana had on 28 April 2006 entered into a sale and purchase agreement with a third party for the disposal of a piece of land with a carrying amount of RM323,726 for a total consideration of RM4,150,000.

Terbit Kelana had entered into a memorandum of understanding dated 16 August 2010 and a formal agreement on 12 July 2011, with a company in which a director has interest for the disposal of a piece of land with a carrying amount of RM336,675 together with all the benefits, rights, title and interest pursuant to a lease agreement for a total consideration of RM4,298,845.

Accordingly, these investment properties had been classified as held for sale. The said disposals were completed during the FYE 30 June 2012 following the fulfilment of the conditions precedent.

13. ACCOUNTANTS' REPORT (Cont'd)


TITIJAYA LAND BERHAD
 Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.5 Notes to the Audited Financial Statements of Terbit Kelana (Continued)

(h) Share Capital

	As at 30 June			
	2009	2010	2011	2013
Number of Shares	Number of Shares	Number of Shares	Number of Shares	Number of Shares
Unit ('000)	Unit ('000)	Unit ('000)	Unit ('000)	Unit ('000)
RM'000	RM'000	RM'000	RM'000	RM'000
Authorised				
At the beginning/end of the financial years	1,000	1,000	1,000	1,000
Issued and fully paid				
At the beginning/end of the financial years	1,000	1,000	1,000	1,000

Ordinary shares of RM1.00 each :-

Authorised

At the beginning/end of the financial years

Issued and fully paid

At the beginning/end of the financial years

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.5 Notes to the Audited Financial Statements of Terbit Kelana (Continued)

(i) (Accumulated Losses)/Retained Earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to frank dividends to their shareholders under limited circumstances. Companies also have irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

Terbit Kelana has elected for the irrevocable option to disregard the Section 108 balance. Hence, Terbit Kelana will be able to distribute dividends out of its entire retained earnings as at 30 June 2013 under the single tier system.

(j) Other Payables

	←	As at 30 June			→
	2009	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)		
Other payables					
Amount due to related parties					
Companies in which a director has interest	-	-	1	-	-
Companies in which persons connected to directors have interests	6,345	6,345	4,638	3,242	3,242
Director	38	4,013	4,413	2,384	2,384
Other payables	7	-	308	3	-
Deposits	2,268	2,683	7,879	-	11
Accruals	7	10	4	16	9
Total other financial liabilities carried at amortised cost	8,665	13,051	17,243	5,645	5,646

13. ACCOUNTANTS' REPORT (Cont'd)

TITIJAYA LAND BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.11 Audited Financial Statements of Terbit Kelana (Continued)

8.11.5 Notes to the Audited Financial Statements of Terbit Kelana (Continued)

(j) Other Payables (Continued)

Other payables

The amounts due to related parties are unsecured, interest-free and payable upon demand.

Deposits

Included in the deposits are the following:-

- (a) An amount of RM Nil (2009 and 2010: Nil, 2011: RM128,965 and 2012: RM Nil) which represents deposit received in relation to a memorandum of understanding dated 16 August 2010 entered into by Terbit Kelana with a company in which a director has interest for the disposal of a piece of land together with all the benefits, rights, title and interest pursuant to a lease agreement as described in Note 8.12.5(j)(b) below for a total consideration of RM4,298,845. A formal agreement was entered by the both parties on 12 July 2011. The said disposal was completed in FYE 30 June 2012.
- (b) Amounts totaling RM Nil (2009: RM400,003, 2010 and 2011: RM3,600,003 and 2012: RM Nil) which represented payments received pursuant to a lease agreement entered by Terbit Kelana with a third party for lease of a piece of petrol land for a tenure of 30 years. Following the completion of the disposal as described in Note 8.11.5(j)(a) above, all the payments received by Terbit Kelana had been transferred to the said buyer.
- (c) Amounts totaling RM Nil (2009: RM1,867,500, 2010: RM2,282,500, 2011: RM4,150,000 and 2012: RM Nil) which represented payments received in relation to the disposal of a piece of land as described in Note 8.11.5(g). The said disposal was completed in FYE 30 June 2012.

(k) **Dividends**

		← As at 30 June →			
2009	2010	2011	2012	2013	
RM'000	RM'000	RM'000	RM'000	RM'000	

Dividends paid:-

In respect of the financial year
ended 30 June 2011

Interim single-tier dividend of RM4
per share

-	-	-	4,000	-
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