



**Kuantan Flour Mills Berhad**

(119598-P)

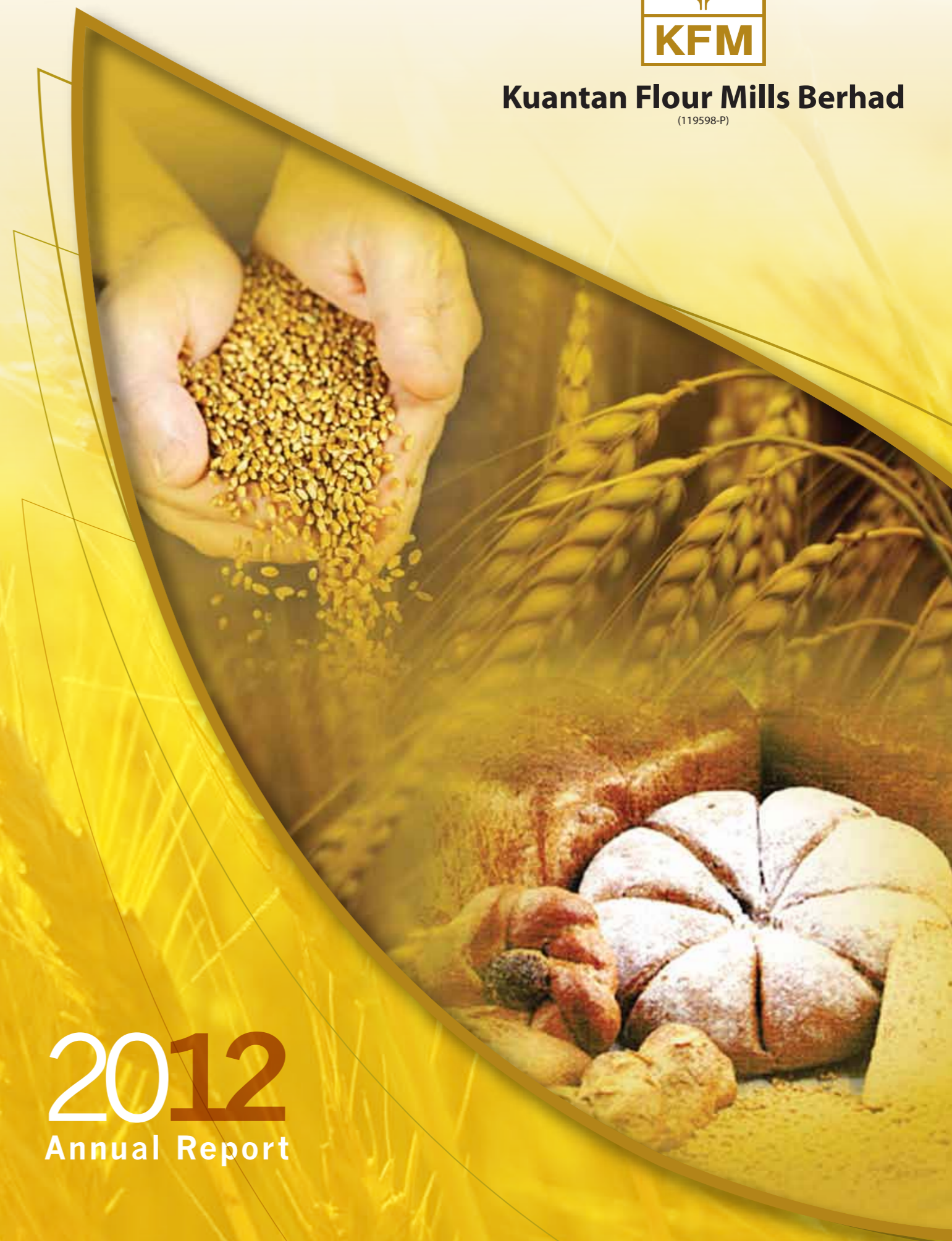


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KUANTAN FLOUR MILLS BERHAD

2012 ANNUAL REPORT

**2012**  
Annual Report







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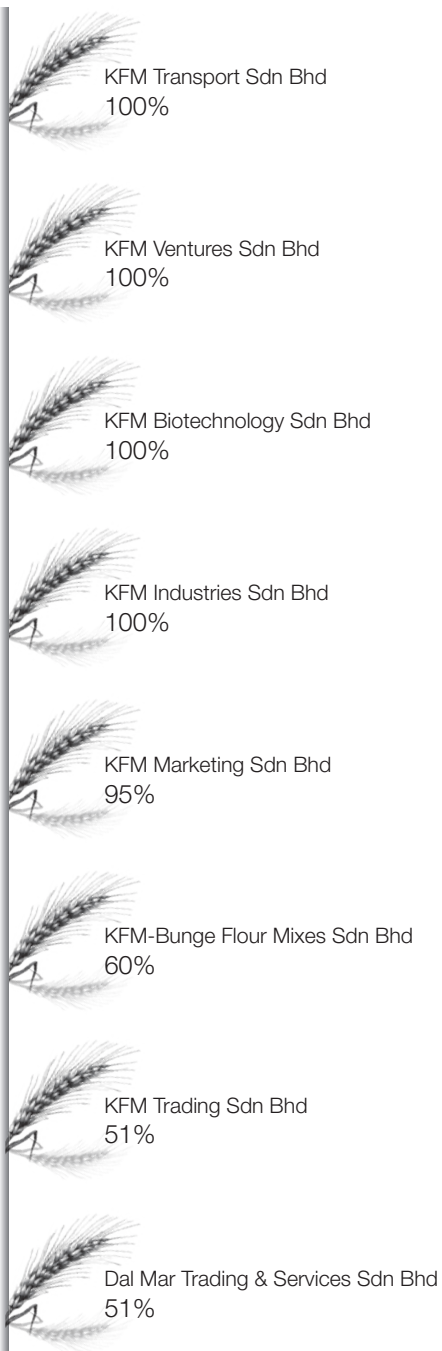


