**NOTES TO THE INTERIM FINANCIAL REPORT**

**A1. Basis of Preparation**

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

The interim financial report should be read in conjunction with the annual audited Financial Statements of the Group for the financial year ended 30 September 2012. The explanatory notesattached to the interim financial report provide an explanation of the 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 30 September 2012.

The accounting policies and method of computation adopted by the Group in these First Quarter financial results are consistent with those adopted in our audited accounts for the financial year ended 30 September 2012, except for the adoption of the following new and revised Financial Reporting Standard (FRSs), Amendments to FRSs and IC interpretations.

**Effective for Financial**

**periods beginning on**

**or after**

**New and Revised FRSs and IC Interpretation**

FRS 3 Business Combinations (Revised) 1 July 2010

FRS 127 Consolidated and Separate Financial Statements 1 July 2010

(Revised)

**Amendments to FRSs, Amendments to IC Interpretation and**

**Improvements to FRSs**

FRS 7 Financial Instruments:Disclosures 1 January 2011

Improvement to FRSs (2009) 1 July 2010

Improvement to FRSs (2010) 1 January 2011

*FRS 3 : Business Combinations (Revised)*

This standard introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

The Group and the Company will adopt this standard prospectively. The standard is expected to have impact on the Group and the Company’s financial statements upon its initial application in respect of :-

* Future acquisition of subsidiary ; and
* Future acquisition of a business arising from a transaction or other event that meets the definition of a business combination.

*FRS 127 : Consolidated and Separate Financial Statements (Revised)*

This standard requires that a change in the ownership of a subsidiary, without loss of control, is being accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Moreover, the amended standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The Group will adopt this standard prospectively. The standard is expected to have impact on the Group’s financial statements upon its initial application in respect of :-

* Loss of control of subsidiary ; and
* Transactions with non-controlling interests.

**A2. Declaration of Audit Qualification**

The auditors of the respective companies within the Group did not qualify their reports.

**A3. Seasonal or Cyclical Factors**

The performance and the business operations within the Group were not significantly affected by any material seasonal or cyclical factors for the financial period ended 30 June 2013.

A4. Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows that are unusual because of their Nature, Size or Incidence

There were no unusual items affecting the Group for the financial period ended 30 June 2013.

**A5. Nature and Amount of Changes in estimates reported in prior Interim Periods of the current Financial Year or prior Financial Year which may have a material effect in the current Interim Period**

There were no material changes in the estimates for the financial period ended 30 June 2013.

**A6. Issuance, Cancellation, Repurchases, Resale and Repayments of Debt and Equity Securities**

There were no other issuance of shares, no cancellations, repurchases, resale and repayments of debt or equity securities for the financial period ended 30 June 2013 to date.

**A7. Dividend Paid**

No interim dividend was paid by the Company for the financial period ended 30 June 2013 under review.

A8. Segmental Reporting

No geographical segmental analysis is presented as the Group operates principally within one industry wholly in Malaysia.

**A9. Valuation of Property, Plant and Equipment**

The valuation of property and assets of the Group have been brought forward without amendments from the previous annual financial statements for the period ended 30 June 2013.

**A10. Subsequent Material Events**

There has been no other material events subsequent to the end of the financial period ended 30 June 2013 that have not been reflected in the financial statements for the current period.

**A11. Changes in composition of the Group**

There are no changes in the composition of the Group for the current financial period ended 30 June2013 to date.

**A12.** **Contingent Liabilities/Contingent Assets**

There have been no changes and no material contingent liabilities/assets incurred by the Group as at the period ended 30 June2013.

**ADDITIONAL INFORMATION REQUIRED BY BURSAMALAYSIA SECURITIES BERHAD’S LISTING REQUIREMENTS**

**B1. Review of Performance**

The Group recorded a turnover of RM16.72 million for the current Financial Quarter ended 30 June 2013 as compared with RM17.04 million in the same period of the preceding year. This represents a marginal decrease of 1.9% in comparison of both financial quarters involved in the Group’s consolidated turnover.

The Group posted its current Quarter results with a loss after tax of RM1,266,000.00. The higher loss recorded was attributed to the Group’s decrease in other operating income as compared with previous corresponding period and slight increase in financial expenses of RM67,000.00. The Group reported a profit after tax of RM138,000.00 after incorporating the other operating income of RM1,737,000.00 for the corresponding quarter ended 30 June 2012.

