

10. FINANCIAL INFORMATION

10.1 Profit and Dividend Record

10.1.1 LBB

LBB was incorporated on 23 June 1981 and is principally involved in the manufacturing of extruded snacks and cakes and trading in confectioneries and other food stuffs.

10.1.2 LBB – Proforma

The following tables, which have been extracted from the Accountants' Report in Section 11 of this Prospectus, is a summary of the turnover and profit records of LBB for the past five (5) financial years ended 30 June 2001. The financial results should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

	<-----Financial Year Ended 30 June----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	14,841	16,503	22,718	28,890	35,982
Profit before charging depreciation, interest and exceptional items	5,315	6,939	8,617	9,188	13,646
Depreciation	(1,144)	(2,118)	(2,458)	(2,135)	(2,973)
Interest	(868)	(1,502)	(1,518)	(1,406)	(2,025)
Profit before taxation and exceptional items	3,303	3,319	4,641	5,647	8,648
Exceptional items	-	-	-	1,596	589
Profit before taxation, extraordinary items and minority interest	3,303	3,319	4,641	7,243	9,237
Taxation	57	(81)	21	(220)	(1,590)
Profit after taxation but before extraordinary items and minority interest	3,360	3,238	4,662	7,023	7,647
Extraordinary items	-	-	-	-	-
Profit after taxation and extraordinary items	3,360	3,238	4,662	7,023	7,647
Minority interest	-	-	-	-	-
Profit after taxation and minority interest	3,360	3,238	4,662	7,023	7,647
Weighted average no. of ordinary shares in issue ('000)	2,799	4,545	6,750	7,500	7,500
Gross EPS (sen)	118.01	73.02	68.76	96.57	123.16
Net EPS (sen)	120.04	71.24	69.07	93.64	101.96
Dividend rate (%)	-	-	-	-	-

10. FINANCIAL INFORMATION (Cont'd)*Notes:*

- (1) Turnover represents invoiced value of goods delivered less sales tax, returns and discount.
- (2) During the financial year ended 30 June 2000, the depreciation rate of plant and machinery was revised from 10% to 6 2/3% per annum. This revision reflects a fairer presentation of the estimated useful lives of the respective assets concerned. The effect of this revision resulted in an increase in the profit of the Company for the years ended 30 June 2000 and 30 June 2001 by RM879,602 and RM1,123,821 respectively.

Also with effect from the financial year ended 30 June 2000, freehold buildings are depreciated to comply with Approved Accounting Standards in Malaysia. The effect, the profit for the year ended 30 June 2000 and 30 June 2001, decreased by RM27,384. The net effect was an increase in profit of RM852,218 and RM1,096,437 respectively for the years ended 30 June 2000 and 30 June 2001.

- (3) The Inland Revenue Board had disputed the treatment of certain expenditure and transactions entered into by the Company in previous years to 30 June 1998 as a result of which gave rise to an underprovision of taxation and penalties amounting to RM1,045,493 and RM731,507 respectively.
- (4) The respective audited profit before and after taxation have not been restated for the financial years ended 30 June 1997, 1998, and 1999 to reflect the effect arising on the revision of the said accounting estimates and the underprovision for taxation and incidental penalties. Had the restatement been done, the profit before and after taxation will be as follows:-

	<-----30 June----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Audited profit before taxation, as previously reported	3,303	3,319	4,641	7,243	9,237
Overprovision of depreciation arising on revision of estimated useful lives of respective assets concerned (net)	247	549	672	-	-
Adjustment for penalties incurred in respect of prior years	(212)	(128)	-	-	731
Profit before taxation, as restated	3,338	3,740	5,313	7,243	9,968
Taxation					
- As reported	57	(81)	21	(220)	(1,590)
- Adjustment for underprovision relating to prior years	(303)	(182)	-	-	1,045
	(246)	(263)	21	(220)	(545)
Profit after taxation, as restated	3,092	3,477	5,334	7,023	9,423

- (5) Exceptional items for the financial years ended 30 June 2000 and 30 June 2001 comprise:-

	<-----30 June----->	
	2000	2001
	RM'000	RM'000
Provision for doubtful debts	(184)	-
Profit on sale of fixed assets	112	-
Provision for diminution in value of quoted investments	(32)	-
Overprovision of depreciation in prior years arising on revision of estimated useful lives of respective assets concerned (net)	1,700	-
Compensation for legal claims	-	(58)
Penalties imposed on underprovision of income tax	-	(731)
Provision for fire insurance*		
- machinery and equipment	-	960
- consequential loss	-	418
	1,596	589