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# Corporate Structure

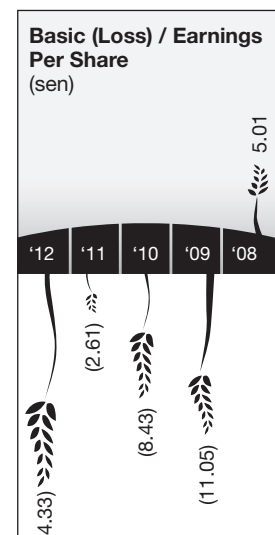
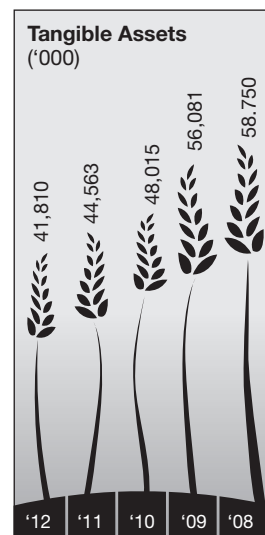
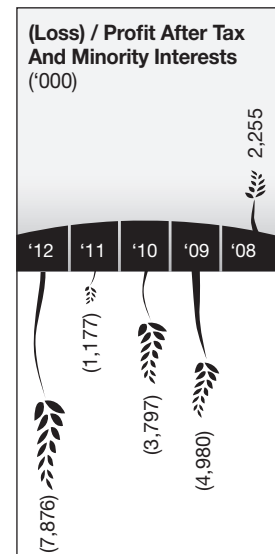
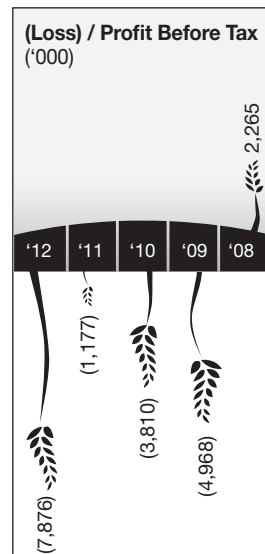
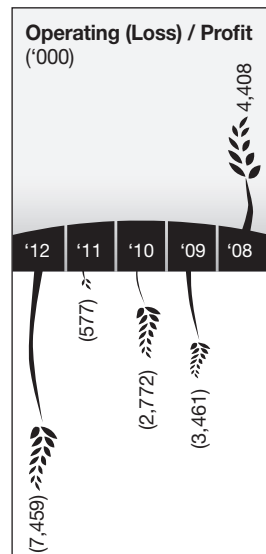
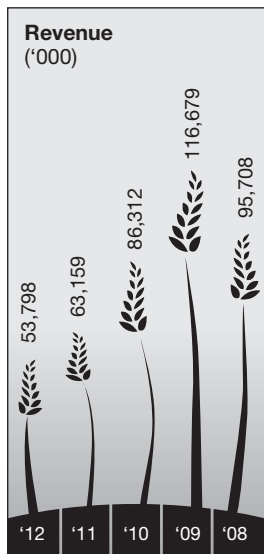


KUANTAN FLOUR MILLS BERHAD  
(119598-P)



# Group Financial Highlights

	2012 '000	2011 '000	2010 '000	2009 '000	2008 '000
Revenue	53,798	63,159	86,312	116,679	95,708
Operating (loss) / profit	(7,459)	(577)	(2,772)	(3,461)	4,408
(Loss) / Profit before tax	(7,876)	(1,177)	(3,810)	(4,968)	2,265
(Loss) / Profit After tax and minority interests	(7,876)	(1,177)	(3,797)	(4,980)	2,255
Shareholders' funds	23,957	21,781	23,029	26,826	31,806
Net tangible assets	23,957	21,781	23,029	26,826	31,806
Tangible assets	41,810	44,563	48,015	56,081	58,750
Basic (loss)/earnings per share (sen)	(14.33)	(2.61)	(8.43)	(11.05)	5.01



# Corporate Information

## Board of Directors

### Tan Sri Mohamed Bin Ngah Said

(Non Independent, Executive Chairman)  
(Appointed on 23 May 2008 and redesignated as Executive Chairman on 25 September 2009)

### Lee Chee Kiean

(Non Independent, Executive Director)  
(Appointed on 23 May 2008)

### Leong Chen Nyen

(Independent, Non-Executive Director)  
(Appointed on 23 May 2008)

### Kushairi Bin Zaidel

(Independent, Non-Executive Director)  
(Resigned on 5 April 2005 and reappointed on 6 January 2009)

### Ng Kay Eng

(Independent, Non-Executive Director)  
(Resigned on 24 September 2009 and reappointed on 21 December 2009)

### Dato' Mohd Hasnulhisham Bin Yaakob

(Independent, Non-Executive Director)  
(Appointed on 7 May 2012)

### Dennis Tow Jun Fye

(Non Independent, Non-Executive Director)  
(Appointed on 7 May 2012)

