**KPS CONSORTIUM BERHAD (“KPSCB” or the “Company”) and**

**GROUP OF COMPANIES (“The Group”)**

# NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards 134 – ‘Interim Financial Reporting’ issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Bursa Malaysia Securities Bhd Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 December 2012 .

1. Annual Report of the Group’s Preceding Annual Financial Statements

The Auditors’ report of the Group’s most recent annual audited financial statements for the year ended 31 December 2012 was unqualified.

1. Changes in estimates

There were no changes in the estimate of amounts reported in prior quarter in the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

1. Debt and equity securities

During the current reporting period, RM 0. 417 million of term loans were repaid

1. Dividends paid

There were no dividends paid during the financial period.

1. Segmental Reporting

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **9-months ended 30 Sept 2013** | | | |
|  | **- Revenue-** | |  | **Profit/(Loss)** |
|  | **Internal** RM’000 | **External** RM’000 | **Total** RM’000 | **Before tax** RM’000 |
| Paper milling | 29,766 | 16,248 | 46,014 | 2,826 |
| Paper converting | 5,145 | 67,003 | 72,148 | 1,143 |
| Trading building materials | 9,782 | 258,541 | 268,323 | 11,140 |
| Investments/ Management |  | 560 | 560 | 72 |
| Trading – Others | 657 | 26,831 | 27,488 | 773 |
| Unallocated Corp. expenses | - | - | - | 4 |
| Total | 45,350 | 369,183 | 414,533 | 15,958 |
| Elimination | (45,350) | - | (45,350) |  |
| Consolidated | - | **369,183** | **369,183** | 15,958 |
| Financing cost |  |  |  | (3,837) |
| Interest Income |  |  |  | 132 |
| Profit before tax |  |  |  | **12,253** |
| Income tax |  |  |  | (3,168) |
| Profit after tax |  |  |  | **9,085** |

The activities of the Group are carried out in Malaysia and as such segmental reporting by geographical location is not presented.

1. Property, plant and equipment

The valuation of land and buildings has been brought forward, without amendment from the recent audited financial statements for the year ended 31 December 2012.

1. Material events subsequent to the balance sheet date

There are no other material events subsequent to the balance sheet date that has not been reflected in the financial statements.

1. Changes in composition of the Group

There was no change in the composition of the Group during the financial period.

1. Changes in contingent liabilities

Corporate guarantees issued to financial institutions and suppliers for banking and credit facilities respectively granted to subsidiary Companies amounted to RM 133.6 million (2012: RM 133.6 million)

**Additional information required by the Main Market’s Listing Requirement**

1. Review of performance

The Group recorded revenue of RM 121.3 million for the 3rd quarter period to 30 Sept 2013 as compared with RM 133.4 million recorded in the preceding year corresponding quarter period.

Paper milling division turnover was RM 0 .24 million higher than previous year corresponding quarter period, paper converting division turnover was higher by RM 8.1 million compared with the previous year quarter , building materials division recorded a lower turnover of RM 20.1 million compared with the preceding year quarter period and general trading divisions reported higher turnover compared with preceding year quarter RM 0.3 million. The 3rd quarter revenue was lower than previous corresponding year was generally due to lower demand from customers in the building materials division.

**Additional information required by the Main Market’s Listing Requirement (Cont’d)**

1. Variation of results against immediate preceding quarter

The Group recorded a profit before taxation and interest of RM 3.7 million for the 3rd quarter to 30 Sept 2013 as compared to a profit of RM 5.2 million recorded in the preceding 2nd quarter.

Comparison of current and immediate preceding quarter is as follows:–

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Paper Milling**  **RM’000** | **Paper Converting**  **RM’000** | **Building Materials Trading**  **RM’000** | **Investment & Management**  **RM’000** | **Other Trading**  **RM’000** |
| Profit before tax/interest income/ expenses  - current quarter | 887 | 87 | 2,322 | 26 | 354 |
| - preceding quarter | 996 | 530 | 3,447 | 73 | 213 |
| **Difference** | **(109)** | **(443)** | **(1,125)** | **(47)** | **141** |

The 3rd quarter results were lower than preceding last quarter due to lower revenue and profit margins .

1. Profit Forecast

There were no profit forecasts for the current period.

1. Taxation

**9-months to 30 Sept 2013**

**RM ‘000**

Income tax expense

- current 1,511

- prior year (19)

Deferred tax-benefits from

previous unrecognized tax loss 1,676

\_\_\_\_\_\_\_\_\_\_\_

Income tax recognized in

Profit and Loss  **3,168**

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1. Unquoted investments and/or properties

There were no disposals of unquoted investments for the quarter under review.

**Additional information required by the Main Market’s Listing Requirement (Cont’d)**

1. Quoted Investments

There were no investments in quoted securities as at the end of the reporting period

1. Status of corporate proposals announced
   1. There were no major corporate proposals announced during the reporting period to date.
   2. The status of utilization of proceeds from any corporate proposal.

This is not applicable.

1. Borrowings and debt securities

Group borrowings and debt securities as at the end of the reporting period:-

###### Short Term Borrowings

|  |  |
| --- | --- |
|  | **RM’000** |
| Secured  Bank overdrafts/ Bankers’ Acceptances  Term loan | 77,755  1,686 |
| Financial Liabilities at amortised cost | 763 |
|  | 80,204 |

###### Long Term Borrowings

|  |  |
| --- | --- |
|  | **RM’000** |
| Secured  Term loan | 9,722 |
| Financial Liabilities at amortised cost | 763 |
|  | 10,485 |
|  |  |
| Total Borrowings | **90,689** |

1. Gains/Losses arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes arising from any financial liabilities

1. Derivative Financial Instruments

There were no derivative financial instruments at the date of issuance of this report

**Additional information required by the Main Market’s Listing Requirement (Cont’d)**

1. Accumulated Realised/Unrealised Unappropriated Profits

The realized/unrealised unappropriated profits in the Statement of Financial Position are as follows:

**Group**

**RM’000**

Realised 44,104

Unrealised 3,500

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**Total 47,604**

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1. Material litigation

There was no material litigation, which would have a material adverse effect on the financial results.

1. Dividends

The Board of Directors is not recommending any payment of an interim dividend for the current financial period under review.

1. Earnings per share (“EPS”)
   1. Basic EPS

The calculation of basic EPS for continuing operations the current year is based on the profit of RM 9.08 million for 9-months to 30 Sept 2013 and the weighted average number of ordinary shares in issue during the current quarter of 147,827,158 ordinary shares.

* 1. Diluted EPS

No disclosure is requires as the Company does not have any potential ordinary shares.

# By Order of the Board

24 November 2013