10. FINANCIAL INFORMATION (Cont'd)

* *The provision for fire insurance claims is in relation to a fire that occurred at LBB premises in March 2001. The claim for machinery and equipment is brought under Fire Insurance policy no. F0322515 and the claim for consequential loss is brought under Fire Consequential Loss policy no. F0323563. The insurer has confirmed that the reserved amount for these two (2) claims are RM1,200,000 and RM523,000 respectively. However, the Company, as a matter of prudence, has only provided for RM960,000 and RM418,000 respectively.*

- (6) *No provision has been made for Malaysian income tax in respect of business income earned in 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999. The taxation charged was principally due to a prior year's overprovision.*

The taxation charge for the year ended 30 June 2001 comprise:-

	<i>RM'000</i>
<i>Current year taxation</i>	<i>550</i>
<i>Underprovision of taxation in prior years (net)</i>	<i>1,040</i>
	<i>1,590</i>

The taxation charge for the year ended 30 June 1997, 1998, 2000 and 2001 is lower than the statutory income tax rate due principally to claims being made for Reinvestment Allowances under Schedule 7A of Income Tax Act, 1967.

- (7) *There were no extraordinary items in respect of all the financial years under review.*
- (8) *Gross and net earnings per share were calculated by dividing the profit before and after taxation, attributable to the LBB's shareholders, by the weighted average number of LBB's ordinary shares in issue as at the end of the respective financial year end.*
- (9) *No dividends were paid by LBB in respect of the above financial years under review.*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

10. FINANCIAL INFORMATION (Cont'd)**10.2 Segmental Analysis of Turnover and Profits****10.2.1 Analysis of Turnover**

	<-----Financial Year Ended 30 June----->				
(Rounded up to nearest hundred thousand)	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
<u>Analysis by Geographic Distribution</u>					
Export	8,900	11,500	13,900	19,000	26,000
Local	5,900	5,000	8,800	9,900	10,000
Total	14,800	16,500	22,700	28,900	36,000
<u>Analysis by Products</u>					
Extruded corn snacks	11,800	11,600	11,500	15,600	15,800
Cakes	-	2,700	9,000	12,700	19,600
Others	3,000	2,200	2,200	600	600
Total	14,800	16,500	22,700	28,900	36,000

10.2.2 Analysis of Profit After Taxation

	<-----Financial Year Ended 30 June----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
<u>Analysis by Geographic Distribution</u>					
Export	1,848	1,943	2,564	4,214	5,790
Local	1,512	1,295	2,098	2,809	1,857
Total	3,360	3,238	4,662	7,023	7,647
<u>Analysis by Products</u>					
Extruded corn snack	3,024	1,943	1,865	2,809	3,361
Cakes	-	971	2,331	3,863	4,165
Others	336	324	466	351	121
Total	3,360	3,238	4,662	7,023	7,647

10. FINANCIAL INFORMATION (*Cont'd*)

10.3 Overview of Turnover and Profits, including taxation, exceptional and extraordinary items, for the past five (5) financial years ended 30 June 2001

(i) Financial Year Ended 30 June 1997

LBB's profit before tax increased substantially by RM1,414,413 to RM3,303,065 while turnover increased by RM2,413,330 to RM14,841,034. Although the increase in turnover was not as substantial as the previous year, this was expected in view of the 'pick up momentum' being the second year of change to automation. The higher profit margin was achieved as a result of:-

- (a) tight control of usage of raw materials and continuing reduction of wastage of raw materials by constant research and development;
- (b) bulk purchases of raw materials and packing materials at discounted prices;
- (c) overcoming the initial teething problems of handling the new plant and machinery;
- (d) management of cash flow by following up closely with trade debtors;
- (e) avoiding using banks financing unless necessary, as the banks lending rates were very high thus, reducing the cost of fundings;
- (f) being selective with local and overseas customers to avoid bad debts by taking the cautious approach; and
- (g) establishing good relationship with local and overseas customers by frequent meetings regarding the services and products offered.

(ii) Financial Year Ended 30 June 1998

During the year, LBB continued to step-up its efforts to enlarge its overseas customer base and to take advantage of the favourable exchange rate to sell to countries at a price which were previously not feasible. LBB foresaw export sales as the growth market for its products and profitability to see it through the regional economic and financial crisis. LBB also enjoyed the continuing support from suppliers by purchasing in bulk at discounted price. The net profit before tax was only increased by 0.5% due to the following factors.