## Audit Committee

Leong Chen Nyen  
(Chairman, Independent, Non-Executive Director)

Kushairi Bin Zaidel  
(Member, Independent, Non-Executive Director)

Ng Kay Eng  
(Member, Independent, Non-Executive Director)

## Company Secretary

Tan Yoke May (MACS 01531)  
Inuri Management Sdn Bhd  
177-3, Floor 3, Jalan Sarjana  
Taman Connaught, Cheras  
56000 Kuala Lumpur  
Tel: +603-91304794  
Fax: +603-91329692

## Auditors

Ernst & Young  
Chartered Accountants  
11th Floor, Kompleks Teruntum  
Jalan Mahkota  
25000 Kuantan, Pahang Darul Makmur

## Registered Office

Kawasan Lembaga Pelabuhan Kuantan  
KM 25, Jalan Kuantan/Kemaman  
P. O. Box 387  
Tanjung Gelang  
25740 Kuantan  
Tel: +609-5833611  
Fax.: +609-5833618

## Solicitor

Hakem Arabi & Associates  
Advocates & Solicitors  
No 1-3, Mezzanine Floor, Hotel Sentral Building  
No 30, Jalan Thambillai, Brickfields,  
50100 Kuala Lumpur

## Bankers

Malayan Banking Berhad  
CIMB Bank Berhad

## Share Registrar

Bina Management (M) Sdn Bhd  
Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya, Selangor Darul Ehsan  
Tel.: +603-77843922  
Fax.: +603-77841988

## Stock Exchange Listing

Bursa Malaysia Securities Berhad (Main Market)  
Sector : Consumer Products  
Stock Name : KFM  
Stock Code : 8303

## Website

[www.kfmb.com.my](http://www.kfmb.com.my)

# Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report of Kuantan Flour Mills Berhad and the audited Financial Statements of the Group for the financial year ended 31st March 2012. The financial statements have been prepared in accordance with the Financial Reporting Standards and the Companies Act 1965 in Malaysia.

## Financial Review

The year under review has been one of the most challenging years in the history of our company. While operating under such extremely tough conditions during the financial year ended 31 March 2012, the Group recorded a higher loss of RM7.88 million against a loss of RM1.18 million in the previous financial year. The Group's revenue was reduced to RM53.80 million as compared to RM63.16 million in the previous year as a result of the lower sales volume and selling price of flour due to the continue intense competition in the industry, coupled with the volatility of raw material cost.

At the company level, a loss of RM7.84 million was recorded as compared to a loss of RM1.14 million in the previous financial year.

## Overview Of The Industry

The business environment of the flour industry was generally very tough due to the impact of volatility of raw material cost, ocean freight, exchange rate and higher fuel cost. The volatility of raw material prices and intense market competition during the year has affected our sales revenue and profitability significantly. As a result and in order to mitigate the situation, the Group has also embarked upon a corporate exercise to raise working capital via issuance of private placement/ rights issue during the financial year.

The group has also exerted concerted efforts and measures to realign its business operation and direction in anticipation of tougher future trading conditions. The Board is definitely committed to working together to represent the best interests of our shareholders to ensure the Group operates successfully and to be profitable again in the very near future.

## Subsidiary Companies

All subsidiary companies remain dormant during the financial year under review.

## Corporate Social Responsibility (CSR)

The Group has always treated CSR as an integral part of its business operations. During the year under review, various programs and contributions in kind and monetary were implemented, such as:

- 1) Safety awareness programs.
- 2) Contribution in kind to Rotary Club of Indera Mahkota for their medical camp.
- 3) Donations to welfare and charitable organizations.
- 4) Continuous training and development programs for employees of all levels throughout the year to enhance their skills, knowledge and competency.
- 5) Flour for the less fortunate during the various festive seasons.
- 6) Annual dinner and festive gatherings for our employees.
- 7) Sports activities to build up interaction among different levels of employees in the company.

## Prospects For The Year Ahead

The Group envisage another robust and challenging year ahead. The Group's immediate priority is to ensure sustainability and higher turn-around performance of its business. Having identified the necessary measures and risks to be taken, the Group is going to pursue innovative sales and marketing initiatives, coupled with efficient cost control and management of production.

Overall, the prospect of flour industry is still promising in view of the growing demand.



# Chairman's Statement

## **Acknowledgement**

The Board of Directors would like to convey their sincere gratitude and appreciation to the management and employees for their commitment, loyalty and dedication towards the company while working under such tremendous challenging conditions in the flour industry.

Acknowledgement of appreciation and thanks also goes to the Group's shareholders, customers, suppliers, bankers, auditors, Government agencies and all other business associates for their support and cooperation.

Finally, on behalf of the Board of Directors, I would like to welcome two new members to the Board, Dato' Mohd Hasnulhisham Bin Yaakob and Mr Dennis Tow Jun Fye who were appointed on 07 May 2012. The Board of Directors is confident that both the new members of the Board will positively provide more innovative ideas and contributions to the Group.

Thank you.

**Tan Sri Mohamed bin Ngah Said**  
Chairman



# Corporate Governance Statement

The Board of Directors (“the Board”) continues to use its best endeavour to ensure the highest standards of corporate governance to be practiced throughout the Group as a fundamental part of discharging its responsibilities in order to protect and enhance stakeholders’ value. To this end, the Board fully supports the recommendations of the Malaysian Code of Corporate Governance.

The Board is pleased to set out below a description of how the Group has applied the principles as set out in the Code.