B2. Results Comparison with immediate preceding quarter

In the current quarter under review, the Group registered a consolidated loss before tax of RM1,208,000.00 as compared to its loss before tax of RM1,084,000.00 in the immediate preceding quarter. The higher loss reported was primarily due to the increase in operating expenses in the current financial quarter under review.

B3. Current Year Prospects

The overall outlook for the Group’s performance for the rest of the year remains weak and is still very challenging due to the continuing lackluster and uncertainties in the current economic climate. However, the Management will in their best efforts and endeavors to cope with such challenging reservations and demanding market conditions during these trying times.

**B4. Variance of actual profit from forecast profit**

No profit guarantee and profit forecast is required.

**B5.** **Taxation**

|  |  |  |
| --- | --- | --- |
|  | **Current Quarter**  **ended**  **30.6.2013**  **RM’000** | **9 months**  **Cumulative**  **to**  **30.6.2013**  **RM’000** |
| Current tax expenses | 58 | 179 |
| Deferred tax expenses | - | - |
|  |  |  |
|  | 58 | 179 |
|  |  |  |

**B6. Profit or Loss from Sales of Unquoted Investments or Properties**

There were no sales of unquoted investment or properties for the Group.

**B7. Purchase or disposal of quoted securities**

There is no purchase or disposal of quoted securities for the current quarter under review.

**B8. Corporate Proposal and Utilisation of Proceeds**

In the period under review, Stone Master Corporation Berhad (“the Company”) has on 16 July 2013 made an announcement to the Bursa Securities to propose to undertake a Private Placement of up to 4,200,000 of new ordinary shares of RM0.50 each in the Company (“Placement Shares”), representing up to ten percent (10%) of the issued and paid-up share capital of the Company at an issue price to be determined and announce later (“Proposed Private Placement”) to the Bursa Securities. The Proposed Private Placement is expected to raise a gross proceeds of RM2,562,000 (“Placement Proceeds”) and that the Placement Proceeds are proposed to be utilised by the Company in the manner set out below:-

|  |  |  |
| --- | --- | --- |
| Details of Utilisation | Expected time frame for utilization of proceeds (from the date of listing of the Placement Shares) | Amount of Proceeds (RM) |
| General working capital requirements | Within twelve (12) months | 2,462,000 |
| Defraying of expenses incidental to the Proposed Private Placement | Within one (1) month | 100,000 |
| Total Proceed |  | 2,562,000 |

\*For further details, please refer to Bursa’ Announcement dated 16 July 2013.

##### B9. Group Borrowings and Debt Securities

The total Group’s borrowings as at 30 June2013 are as follows:-

|  |  |  |  |
| --- | --- | --- | --- |
| Secured :-  Bank Overdrafts | **Short Term**  **Borrowings**  **(Less than 12**  **months)**  RM`000  2,659 | **Long Term Borrowings**  **(More than 12 months)**  RM`000  - | **Total**  RM`000  2,659 |
| Trade Bills Payable | 9,328 | - | 9,328 |
| Term Loan | 461 | 12,521 | 12,982 |
| Hire Purchase | 173 | 204 | 377 |
|  | 12,621 | 12,725 | 25,346 |
|  |  |  |  |
|  |  |  |  |

**B10. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk as at the latest practicable date, which is not earlier than 7 days from date of issuance of this quarterly report.

**B11. Changes in Material Litigation**

There were no pending material litigation as at the date of this report.

**B12. Dividend**

##### No interim and final dividend was recommended by the Board of Director for the financial period ended 30 June 2013.

##### B13. Earnings per share

The basic Earnings per Share and Diluted Earnings per Share of the Group were the same for the reporting period as there was no effect of dilutive potential ordinary shares.

|  |  |  |
| --- | --- | --- |
|  | **Current Quarter ended**  **30/6/13** | **9**  **months ended**  **30/6/13** |
| Basic |  |  |
| Net Profit/(Loss) attributable to ordinary shareholders (RM`000) | (1,266) | (2,582) |
| Number of ordinary shares issued (`000) | 42,000 | 42,000 |
| Basic Profit/(Loss) per ordinary share (sen) | (3.01) | (6.15) |