- (a) the price of raw materials increased in tandem with the appreciation of USD.
- (b) pie cake, a new and profitable product, was only launched in late of financial year 1998 as the company faced a lot of teething problems in handling the new machines.
- (c) higher cost of fund when banks increased their Base Lending Rates.
- (d) providing a full year of depreciation for machines acquired in the later part of the financial year.

10. FINANCIAL INFORMATION (Cont'd)

(iii) Financial Year Ended 30 June 1999

LBB experienced a significant growth rate of 37.7% in turnover to RM22,718,126 against a 39.8% increase in profit before tax due to:-

- (a) higher productivity of both its labour force and its management;
- (b) full utilisation of the automation of the cake production line. The Company invested RM3,282,408 in 1998 to upgrade its plant, moving towards machine intensive rather than labour intensive to overcome the problems of getting skilled and unskilled workers and to enhance production volume;
- (c) successful control of the rising raw material costs by substituting imported raw materials with local raw materials such as corn grits for extruded corn snacks, locally milled flour for cakes and etc. Locally milled flour is a gazette price controlled item; and
- (d) low cost of funds when banks lowered their Base Lending Rates.

(iv) Financial Year Ended 30 June 2000

LBB achieved a turnover of RM28,890,124 which represented an 27.2% increase from the previous year. Meanwhile, profit before taxation increased by a further 56.1% to RM7,243,264. The increase in turnover and profit before taxation was due to:-

- (a) ability to procure better quality raw materials through purchases from selective suppliers at a discounted price which reduces cost;
- (b) efficiency of management, staff and workers in production planning and familiarization with machines commissioned and by reducing wastage of raw materials;
- (c) increase productivity by optimum utilization of machines installed;
- (d) setting up Research and Development Unit to improve on products and diversifications. Periodical and preventive maintenance of plants and machines were implemented to reduce breakdowns and improve on start-up time and the life span;
- (e) reward system by giving incentives to skilled, unskilled workers and staff who are productive as a motivational move and as a result, to cut down wastage;
- (f) benefiting from participating in Foods Exhibitions of Company's products in Europe and Taiwan and resulting in substantial orders being received from Taiwan; and
- (g) write back of overprovision of depreciation in prior years arising on revision of estimated useful lives of respective assets concerned.

10. FINANCIAL INFORMATION (*Cont'd*)

(v) Financial Year Ended 30 June 2001

LBB achieved a turnover of RM35,982,427 which represented a 24.6% increase from the previous year. Meanwhile, profit before taxation increased by a further 27.5% to RM9,237,645. The disproportionate increase in turnover and profit before taxation was due to:

- (a) a net exceptional income of RM646,893 in 2001 which accounted for 8.93% increase in profit before taxation of which is derived from a higher provision for fire insurance claims of RM1,378,400 over the penalties imposed on underprovision of income tax of RM731,507 in prior years;
- (b) investing in fully automatic packing machines which not only reduce the labour cost and increase the productivity but also help to streamline production as a result of the reduction in manual operation;
- (c) cost saving in term of raw material usage as a result of wastage minimisation drive, training and on-going research and development; and
- (d) net increase in finance cost of RM571,940 as a result of the following:
 - (i) increase in hire purchase financing for the new machinery purchased during the year; and
 - (ii) higher financing through bankers' acceptance which is in line with the increase in export sales.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

10. FINANCIAL INFORMATION (Cont'd)

10.4 Directors' Declaration on Financial Performance

As at 15 November 2001, being the latest practicable date prior to the Prospectus, the financial conditions and operations of the Company are not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Company reasonably expects to have a material favourable or unfavourable impact on financial performance, position and operations of the Company;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that materially affect the financial performance, position and operations of LBB; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

10.5 Working Capital, Borrowings, Material Contingent Liabilities And Capital Commitments

(i) Working Capital

The Directors of LBB are of the opinion that, barring any unforeseen circumstances and after taking into consideration the cashflow projections and the banking facilities available and the net proceeds of the Rights Issue, Restricted Issue, Public Issue and Placement, LBB will have adequate working capital for its present foreseeable requirements.

(ii) Borrowings

As at 15 November 2001, the Company's total bank borrowings, overdraft facilities, hire-purchase facilities and term loan facilities amounted to RM36,770,867.

Saved as disclosed above, the Company does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding.

(iii) Material Contingent Liabilities

As at 15 November 2001, the Company does not have any material contingent liability.

(iv) Capital Commitments

As at 15 November 2001, the Company has capital commitments amounting to RM4,200,000.