## Board of Directors

This is an experienced Board comprising members with a wide and diverse range of business, financial and technical backgrounds who leads the Group. A brief profile of each Director is presented on pages 17 to 18 of this Annual Report.

## Board balance

The Board currently has seven (7) Directors, comprising two (2) Executives and five (5) Non-Executives. The Executive Directors implement the policies and decisions of the Board, oversee the operations and initiate business development efforts for the Group whilst the Non-Executive Directors bring a wide range of business experience and expertise to the Board’s discussions and decision making.

## Board Meetings

During the financial year ended 31 March 2012, the Board met on Eleven (11) occasions.

The number of Directors’ meetings and attendance of Directors for the financial year under review are set out below:

Directors	Number of Board Meetings held during Tenure in office	Attendance
Tan Sri Mohamed Bin Ngah Said	11	11
Lee Chee Kiean	11	11
Leong Chen Nyen	11	11
Kushairi Bin Zaidel	11	10
Ng Kay Eng	11	11
Dato’ Mohd Hasnulhisham Bin Yaakob	**	**
Dennis Tow Jun Fye	**	**

\*\* Dato’ Mohd Hasnulhisham Bin Yaakob and Dennis Tow Jun Fye were appointed after the financial year.

## Supply of information

All Directors review the Board’s reports prior to the Board meeting. The reports are being issued at least 7 days prior to the meeting in order for Board members to obtain further explanations and information, where necessary. The Board’s reports include (i) Progress report of the company, and (ii) Major operational and financial issues.

Where a potential conflict of interest arises, it is mandatory for the Director concerned to declare his interest and abstain from the deliberation and decision-making process.

All Directors have full access to the advice and services of the Company Secretary and the senior management staff in the Group as and when required, the Directors also obtain at the Group’s expense independent professional advice from external independent expert in deliberance of their duties.





# Corporate Governance Statement

## Appointment and Re-Election of Directors

The appointment of any additional Director will be made as and when it is deemed necessary through an independent and objective selection process, then to be reviewed by the existing Board with due consideration given to the mix of expertise and experience required for an effective Board. In accordance with the Company's Articles of Association, one-third of the Board members (except the Managing Director) shall retire from office at each Annual General Meeting and they can offer themselves for re-election. Newly appointed Directors by the Board are subject to election by the shareholders at the next Annual General Meeting ("AGM") held following their appointments. The Articles of Association of the Company also provide that all Directors shall retire from office once every three (3) years.

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

## Directors' Training

All the Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad.

Under the revised Bursa Securities Listing Requirements, the Board will assume the onus of determining or overseeing the training needs of the Directors. The Directors are encouraged to attend relevant seminars and courses to keep themselves abreast on the various issues facing in the changing business environment, regulatory and corporate governance developments to enhance their professionalism, skill and knowledge to effectively discharging their duties and responsibilities.

For the year under review, the Directors have attended courses on corporate governance and regulatory updates.

For new Directors, a familiarization programme will be conducted for them. This includes a presentation on the Group's operations, meetings with senior management and site visits in order to facilitate their understanding of the Group's operations and requirements.

Some of the programmes attended by the Directors during the financial year ended 31 March 2012 include the following:

### Topic

- \* Canadian Wheat Harvest Seminar
- \* US Wheat South Asia Wheat Marketing Conference
- \* National Tax Conference
- \* Audit Quality Control
- \* 2012 Budget Proposals & Recent Tax Developments
- \* Mastering FRS on Financial Instruments: Financial Assets FRS 139, FRS 7 & IFRS 9
- \* Mastering FRS on Financial Instruments: Financial Liabilities FRS 139, FRS 7 and IFRS 9
- \* Transaction by Directors

## Nomination and Remuneration Committees and Procedures

The Nomination and Remuneration Committees, sub-committees of the Board, under its term of reference shall recommend the new directors to the Board and to review annually the mix of skills and experiences and other qualities to enable the Board to function competently and efficiently. In furtherance to that will also recommend to the Board the framework of executive remuneration package for each Executive Director based on his duties and responsibilities. It is nevertheless the ultimate decision of the entire Board to approve the appointment of new directors and to approve the remuneration of these Directors. Directors do not participate in decisions on their own remuneration packages. The directors' fees are approved at the Annual General Meeting by the shareholders, based on the recommendation of the Board.

Both the Nomination and Remuneration Committees currently comprise the following members:

Leong Chen Nyen (Chairman)  
Kushairi Bin Zaidel  
Ng Kay Eng

# Corporate Governance Statement

The aggregate directors' remuneration paid or payable or otherwise made available to all directors of the Company during the financial year ended 31 March 2012 are as follows :-

	<b>Executive</b>	<b>Non-Executive</b>	<b>Total</b>
Salary and other emoluments	390,000	2,600	392,600
Pension costs – defined Contribution plans	54,600	–	54,600
Fees	–	108,000	108,000
	<b>444,600</b>	<b>110,600</b>	<b>555,200</b>

The number of directors of the Company whose income from the Company falling within the following bands are: -

	<b>Executives</b>	<b>Non-Executive</b>
Below RM50, 000	–	3
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	–	–
RM150,001 to RM200,000	1	–
RM200,001 to RM250,000	–	–
RM250,001 to RM300,000	1	–
	<b>2</b>	<b>3</b>

## Audit Committee

The Board of Directors has established an Audit Committee. The membership of this Committee, the terms of reference and its activities are set out on pages 12 and 14.

