

SKB SHUTTERS CORPORATION BERHAD
(Company No.430362-U)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial statements

1. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and *MFRS134, Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2013.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the year ended 30 June 2012 except for the changes in accounting policies and presentation resulting from the following transitional exemption arising from the adoption of MFRS :

i. Property, plant and equipment

In the previous years, the Group has adopted a revaluation model for its buildings every five (5) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying amount. Upon transition to MFRS, the Group elected to measure its buildings using the cost model under MFRS 116, Property, Plant and Equipment. At the date of transition to MFRS, the Group uses the previous revaluation at or before the date of transition as deemed cost. The revaluation surplus was transferred to retained earnings on date of transition to MFRS.

The impact arising from the change on date of transition is summarised as follows:

	1 July 2011 RM'000
Reclassification of revaluation reserve to retained earnings	<u>6,710</u>

ii. Prepaid lease payments

In the previous years, the Group measured prepaid lease payments on operating leasehold land in accordance with the transitional provision in FRS 117, Leases. The transitional provision allowed the Group to carry the previously revalued leasehold land at the unamortised carrying amount when the Group first applied FRS 117 in 2006. The transitional provision is not available under MFRS 117. Upon the transition to MFRS, the revalued prepaid lease payments were restated to its original cost.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The impact arising from the change on date of transition is summarised as follows:

	1 July 2011 RM'000
Consolidated statement of financial position	
Reversal of revaluation reserve	1,494
Decrease in prepaid lease payments	(1,197)
Tax effect	373
Increase in retained earnings	<u>670</u>
	12 months ended 30 June 2012 RM'000
Consolidated statement of profit or loss and other comprehensive income	
<i>Administrative expenses</i>	
Decrease in amortisation	<u>60</u>

The reconciliation of equity for comparative period and of equity at the date of transition reported under FRS to those reported for those period and at the date of transition under MFRS arising from the above are provided below :

Reconciliation of condensed consolidated statement of financial position on the affected financial captions

	FRS as at 1 July 2011 RM'000	Effect of transition to MFRSs RM'000	MFRS as at 1 July 2011 RM'000
Prepaid lease payments	7,974	(1,197)	6,777
Revaluation reserve	8,204	(8,204)	-
Retained earnings	26,330	7,380	33,710
Deferred tax liabilities	5,133	(373)	4,760

Reconciliation of condensed consolidated statement of profit or loss and other comprehensive income on the affected financial captions for the year ended 30 June 2012

	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Administrative expenses	11,372	(60)	<u>11,312</u>

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

Reconciliation of condensed consolidated statement of changes in equity on the affected financial captions

	FRS as at 1 July 2011 RM'000	Reclassification RM'000	MFRS as at 1 July 2011 RM'000
Revaluation reserve	8,204	(8,204)	-
Retained earnings	26,330	7,380	33,710

3. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 30 June 2012.

4. Seasonality or cyclicity of operations

The business of the Group was not affected by any significant seasonal or cyclical factors.

5. Exceptional and extraordinary items

There were no material exceptional and extraordinary items for the quarter/year under review.

6. Change in debt and equity securities

There were no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the quarter and twelve months ended 30 June 2013.

7. Dividends

No dividends have been recommended or paid for the current quarter and year ended 30 June 2013.

8. Operating segments

The Group is principally confined to the manufacture and sale of roller shutters and related steel products, racking and storage systems which are principally carried out in Malaysia. Accordingly, information by operating segments on the Group's operations as required by MFRS 8 is not presented.

9. Valuation of property, plant and equipment

The valuation of land and buildings has been brought forward without amendments from the previous annual report.

10. Changes in Group's composition

There were no changes in the composition of the Group during the current quarter ended 30 June 2013.

11. Changes in contingent liabilities and assets

There were no contingent liabilities and assets for the Group as at 23 August 2013 (being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

12. Review of Group performance

Group revenue for the quarter ended 30 June 2013 increased by 20.60% or RM2.94 million as compared to the corresponding quarter in 2012. The increase in revenue was mainly due to increase in sales of shutters and steel door products.

Group loss before taxation of RM3.229 million increased by 1,918.13% as compared to corresponding quarter in the previous year mainly due to increase in other operating expenses.

13. Variation of results against preceding quarter

Group revenue increased from RM12.455 million to RM17.214 million as compared to the immediate preceding quarter. Group loss before taxation of RM3.229 million as compared to Group profit before taxation of RM0.69 million in the immediate preceding quarter was mainly due to increase in other operating expenses.

14. Current year prospects

Barring unforeseen circumstances, the Directors anticipate that the Group will continue to strive to enhance the financial performance by practicing prudent cost management and to continue to concentrate on the Group's core activities which are the manufacturing and dealing of roller shutters, steel doors, racking, and storage systems. Also, the Group will continuously strive to improve quality of products and developing new innovative products to increase its market share, sales revenue and profitability.

15. Variance of actual profit from profit forecast

The Group has not announced or disclosed any profit forecast in a public document that relates to this interim reporting period.

16. (Loss)/Profit before taxation

	3 months ended 30 June 2013 RM'000	12 months ended 30 June 2013 RM'000
(Loss)/Profit before taxation is arrived at :		
Depreciation and amortisation	1,227	5,502
Loss on foreign exchange		
- realised	69	47
- unrealised	15	46
Impairment loss on trade receivables	164	151
Provision for slow moving inventories	2,336	2,336
Inventories written off	254	254
and after crediting :		
Gain on disposal of property, plant and equipment	(350)	(662)

17. Income tax expense

	3 months ended 30 June		12 months ended 30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current tax expense				
Current	210	381	528	805
Prior	26	-	46	(224)
Deferred tax expense				
Current	(794)	(573)	(794)	(573)
Prior	(246)	342	(246)	342
	(804)	150	(466)	350

17. Income tax expense (continued)

The disproportionate tax charge for the year ended 30 June 2013 is mainly due to certain non-deductible expenses.

18. Unquoted investments and properties

There were no disposals of unquoted investments and/or properties for the quarter under review and the financial period to-date.

19. Quoted investments

There were no purchases or disposals of quoted shares for the quarter under review and the financial period to-date.

20. Status of corporate proposals

Not applicable.

21. Loans and borrowings

	30 June 2013 RM'000
Current	
Secured	3,051
Unsecured	9,906
	<hr/>
	12,957
	<hr/>
Non-current	
Secured	2,593
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The above borrowings are denominated in Ringgit Malaysia.

22. Off balance sheet financial instruments

The Group did not have any financial instruments with off balance sheet risk as at 23 August 2013 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report).

23. Basic earnings per share

The calculation of basic earnings per share for the quarter/year end is based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the quarter/year end of 40,000,000.

24. Capital commitments

There were no capital commitments for the current quarter/year ended 30 June 2013.

25. Related parties

There were no non-recurring related party transactions during the quarter under review and financial year to-date.

26. Retained earnings

The breakdown of retained earnings of the Group as at reporting date, into realised and unrealised is as follow:

	As at 30 June 2013 RM'000	As at 30 June 2012 RM'000 Restated
Total retained earnings of the Company and its subsidiaries		
- Realised	37,754	39,266
- Unrealised	3,862	4,902
Total share of retained earnings from an associate		
- Realised	1,728	1,101
- Unrealised	6	11
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	43,350	45,280
Less : Consolidation adjustments	(10,316)	(10,191)
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Total Group retained earnings as per consolidated accounts	<u>33,034</u>	<u>35,089</u>

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

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

27. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors.

BY ORDER OF THE BOARD

Sin Kheng Lee
Executive Chairman and Group Managing Director
Dated: 30th August 2013