10. FINANCIAL INFORMATION (Cont'd)**10.6 Profit Forecast For The Financial Year Ending 30 June 2002**

DETAILS OF THE PROFIT FORECAST OF
LONDON BISCUITS BERHAD
FOR THE YEAR ENDING 30TH JUNE 2002
AND THE BASES AND ASSUMPTIONS

The Directors of London Biscuits Berhad forecast that in the absence of unforeseen circumstances, the profit after taxation of the Company for the year ending 30th June, 2002 will be approximately RM8,583,000.

FORECAST FOR YEAR ENDING 30TH JUNE 2002

	<u>RM'000</u>
Turnover	43,500
Profit before taxation and minority interest	9,027
Less: Taxation	(444)
Profit after taxation	8,583
Less: Minority Interest	-
Profit after taxation and minority interest	<u>8,583</u>
Weighted average number of ordinary shares in issue *('000)	33,394
Enlarged issued and paid-up share capital ('000)	40,000
Gross EPS (sen)	27.03
Net EPS (sen)	25.70
Fully diluted gross EPS **(sen)	22.57
Fully diluted net EPS **(sen)	21.46
Gross PE Multiple based on the Issue/Placement Price of RM1.50 per ordinary share (times)	5.55
Net PE Multiple based on the Issue/Placement Price of RM1.50 per ordinary share (times)	5.84
Fully diluted gross PE Multiple based on the Issue/Placement Price of RM1.50 per ordinary shares **(times)	6.65
Fully diluted net PE Multiple based on the Issue/Placement Price of RM1.50 per ordinary shares **(times)	6.99

* *The weighted average number of shares in issue is calculated on the basis of the Bonus Issue, Rights Issue and Restricted Issue are completed in September 2001 whilst the Public Issue and Placement are completed in January 2002.*

** *Calculated based on the enlarged issued and paid up capital of 40,000,000 ordinary shares of RM1.00 each.*

10. FINANCIAL INFORMATION *(Cont'd)*



The principal bases and assumptions upon which the above profit forecast has been made are as follows:-

1. There will be no material changes in the present legislation or government regulations including direct or indirect taxes and duties, and the prevailing market conditions, affecting the activities of the Company and the markets in which the Company operates.
2. There will be no significant changes in the accounting and management policies currently adopted by the Company.
3. There will be no major breakdown or disruption in the manufacturing facilities, industrial disputes or other abnormal factors affecting the operations of the Company.
4. There will be no major changes in the existing key personnel and management and trading policies.
5. There will be no significant changes in the supply and prices of raw materials and labour.
6. Existing finance facilities enjoyed by the Company will remain available.
7. The Company's capital expenditure plans are in accordance with budget and commissioned as scheduled.
8. Reinvestment allowance claims on qualifying capital expenditure will be approved by the tax authorities.
9. Foreign currency will not fluctuate materially against Ringgit Malaysia.
10. Inflation and interest rates will not change materially from current levels.

10. FINANCIAL INFORMATION (Cont'd)

10.7 Reporting Accountants' Letter On The Profit Forecast



WONG WENG FOO & CO.
Public Accountants

41, Damai Complex,
Jalan Dato Haji Eusoff,
50400 Kuala Lumpur.
Tel : 03-40424280
Fax : 03-40413141

Your Ref:

Date: 11 DECEMBER 2001

Our Ref:

The Board of Directors
LONDON BISCUITS BERHAD
6th Floor, Johor Tower,
15, Jalan Gereja,
80100 Johor Bahru

Dear Sirs,

AUDITORS' LETTER RELATING TO PROFIT FORECAST

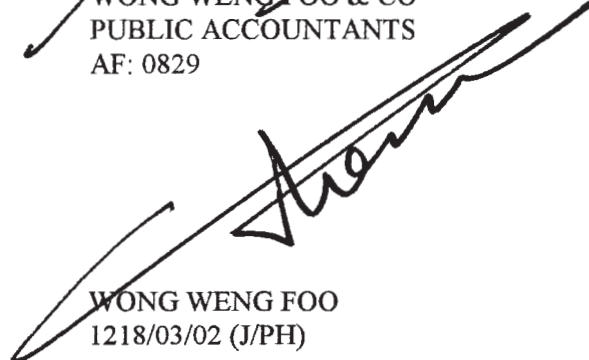
We have reviewed the accounting policies and calculations for the profit forecast of LONDON BISCUITS BERHAD, for which the Directors are solely responsible, for the year ending 30th June, 2002, prepared for the purpose of inclusion in the Prospectus to be dated 14 DECEMBER 2001 in connection with the Public Issue and Placement of 9,698,000 and 800,000 new ordinary shares of RM1.00 each respectively at an issue price of RM1.50 per share and the listing of and quotation for its entire issued and paid-up share capital on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the profit forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors set out in the abovementioned Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the Company.