## Relationship with Shareholders and Investors

The Company values its dialogue with both institutional shareholders and private investors, and recognizes the timely and efficient dissemination of relevant information to be provided to them. In this regard, it strictly adheres to the disclosure requirement of Bursa Malaysia Securities Berhad (BMSB). Among others, information is communicated through the following:

- Announcements made to BMSB including Quarterly Results and Annual Results
- Annual Reports
- Press Interview
- Analyst briefing with fund managers and potential investors
- The company's website at [www.kfmb.com.my](http://www.kfmb.com.my)

Apart from the mandatory announcements of the Group's financial results and corporate developments to the BMSB, the Company also responds to members during the annual general meeting.



# Corporate Governance Statement

## Annual General Meeting

The Annual General Meeting is the principal forum for dialogue and interaction with the shareholders wherein shareholders are given opportunity to raise questions pertaining to the business activities and direction of the Group. Notice and annual reports are sent out to shareholders at least 21 days before the date of the meeting. The Board and management are available to provide response to questions from shareholders during the meeting.

Items of special business included in the notice of the meeting will be accompanied by an explanatory statement to facilitate full understanding and evaluation of the issues involved.

## Relationship with External Auditors

The role of Audit Committee in relation to the external auditors is described on page 14. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

## Financial reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's financial performance, financial position and financial prospects. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy, adequacy and completeness.

## Internal Control

The Group's Internal Control Statement is set up at pages 15 to 16 of this Annual Report.

## Statement of Directors' Responsibilities in respect of the Audited Financial Statements

The financial statements for the financial year has been made out in accordance with the Financial Reporting Standards and the Companies Act, 1965 and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flow of the Group and of the Company for the financial year ended.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy on the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.



# Corporate Governance Statement

## Other Information

### Non audit fee

The amount on non-audit fees paid to external auditors for the financial year ended 31 March 2012 is RM95, 000.

### Utilization of Proceeds raised from Rights Issue

An amount of RM7,950,025 was raised from the Rights Issue which was completed and listed on 28 October 2011. The proceeds were utilized as follows:-

Purpose	RM'000
Rights expenses	800
Repayment of bridging loan	4,646
Working capital	2,504

### Options, Warrants or Convertible Securities

During the year a total of 23,382,426 units of Warrant was granted to shareholders on the basis of three (3) Warrants for every two (2) Rights Shares subscribed. As at 31 March 2012, no Warrants were exercised.

### Additional Compliance Information

In compliance with the Bursa Securities Listing Requirements, the following additional information is provided:-  
During the financial year under review, there were no:

- Share buybacks;
- American Depository Receipt ("ADR") / Global Depository Receipt ("GDR") Programme Sponsored by the Company;
- Sanctions and/or Penalties;
- Profit Estimate, Forecasts or Projection;
- Profit Guarantee;
- Material Contracts involving directors and major shareholders' interest;
- Contracts Relating to Loans involving directors and major shareholders' interest;
- Revaluation on Landed Properties;
- Recurrent Related Party Transaction of Revenue or Trading Nature.



# Audit Committee Report

The members of the Audit Committee of the Company are pleased to present their report for the financial year ended 31 March 2012.

The present members of the Audit Committee comprise: -

Leong Chen Nyen

(Chairman, Independent, Non-Executive Director)

Kushairi Bin Zaidel

(Member, Independent, Non-Executive Director)

Ng Kay Eng

(Member, Independent, Non-Executive Director)

## Meetings

The Committee shall meet at least (4) times annually, or more frequently as circumstances dictate. As part of the duty to foster open communication, the internal auditors and a representative(s) of the external auditors (if required) will normally attend the meetings. Other Board members and senior management staff may attend upon invitation by the Committee. The Company Secretary or any other person appointed by the Committee for this purpose shall act as Secretary for the Committee and as a reporting procedure, the minutes shall be circulated to all members of the Committee and the Board.

A quorum shall be two members, both being Independent Directors and one of whom shall be the Chairman of the Audit Committee.

The number of Audit Committee meetings and the attendance for the financial year under view are as set out below:

<b>Member</b>	<b>Number of Audit Committee Meetings held during tenure in office</b>	<b>Attendance</b>
Leong Chen Nyen	6	6
Kushairi Bin Zaidel	6	5
Ng Kay Eng	6	6

## Summary of Activities

The Audit Committee carried out the following activities during the financial year ended 31 March 2012:

- Reviewed internal audit reports presented and considered the findings on the Group's operations through the review of internal audit reports tabled and management responses thereof;
- Reviewed the Internal Audit Plans for the financial year;
- Reviewed the unaudited quarterly financial statements and the annual financial statements of the Company and of the Group and recommending the same for approval by the Board upon being satisfied that the financial reporting and disclosure requirements of the relevant authorities have been complied with. Any significant issues resulting from the audit of the financial statements by external auditors were noted.

# Audit Committee Report

## Terms of Reference

The Audit Committee is governed by the following terms of reference:

### 1) Membership

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, majority of whom shall comprise Independent Non-Executive Directors. All members of the Committee are Non-Executive Directors. The members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director. No Alternate Director shall be appointed as member of the Audit Committee.

At least one member of the Audit Committee: -

- must be a member of the Malaysian Institute of Accountants or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years working experience and:
  - he must have passed the examination specified in Part 1 of the First Schedule of the Accountants Act, 1967;
  - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967;
  - must have a degree/master/doctorate in accounting or finance and at least 3 years post qualification experience in accounting or finance;
  - must have at least 7 years experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

In the event of any vacancy in the Audit Committee resulting in a breach in the Bursa Securities Listing Requirements, the vacancy must be filled within three (3) months.

