

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2011

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30th June 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30th June 2011.

2. Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the year ended 30 June 2011 except for adoption of the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements.

Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Group Cash Settled Share-based Payment
Amendments to FRS 2	Improvements of FRSs 2010
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 128	Improvements of FRSs 2010
Amendments to FRS 131	Improvements of FRSs 2010
Amendments to FRS 132	Improvements of FRSs 2010
Amendments to FRS 134	Improvements of FRSs 2010
Amendments to FRS 139	Improvements of FRSs 2010

The adoption of the above FRSs, Amendments to FRSs and IC Interpretations does not have significant financial impact on the Group.

3. Qualification of Financial Statements

The audited report of the preceding annual financial statements was not subjected to any qualification.

4. Seasonal or Cyclical Factors

The Group’s business is not materially affected by seasonal or cyclical factors.

5. Nature and Amount of Unusual Items

There were no unusual items in the quarterly financial statement under review.



6. Nature and Amount of Changes in Estimates

There were no changes in estimates reported for quarterly financial statement under review which will have material effect.

7. Debt and Equity Securities

On 6th December, 2011, a private placement of 10,250,000 new ordinary shares of RM1.00 each was allotted at RM1.00 per share for cash and on 15th December, an allotment of 6,040,000 new ordinary shares of RM1.00 each for cash at RM1.00 per share under the Employees' Share Option Scheme.

Other than the abovementioned, there were no issuances and repayment of debts and equity securities during the quarter under review.

8. Dividend paid

No dividend was paid in the current quarter under review.

9. Segmental Reporting

Segment analysis for the current financial year-to-date:-

Year Ended 31 December 2011	Investment Holding RM'000	Manufacturing ,Trading RM'000	Group RM'000
REVENUE:			
- Export	-	38,249	38,249
- Local	-	89,574	89,574
TOTAL	-	127,823	127,823
RESULTS:			
Profit Before Income Tax	(622)	9,249	8,627
Income Tax Expense	-	(522)	(522)
Profit After Income Tax			8,105
Non- controlling interest			(1,396)
Profit After Income Tax Attributable to equity holders of the Company			6,709

Segmental Analysis for the financial period ended 31 December 2011 by Product Segment:

LEGEND							
*	Market Conditions and demand for its goods and services						
^	The level of its operating activities						
#	Factors or circumstances affecting the changes to revenue, costs and profit margin of each business activity or segment						
Ω	Any unusual or one off gains / losses affecting the revenue or profit						
Δ	Any other information which can provide a better understanding of the Listed Issuer's performance						
No.	Segment	Sales	(i) *	(ii) ^	(iii) #	(iv) Ω	(v) Δ
1	Confectionery	61,758,889.94	Market Conditions	Level	Factors/ Circumstances	Unusual or One off Gains	Other Information
			Poor ()	>50% ()	Raw Material Prices (√)		
			Average ()	50.1% > 75% ()	Market Conditions ()		
			Good (√)	75.1% > 100% (√)	Product Competition ()		
					Market Competition (√)		
			Demand		Prices Increases ()		
			Poor ()		New Product Variety ()		
			Average ()		New Product Segment ()		
			Strong (√)		Capacity Expenditure (√)		
					Others- ()		
2	Sweets and Candies	42,430,665.12	Market Conditions	Level	Factors/ Circumstances	Unusual or One off Gains	Other Information
			Poor ()	>50% ()	Raw Material Prices (√)		
			Average ()	50.1% > 75% ()	Market Conditions (√)		
			Good (√)	75.1% > 100% (√)	Product Competition ()		
					Market Competition ()		
			Demand		Prices Increases ()		
			Poor ()		New Product Variety ()		
			Average ()		New Product Segment ()		
			Strong (√)		Capacity Expenditure ()		
					Others- ()		
3	Snacks	23,633,521.57	Market Conditions	Level	Factors/ Circumstances	Unusual or One off Gains	Other Information
			Poor ()	>50% ()	Raw Material Prices (√)		
			Average ()	50.1% > 75% ()	Market Conditions ()		
			Good (√)	75.1% > 100% (√)	Product Competition ()		
					Market Competition (√)		
			Demand		Prices Increases ()		
			Poor ()		New Product Variety ()		
			Average ()		New Product Segment ()		
			Strong (√)		Capacity Expenditure ()		
					Others- ()		

The Group's operations are mainly in the business of manufacturing and trading of confectionery and other related foodstuffs and poultry farming. The Group operates predominantly in Malaysia and accordingly, information by geographical location on the Group's operations is not presented.

10. Valuations of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward, without any amendments from the previous annual financial statements.



11. General and Subsequent Events

Subsequent to the end of the quarter, as announced to Bursa Malaysia on 10th February 2012, the Company proposed to undertake, the following:-

- (i) proposed private placement of up to 29,376,500 new ordinary shares of RM1.00 each in LBB representing up to 24.35% of the issued and paid-up share capital of LBB to investors to be identified at a later date;
- (ii) proposed increase in the authorised share capital of the Company from RM150,000,000 comprising 150,000,000 LBB Shares to RM300,000,000 comprising 300,000,000 LBB Shares ; and
- (iii) proposed amendment to the Memorandum of Association of the Company.

These proposals have not been completed, as at the date of this report.