Yours faithfully



WONG WENG FOO & CO
PUBLIC ACCOUNTANTS
AF: 0829



WONG WENG FOO
1218/03/02 (J/PH)

10. FINANCIAL INFORMATION (*Cont'd*)

10.8 Directors' Analysis and Commentary on the Profit Forecast

The turnover of the Company is expected to increase by 21.2% from RM35.9 million in FY2001 to RM43.5 million in FY2002. The increase in turnover is mainly attributable to the expected improvement in the sales of corn snack by 27.1% from 316,260 cartons to 402,000 cartons, and layer cake and swiss roll by 36.4% from 120,000 cartons to 163,636 cartons. The increase in sales volume is mainly due to the Company's continuous effort to increase the distribution of its existing products.

Profit before taxation ("PBT") is expected to decrease by 2.27% from RM9.237 million in FY2001 to RM9.027 million in FY2002. The decrease in PBT is mainly attributed to the net exceptional income of RM0.647 million in FY2001 as a result of the higher provision for fire insurance claims over the penalties imposed on the underprovision of income tax in prior years and a higher profit margin in FY2001.

Interest expenses are also expected to decrease by 37.6% from RM1.999 million in FY2001 to RM1.247 million in FY2002 as a result of expected repayment of bank overdrafts, bankers acceptances, trust receipts and term loans amounting to approximately RM21.13 million.

The Rights Issue, Restricted Issue, Public Issue and Placement are expected to be completed in mid of FY2002, thus the Company expects interest savings amounting to RM0.789 million in FY2002, resulting from the repayment of bank overdrafts, term loans and bankers' credit facilities of RM21.13 million by LBB. The funds generated to repay the bank overdrafts, term loans and bankers credit facilities are mainly from the proceeds arising from the Rights Issue, Restricted Issue, Public Issue and Placement during the year. As such, the PBT for the Company is expected to increase from RM9.027 million to RM11.969 million in FY2003.

The Directors of LBB have reviewed and analysed the reasonableness of the bases and assumptions used in arriving at the profit forecast for the financial year ending 30 June 2002 and are of the opinion that the profit forecast for the financial year ending 30 June 2002 to be true and fair in the light of the future prospects of the industry, future plans and strategies to be adopted by LBB and LBB's level of gearing, liquidity and working capital requirements.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

10. FINANCIAL INFORMATION (Cont'd)**10.9 Dividend Forecast**

Barring unforeseen circumstances, the Directors of LBB intend to declare a gross dividend of 5% for the financial year ending 30 June 2002 based on the enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each in LBB.

LBB intends to pursue a dividend policy in-line with its profitability, which would allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for its future growth and expansion.

The intending appropriation of the forecast profit after taxation for the financial year ending 30 June 2002 would be as follows:-

Financial Year Ending 30 June 2002	RM'000
Profit before taxation but after minority interest	9,027
Less: Taxation	(444)
Profit after taxation and minority interest	8,583
Less: Proposed dividend (gross and net)	(2,000)
Retained profit for the year	6,583
Gross dividend per ordinary shares (tax-exempt) (sen)	5
Net dividend per ordinary share (tax-exempt) (sen)	5
Gross dividend yield based on the Issue price/ Placement price of RM1.50 per ordinary share (%)	3.33
Net dividend yield based on the indicative Issue price/Placement price of RM1.50 per ordinary share (%)	3.33
Net dividend cover (times)	4.29

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

10. FINANCIAL INFORMATION (Cont'd)**10.10 Sensitivity Analysis****Negative Variation of 5% based on the Audited Financial Statements of LBB for Financial Year Ended 30 June 2001**