### 2) Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorized by the Board to obtain external legal or other independent professional advice as necessary.

### 3) Duties

The duties of the Committee shall be:

- To recommend the appointment of external auditors and the audit fee.
- To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved.
- To review the quarterly announcements to Bursa Malaysia Securities Berhad and year end annual financial statements before submission to the Board, focusing on:
  - going concern assumptions.
  - compliance with accounting standards and regulatory requirements.
  - any changes in accounting policies and practices.
  - significant issues arising from the audit.
  - major judgmental areas.
- To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).
- To review the external auditors' management letter and management's response.
- To oversee internal audit function by:
  - reviewing the adequacy of scope, functions and resources of the internal auditors and to ensure that it has the necessary authority to carry out its work.
  - reviewing internal audit programme.
  - ensuring coordination of external audit with internal audit.
  - considering the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function.





# Audit Committee Report

- To monitor related party transactions entered into by the Company and the Group, and to ensure that the Directors report such transactions annually to shareholders via annual reports.
- To review the effectiveness of internal control systems.

#### 4) Internal Audit Function

The internal audit functions of the Group, as an integral and essential part of risk management process, have been outsourced to a professional firm to maintain independence and attain efficiency in the review and maintenance of the systems of control. The internal audit monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlight significant findings in respect of any non-compliance. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review.

The internal audit fee incurred for the financial year ended was RM36, 000.00.

#### 5) Access and relationship with External Auditors

The committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to senior management of the Company and its subsidiaries. The committee is also authorized to take such independent professional advice as it considers necessary.

In the performance of its duties and fulfilling its fiduciary responsibilities as determined by the Board and at all time at the cost of the Company, the committee:-

- have authority to investigate any matter within its terms of reference;
- have the resources which are required to perform its duties, have full and unrestricted access to any information pertaining to the Group;
- have direct communication channel with external auditors and person(s) carrying out the internal audit function or activity (if any);
- be able to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
- be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Group, whenever deemed necessary ; and
- be able to report promptly to the BMSB on any matters reported by it to the Board of the Company, which has not been satisfactorily resolved in a breach of the Listing Requirements.

# Statement of Internal Control

## Introduction

During the financial year under review, the Board of Directors (“Board”) of Kuantan Flour Mills Berhad has prepared this Statement of Internal Control pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad’s Listing Requirements and in accordance with the Statement on Internal Control – Guidance for Directors of Public Listed Companies. The Board continues to commit in maintaining a sound system of internal control in order to safeguard the shareholders’ investments and the Group’s assets and is pleased to provide this statement which outlines the state, nature and scope of internal control of the Group.

## Board Responsibilities

The Board acknowledges its responsibilities to maintain a sound system of internal control and risk management practices for good corporate governance. An appropriate control mechanism and framework has been established under the system of internal control and its adequacy and integrity is being reviewed regularly. This is a concerted and continuing process to identify, evaluate, monitor and manage any significant risks that may affect the achievement of the corporate objectives. However, such systems are designed only to manage and not to eliminate the risk of failure and can only provide reasonable and not absolute assurance against any misstatement or losses. The internal control system covers all aspect of financial, organizational, operational, compliance controls as well as risk management procedures.

## Risk Management and Internal Audit

The Board acknowledges that all areas of the Group’s business involve some degree of risk. Hence, risk management is an integral part of the Group’s management system and business activities. The management had established a risk register, risk management policies, strategies and process to identify, evaluate and manage significant risks faced by the Group and take appropriate measures to mitigate any such risks. The risk management provides an interactive process between the Board, top and middle management in order to create risk awareness and enhance risk management capabilities throughout the Group. The Board is committed to continuously improve and strengthen the risk management process of the Group.

Internal audits were undertaken by an external professional firm of internal auditors to provide an independent assessment of the adequacy, efficiency and effectiveness on the internal control systems of the Group. During the financial year ended 31 March 2012, the internal audit function carried out audits in accordance with the internal audit plan approved by the Audit Committee. The results of the internal audit reviews and the recommendations for improvement were presented to the Audit Committee at their quarterly meetings.

In addition, follow up visits will also be conducted to ensure that corrective actions have been implemented in a timely manner. Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.



# Statement of Internal Control

## System Of Internal Control

The following key elements of the System of Internal Control have been established within the Group :

- A well defined organization structure with clear reporting lines, responsibilities and delegated authority which is updated regularly ;
- Well documented internal policies, objectives and operational procedures formulated in compliance with ISO certification ;
- Quarterly review of financial results by the Audit Committee and the Board ;
- Executive Director's active direct involvement in the business operations ;
- Review annual budgets and approved by the Board for accountability and transparency ;
- Regular management meetings to discuss and resolve operational and other major issues affecting the Group ;
- Structured training and development programs conducted both internally and externally covering all levels of staff to upgrade their knowledge, skill and competency;
- Regular credit reviews being conducted to monitor receivables, progress of legal cases and continuing updating of credit procedures and policies;
- Corporate values, which emphasize on ethical behavior, are set out in the Group's human resource handbook;
- Annual Nomination Committee meeting conducted to enshrine its terms of reference, annual review of the Board of Director on the mix of skills /experiences / other qualities and review the terms of office / performance of the Audit Committee;
- Monthly management accounts containing key financial results and budget comparisons are also issued to senior management to enable them to have regular and updated information of the Group's performance;
- Adequate insurance coverage of major assets to ensure that assets of the Group are sufficiently covered against mishap that may result in material losses to the Group.