12. Changes in the Composition of the Group

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

13. Contingent Liabilities or Contingent Assets

There is a contingent liability amounting to approximately RM2 million being corporate guarantees given to financial institutions for banking facilities granted to a subsidiary company.

14. Review of Performance

The Group achieved a profit before income tax and after non-controlling interest of RM3.010 million on the back of RM63.833 million in turnover, as compared with the profit before income tax and after non-controlling interest of RM1.795 million and a turnover of RM60.578 million, respectively, reported in the preceding year corresponding quarter. The Group's result is within management's expectation.

15. Comparison with Immediate Preceding Quarter's Results

	Current Year Quarter 31/12/2011 RM'000	Immediate Preceding Quarter 30/9/2011 RM'000	% +/-
Turnover	63,833	63,990	-0.25
Profit before income tax	<u>3,766</u>	<u>4,861</u>	-22.53

The turnover of RM63.833 for the current period quarter ended 31st December, 2011 as compared to a turnover of RM63.990 million achieved for the immediate preceding quarter, represent an approximate decrease of 0.25%. Profit before income tax decreased by 22.53% as compared to the result of the immediate preceding quarter.

16. Current Year Prospects

The year ending 30 June 2012 shall be another challenging year.

The prospects of the confectionery segment are good with stable order book and additional capacity in the form of a new production line commissioned in 2011 allowing new business opportunities to be secured. Cost of raw material remains high but stable while fluctuations in currencies are mitigated by the Company setting prices based on a conservative exchange rate valuation. No changes in product mix and no financial impact from any recent corporate acquisitions, disposals and mergers. There are no new regulations or changes in business direction which may have an impact on the business segment.

The prospects of the snack segment are good with stable order book comprising of consistent demand from both local and export customers. Cost of raw material remains high but stable while fluctuations in currencies are mitigated by the Company setting prices based on a conservative exchange rate valuation. No changes in product mix and no financial impact from any recent corporate acquisitions, disposals and mergers. There are no new regulations or changes in business direction which may have an impact on the business segment.

The prospects of the sweets and candies segment are good with strong demand from customers. Cost of raw material remains on high but stable while fluctuations in currencies are mitigated by the Company setting prices based on a conservative exchange rate valuation. No changes in product mix and no financial impact from any recent corporate acquisitions, disposals and mergers. There are no new regulations or changes in business direction which may have an impact on the business segment.

The Management will ensure that the Group will continue to maintain positive performance for the year ending 30th June, 2012.

17. Profit Forecast

The Company did not issue any profit forecast during this financial quarter.

18. Income tax expense

	Current Year Quarter 31/12/2011 RM'000	Current Period To Date 31/12/2011 RM'000
Income tax:		
Current period estimates	37	248
Deferred tax:		
Current period	274	274
	<u>311</u>	<u>522</u>



The income tax provision for the period is disproportionate to the statutory tax rate principally due to claims for reinvestment allowances and capital allowances.

19. Status of Corporate Proposals

Other than as per Note 11, there were no new corporate proposals that have been announced by the Company as at date of this report.

20. Group Borrowings

As at 31st December, 2011

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings			
Bankers' acceptance	-	69,974	69,974
Revolving credits	-	30,000	30,000
Hire-purchase creditors	17,075	-	17,075
Term loans	-	18,747	18,747
Bank overdrafts	-	5,053	5,053
	17,075	123,774	140,849
Long term borrowings			
Hire-purchase creditors	18,243	-	18,243
Term loans	-	43,694	43,694
	18,243	43,694	61,937
Total	35,318	167,468	202,786

21. Material Litigation

There was no pending material litigation against the Group as at the date of this quarterly report.

22. Proposed dividend

No interim dividend is proposed for this quarter under review.

23. Realised or unrealised retained profit

	As at 31.12.2011 RM'000	As at 30.6.2011 RM'000
Total retained profit of Company and its subsidiaries:		
- Realised	131,218	106,931
- Unrealised	(2,492)	(2,218)



Consolidation adjustments	(22,679)	(6,380)
Total Group retained profit	<u>106,047</u>	<u>97,938</u>

24. Profit before income tax

Profit before income tax is stated after charging/(crediting):-

	Current period quarter	Current period- to-date (6 months)
	31/12/11 RM'000	31/12/11 RM'000
Interest income	-	-
Other income including investment income	(1,941)	(2,789)
Interest expense	3,338	6,626
Depreciation of property, plant and equipment	2,262	5,040
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of investment	-	202
Foreign exchange (gain) or loss	(1,267)	(1,740)
Gain or loss on derivatives	-	-
Exceptional items	-	-

25. Earnings per share

Earnings per share is calculated by dividing the Group's profit after income tax by:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	CURRENT YEAR QUARTER 31/12/2011 RM	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2010 RM	CURRENT YEAR TO DATE 31/12/2011 RM	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2010 RM
Basic	Weighted average no of ordinary shares of 111,623,007	Fully paid up of 96,013,500 ordinary shares	Weighted average no of ordinary shares of 111,623,007	Fully paid up of 96,013,500 ordinary shares
Fully diluted	No share option granted and not exercised at the date of this report	N/A	No share option granted and not exercised at the date of this report	N/A



BY ORDER OF THE BOARD
LONDON BISCUITS BERHAD

MR LESLIE LOOI MENG
(AUDIT COMMITTEE CHAIRMAN)

Dated :