	Audited as at 30.06.01 RM'000	Increase 5% Operating Cost RM'000	Increase 5% Price Raw Materials RM'000	Increase 5% Labour Costs RM'000	Decrease 5% Demand RM'000	Decrease 5% Products Pricing RM'000	Fluctuation Exchange Rate (5%) RM'000	5% Decrease Due To Recession RM'000
Turnover	35,982	35,982	35,982	35,982	34,183	34,184	34,633	32,474
Less Cost of Goods Sold:	22,149	22,149	22,975	22,191	21,042	22,149	22,174	21,042
Raw Materials	16,520	16,520	17,346	16,520	15,694	16,520	16,545	15,694
Wages and Salaries	838	838	838	880	796	838	838	796
Other	4,791	4,791	4,791	4,791	4,551	4,791	4,791	4,551
Gross Profit	13,833	13,833	13,007	13,791	13,141	12,034	12,459	11,432
Other Income	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Less Operating Costs:	4,596	4,826	4,596	4,596	4,596	4,596	4,596	4,596
Wages and Salaries	488	512	488	488	488	488	488	488
Others	4,108	4,313	4,108	4,108	4,108	4,108	4,108	4,108
Profit Before Taxation (PBT)	9,237	9,008	8,411	9,195	8,546	7,438	7,863	6,837
Decrease in PBT		(230)	(826)	(42)	(692)	(1,799)	(1,374)	(2,401)
Decrease in PBT (%)		(2.5%)	(8.9%)	(0.5%)	(7.5%)	(19.5%)	(14.9%)	(26.0%)

Please refer to the following page for assumptions.
(Source : LBB and computed by Vital Factor Consulting)

10. FINANCIAL INFORMATION (Cont'd)**Negative Variation of 10% based on the Audited Financial Statements of LBB for Financial Year Ended 30 June 2001**

	Audited as at 30.06.01 RM'000	Increase 10% Operating Cost RM'000	Increase 10% Price Raw Materials RM'000	Increase 10% Labour Costs RM'000	Decrease 10% Demand RM'000	Decrease 10% Products Pricing RM'000	Fluctuation Exchange Rate (10%) RM'000	10% Decrease Due To Recession RM'000
Turnover	35,982	35,982	35,982	35,982	32,384	32,384	33,283	29,145
Less Cost of Goods Sold:	22,149	22,149	23,801	22,233	19,934	22,149	22,199	19,934
Raw Materials	16,520	16,520	18,172	16,520	14,868	16,520	16,570	14,868
Wages and Salaries	838	838	838	922	754	838	838	754
Other	4,791	4,791	4,791	4,791	4,312	4,791	4,791	4,312
Gross Profit	13,833	13,833	12,181	13,749	12,450	10,235	11,085	9,211
Other Income	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Less Operating Costs:	4,596	5,056	4,596	4,596	4,596	4,596	4,596	4,596
Wages and Salaries	488	537	488	488	488	488	488	488
Others	4,108	4,519	4,108	4,108	4,108	4,108	4,108	4,108
Profit Before Taxation (PBT)	9,237	8,778	7,585	9,154	7,854	5,639	6,489	4,616
Decrease in PBT		(460)	(1,652)	(84)	(1,383)	(3,598)	(2,748)	(4,622)
Decrease in PBT (%)		(5.0%)	(17.9%)	(0.9%)	(15.0%)	(39.0%)	(29.8%)	(50.0%)

Please refer to the following page for assumptions.
(Source : LBB and computed by Vital Factor Consulting)

10. FINANCIAL INFORMATION (Cont'd)

Assumptions for 5% and 10% Negative Variation

1. Sensitivity analysis undertaken here looks at two worse case scenarios based on 5% negative variation and 10% negative variation.

Variation in the following factors together with their assumptions were used in the sensitivity analysis.

2. Recession

Assumptions used:

- Decrease in average selling price
- Decrease in quantity sold
- Decrease in cost of goods

3. Increase in Operating Costs

Assumption used:

- Increase in total operating costs

4. Increase in Price of Raw Materials

Assumption used:

- Increase in cost of raw materials

5. Increase in Labour Costs

Assumption used:

- Increase in direct wages and salaries

6. Decrease in Demand

Assumptions used:

- Decrease in quantity sold
- Decrease in cost of goods

7. Decrease in Product Pricing

Assumptions used:

- Decrease in average selling price
- Quantity sold remains the same
- Cost of goods remains the same

8. Fluctuations in Exchange Rates

Assumptions used:

- Approximately 75% of LBB's turnover is exposed to fluctuations in foreign exchange.
- Approximately 3% of the raw materials are imported. For the year ended 30 June 2001, corn grits, the main raw material imported for the production of extruded snacks, accounted for approximately 3% of total raw material purchases, including packaging materials.
- Quantity sold remains the same.

For ease of discussion, the following general assumptions were also used:

- Total turnover figure represents total selling price of LBB's products.
- LBB's audited accounts for the 12-month financial year ended 30 June 2001 were used as the basis to test the impact of the two worse case scenarios.
- Impact will focus only on Profit Before Taxation.
- For financial year ended 30 June 2001, the LBB's turnover was RM35.9 million.