The Board is of the view that the Group's system of internal controls is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls.

This statement is made in accordance with a resolution of the Board of Directors dated 27 August 2012.



## Board of Directors

**Tan Sri Mohamed Bin Ngah Said**, is a Malaysian, aged 74, is currently the Executive Chairman of the Group. He graduated from the Royal Military College in Malaysia and the Royal Military Academy in Sandhurst. He joined the Royal Malaysian Air Force in 1958 and retired as the Chief of the Royal Malaysian Air Force after a career spanning more than 30 years with the Armed Forces.

Tan Sri Mohamed does not have any interest in the securities of the Company, neither does he has any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

**Lee Chee Kiean**, is a Malaysian, aged 49, holds a Bachelor Degree in Economics from the University of Dalhousie, Canada. He joined KFMB in 1986 as a Marketing Executive and has held various Managerial positions in the Group and is currently the Executive Director / Chief Executive Officer of the Group. He is also the Deputy Chairman of the Flour Millers Association of Malaysia.

Mr Lee has nominal interest in the securities of the Company, he has no family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

**Leong Chen Nyen**, is a Malaysian, aged 54, is a member of the Malaysian Institute of Accountants, a member of the Malaysian Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants, United Kingdom and a member of the Institute of Certified Public Accountants of Singapore.

He was formerly with Arthur Young (presently known as Ernst & Young), Kuala Lumpur and Deloitte & Touche, Singapore. He started his own accounting practice in March 1994 and is now the Senior Partner of Leong Ho & Associates.

He is presently the Chairman of the Audit, Remuneration and Nomination Committees.

Mr Leong does not have any interest in the securities of the Company, neither does he has any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

**Ng Kay Eng**, is a Malaysian, aged 48, was admitted as an Advocate and Solicitor in the High Court in New Zealand in 1990 and in the High Court of Malaya in 1991. Currently a partner with Messrs Shamiah K.E. Ng & Siva, he began his career in 1991 with various firms and in February 1995, set up his own legal practice under the name of Messrs K.E. Ng & Co., which in July 1996 merged into the current partnership.

He presently sits on the Audit, Remuneration and Nomination Committees as an ordinary member.

Mr Ng does not have any interest in the securities of the Company, neither does he has any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

**Kushairi Bin Zaidel**, is a Malaysian, aged 54, As an Accountant, he started his professional service career in Sarawak as an Auditor with HRM/Arthur Anderson. He then embarked on his corporate career in 1988 when he joined a very established property development company, Borneo Development Sdn Bhd which is jointly owned by the State Government of Sarawak and Sabah. He left the corporate sector to pursue his entrepreneurship endeavours in 1995.

His formal education includes a Bachelor of Business (Accountancy) and other formal qualifications namely Chartered Company Secretary and Certified Financial Planner. He is a member of the Australian Society of CPAs, the Malaysian Institute of Chartered Secretaries & Administrators and the Financial Planning Association of Malaysia.

He presently sits on the Audit, Remuneration and Nomination Committees as an ordinary member.

Encik Kushairi does not have any interest in the securities of the Company, neither does he has any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.



## Board of Directors

**Dato' Mohd Hasnulhisham Bin Yaakob**, is a Malaysian, aged 52, holds a Bachelor Degree in Arts (Geography / Mass Communication) from the University Sains Malaysia, Pulau Pinang, Malaysia. He is currently the Chairman of Dal Mar Hasil Sdn Bhd, a company involved in the mining industry. Before his involvement in the mining industry, he held several managerial positions in Malayan Banking Berhad, ABN-AMRO Bank N.V., Shah Alam Properties Berhad, Perangsang Templer Golf Club, SAP Holdings Berhad and Templer Park Golf & Resort Berhad.

Dato' Mohd Hasnul does not have any interest in the securities of the Company, neither does he has any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

**Dennis Tow Jun Fye**, is a Malaysian, aged 26, holds a Bachelor Degree in Arts / Commerce, major in Accounting and Finance from Deakin University, Melbourne. Currently, he holds various managerial positions in Seasons Apartment Hotel Group and International Equities Corporation Ltd.

Mr Dennis has interest in the securities of the Company, as at 15 August 2012, he holds 2.67% of the total issued ordinary share of the Company and also has indirect interest in a subsidiary company, KFM Trading Sdn Bhd., he has no family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

# Directors' Report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2012.

## Principal activities

The principal activities of the Company are flour milling and trading in its related products.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

## Results

	<b>Group RM</b>	<b>Company RM</b>
Loss for the year	7,875,795	7,836,935
Attributable to:		
Equity holders of the Company	7,875,069	7,836,935
Minority interests	726	–
	<u>7,875,795</u>	<u>7,836,935</u>

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

## Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Mohamed bin Ngah Said

Lee Chee Kiean

Leong Chen Nyen

Kushairi bin Zaidel

Ng Kay Eng

Dato' Mohd Hasnulhisham bin Yaakob

(Appointed on 7 May 2012)

Dennis Tow Jun Fye

(Appointed on 7 May 2012)

# Directors' Report

## Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Directors' interest

	Number of ordinary shares of RM1.00 each			At 31.3.2012
	At 1.4.2011	Acquired	Sold	
<b>The Company</b>				
Direct interest: Lee Chee Kian	10,000	6,000	–	16,000
<b>Subsidiary - KFM Marketing Sdn. Bhd.</b>				
Direct interest: Lee Chee Kian	10,000	–	–	10,000

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## Share capital reduction

During the financial year, the Company has reduced its share capital from RM45,053,000 comprising 45,053,000 ordinary shares of RM1.00 each to RM22,526,500 comprising 45,053,000 ordinary shares of RM0.50 each by way of cancellation of RM0.50 of the par value of the existing ordinary shares in the Company, and the reduction of the entire share premium account and the remaining balance against the accumulated losses of the Company. The capital reduction was done via a High Court Order dated 17 June 2011.