10. FINANCIAL INFORMATION (Cont'd)

10.11 Proforma Balance Sheets As at 30 June 2001

**LONDON BISCUITS BERHAD****PROFORMA BALANCE SHEET
AS AT 30TH JUNE 2001**

	Note	Audited Balance Sheet Of LBB As At 30 th June 2001 RM	PROFORMA			
			I (Note 2.1) RM	II (Note 2.2) RM	III (Note 2.3) RM	IV (Note 2.4) RM
ASSETS EMPLOYED						
FIXED ASSETS		49,543,126	50,945,126	50,945,126	50,945,126	50,945,126
INVESTMENTS		15,376	15,376	15,376	15,376	15,376
CURRENT ASSETS						
Stocks		4,868,019	4,868,019	4,868,019	4,868,019	4,868,019
Trade debtors		13,450,066	13,450,066	13,450,066	13,450,066	13,450,066
Other debtors, deposits & prepayments		7,915,459	7,915,459	7,915,459	7,915,459	7,915,459
Fixed deposits with a licensed bank		1,056,532	1,056,532	1,056,532	1,056,532	1,056,532
Cash & bank balances		3,548	3,548	3,548	2,896,035	17,443,035
		<u>27,293,624</u>	<u>27,293,624</u>	<u>27,293,624</u>	<u>30,186,111</u>	<u>44,733,111</u>
LESS: CURRENT LIABILITIES						
Trade creditors		4,901,822	4,901,822	4,901,822	4,901,822	4,901,822
Bankers' acceptances & trust receipts		16,237,713	16,237,713	16,237,713	16,237,713	16,237,713
Other creditors & accruals		1,823,952	1,823,952	1,823,952	1,823,952	1,823,952
Hire-purchase creditors		2,383,566	2,383,566	2,383,566	2,383,566	2,383,566
Term loans - current portion		571,923	571,923	571,923	571,923	571,923
Bank overdrafts		3,089,619	3,089,619	3,089,619	3,089,619	3,089,619
Taxation		2,281,116	2,281,116	2,281,116	2,281,116	2,281,116
		<u>31,289,711</u>	<u>31,289,711</u>	<u>31,289,711</u>	<u>31,289,711</u>	<u>31,289,711</u>
NET CURRENT (LIABILITIES) /ASSETS		(3,996,087)	(3,996,087)	(3,996,087)	(1,103,600)	13,443,400
		<u>45,562,415</u>	<u>46,964,415</u>	<u>46,964,415</u>	<u>49,856,902</u>	<u>64,403,902</u>
REPRESENTED BY						
SHARE CAPITAL	3	7,500,000	7,500,000	26,609,513	29,502,000	40,000,000
REVALUATION RESERVES		-	1,402,000	1,402,000	1,402,000	1,402,000
SHARE PREMIUM	4	-	-	-	-	4,049,000
REVENUE RESERVES		27,147,160	27,147,160	8,037,647	8,037,647	8,037,647
SHAREHOLDERS' FUNDS		<u>34,647,160</u>	<u>36,049,160</u>	<u>36,049,160</u>	<u>38,941,647</u>	<u>53,488,647</u>
LONG TERM LIABILITIES						
Hire-purchase creditors		4,778,876	4,778,876	4,778,876	4,778,876	4,778,876
Term loans		5,853,379	5,853,379	5,853,379	5,853,379	5,853,379
DEFERRED TAXATION		283,000	283,000	283,000	283,000	283,000
		<u>45,562,415</u>	<u>46,964,415</u>	<u>46,964,415</u>	<u>49,856,902</u>	<u>64,403,902</u>
Net Tangible Assets per share of RM1.00 each		<u>4.62</u>	<u>4.81</u>	<u>1.35</u>	<u>1.32</u>	<u>1.34</u>

10. FINANCIAL INFORMATION (Cont'd)



NOTE TO THE PROFORMA BALANCE SHEETS

1. The Proforma Balance Sheets of London Biscuits Berhad ("LBB") are prepared solely for illustration purposes only, based on the audited accounts of LBB as at 30th June, 2001, in connection with LBB seeking a listing of and quotation for its entire issued and fully paid-up share capital, comprising 40,000,000 ordinary shares of RM1.00 each on the Second Board of The Kuala Lumpur Stock Exchange.
2. These Proforma Balance Sheets show the effects of the following restructuring scheme on the assumption that the said scheme had been effected as at 30th June, 2001.

Proforma I

- 2.1 Proforma I incorporates the effect of the following:-

Incorporation of a total net revaluation surplus of RM1,402,000 arising from the valuation of the landed properties of LBB by Messrs Colliers, Jordan Lee & Jaafar (JH) Sdn Bhd.

Proforma II

- 2.2 Proforma II incorporates the effects of Proforma I and:-

Bonus Issue of 19,109,513 new ordinary shares of RM1.00 each capitalizing RM19,109,513 from revenue reserve.

Proforma III

- 2.3 Proforma III incorporates the effects of Proforma I, Proforma II and:-

- 2.3.1 Rights Issue of 392,487 new ordinary shares of RM1.00 each at par for cash, to the existing LBB's shareholders, after the Bonus Issue but before the Restricted Issue, Public Issue and Placement.

- 2.3.2 Restricted Issue of 2,500,000 new ordinary shares of RM1.00 each at par for cash, payable in full upon acceptance to certain existing LBB's shareholders, after the Bonus Issue and Rights Issue but before the Public Issue and Placement.

10. FINANCIAL INFORMATION (Cont'd)**Proforma IV**

2.4 Proforma IV incorporates the effects of Proforma I, Proforma II, Proforma III and:-

2.4.1 Public Issue of 9,698,000 new ordinary shares of RM1.00 each at an issue price of RM1.50 per share for cash, to Bumiputera investors, the Malaysian public and eligible employees, suppliers and customers of LBB.

2.4.2 Placement of 800,000 new ordinary shares of RM1.00 each at an issue price of RM1.50 per share for cash, to nominated places by LBB.

3. The movements of the issued and paid-up share capital of LBB, comprising ordinary shares of RM1.00 each, after completion of the transactions set out in paragraph 2 are as follows:-

	RM
3.1 Issued and fully paid-up as at 30 th June,2001	7,500,000
3.2 Bonus Issue by LBB	19,109,513
3.3 Rights Issue by LBB	392,487
3.4 Restricted Issue by LBB	2,500,000
3.5 Public Issue by LBB	9,698,000
3.6 Placement by LBB	800,000
	<u>40,000,000</u>

4. The share premium account is made up as follows:-

	RM
Arising on the proposed public issue to Malaysian public	5,249,000
Listing expenses written off	(1,200,000)
	<u>4,049,000</u>

10. FINANCIAL INFORMATION (Cont'd)

10.12 Reporting Accountants' Letter On Proforma Balance Sheets



WONG WENG FOO & CO.
Public Accountants

41, Damai Complex,
Jalan Dato Haji Eusoff,
50400 Kuala Lumpur.
Tel : 03-40424280
Fax : 03-40413141

Your Ref:

Date: 11 DECEMBER 2001

Our Ref:

The Board of Directors
LONDON BISCUITS BERHAD
6th Floor, Johor Tower,
15, Jalan Gereja,
80100 Johor Bahru

Dear Sirs,

PROFORMA BALANCE SHEETS
AS AT 30TH JUNE, 2001

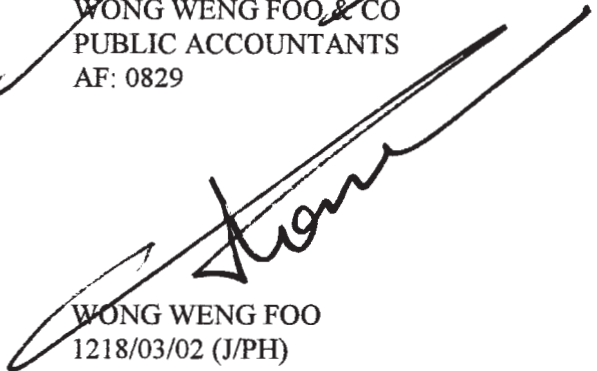
We have reviewed the presentation of the accompanying Proforma Balance Sheets of LONDON BISCUITS BERHAD as at 30th June, 2001 together with the notes thereon, prepared for the purpose of inclusion in the Prospectus to be dated 14 DECEMBER 2001, for which the Directors are solely responsible, in connection with the Public Issue and Placement of 9,698,000 and 800,000 new ordinary shares of RM1.00 each respectively at an issue price of RM1.50 per share and the listing of and quotation for the entire issued and fully paid-up share capital of LONDON BISCUITS BERHAD on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Balance Sheets together with the notes thereon have been prepared based on accounting policies and bases consistent with those normally adopted by LONDON BISCUITS BERHAD and are presented in a form suitable for inclusion in the abovementioned Prospectus.

Yours faithfully,



WONG WENG FOO & CO
PUBLIC ACCOUNTANTS
AF: 0829



WONG WENG FOO
1218/03/02 (J/PH)