## Issue of shares

- (a) During the financial year, the Company has increased its authorised share capital from RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM75,000,000 comprising 150,000,000 ordinary shares of RM0.50 each.
- (b) During the financial year, the Company increased its issued and paid-up ordinary share capital from 45,053,000 to 65,146,584 by way of:
  - (i) the issuance of 4,505,300 ordinary shares of RM0.50 each through a private placement at an issue price of RM0.51 per ordinary share for cash, for additional working capital purposes; and
  - (ii) the issuance of 15,588,284 ordinary shares of RM0.50 each through Rights Issue at an issue price of RM0.51 per ordinary share for cash, for additional working capital purposes.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

# Directors' Report

## Warrants

The Company had on 20 October 2011 issued 23,382,426 warrants in conjunction with the Rights Issue. The warrants are constituted by a Deed Poll dated 6 September 2011 ("Deed Poll"). The salient features of the warrants are as follows:

- (a) Each warrant entitles the registered holder to subscribe for one (1) new ordinary share of RM0.50 each in the Company at an exercise price of RM0.51 per ordinary share.
- (b) The exercise price of the warrants are subject to adjustments under certain circumstances in accordance with the terms of the Deed Polls.
- (c) The warrants do not entitle the registered holders for any voting rights in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless the warrants holders become shareholders by exercising their warrants.
- (d) The warrants are for a period of 5 years and are expiring on 19 October 2016.

The movements in the Company's unissued number of shares under warrants during the financial year are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.4.2011	Issued	Exercised	At 31.3.2012
Number of unissued shares under warrants	–	23,382,426	–	23,382,426

## Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.





# Directors' Report

## Other statutory information (cont'd.)

- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## Significant events

Details of significant events are disclosed in Note 32 to the financial statements.

## Subsequent event

Details of a subsequent event are disclosed in Note 33 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 July 2012.

**Tan Sri Mohamed bin Ngah Said**

**Lee Chee Kian**

## Statement by Directors Pursuant to Section 169(15) of the Companies Act 1965

We, **Tan Sri Mohamed bin Ngah Said** and **Lee Chee Kiean**, being two of the directors of **Kuantan Flour Mills Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 26 to 67 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of the results and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 34 to the financial statements have been prepared in accordance with 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, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 July 2012.

**Tan Sri Mohamed bin Ngah Said**

**Lee Chee Kiean**

## Statutory Declaration Pursuant to Section 169(16) of the Companies Act 1965

I, **Chan Sen San**, being the officer primarily responsible for the financial management of **Kuantan Flour Mills Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 26 to 67 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Chan Sen San  
at Kuantan in the state of  
Pahang Darul Makmur on 16 July 2012.

**Chan Sen San**

Before me,

Pesuruhjaya Sumpah Malaysia  
No: C105  
Ramanaidoo A/L Karanam Apralasy, PKT  
Lot 2, No 59 Jalan Hj. Abdul Aziz  
25000 Kuantan, Pahang



# Independent Auditors' Report

## to the members of Kuantan Flour Mills Berhad (Incorporated in Malaysia)

### Report on the financial statements

We have audited the financial statements of Kuantan Flour Mills Berhad, which comprise the statements of financial position as at 31 March 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 67.

#### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the year then ended.

### Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

In our opinion, except for a dormant subsidiary, KFM-Bunge Flour Mixes Sdn. Bhd. which registers have not been properly updated, the registers required by the Act to be kept by the Company and by its other subsidiaries have been properly kept in accordance with the provisions of the Act.

- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

# Independent Auditors' Report to the members of Kuantan Flour Mills Berhad (Incorporated in Malaysia) (cont'd.)

## Other matters

The supplementary information set out in Note 34 on page 68 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Ernst & Young**  
AF: 0039  
Chartered Accountants

**Sandra Segaran a/l Muniandy@Krishnan**  
No. 2882/01/13(J)  
Chartered Accountant

Kuantan, Pahang Darul Makmur, Malaysia  
16 July 2012

# Statements of Comprehensive Income

## For the financial year ended 31 March 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Revenue	4	53,798,248	63,159,431	53,798,248	63,159,431
Cost of sales	5	(55,027,051)	(59,223,370)	(55,027,051)	(59,223,370)
<b>Gross (loss)/profit</b>		(1,228,803)	3,936,061	(1,228,803)	3,936,061
Other income	6	138,955	648,971	136,459	634,412
<b>Other items of expense</b>					
Administrative expenses		(4,190,641)	(3,105,780)	(4,149,285)	(3,052,624)
Selling expenses		(2,178,673)	(2,056,705)	(2,178,673)	(2,056,705)
Finance costs	7	(416,633)	(599,719)	(416,633)	(599,719)
<b>Loss before tax</b>	8	(7,875,795)	(1,177,172)	(7,836,935)	(1,138,575)
Taxation	11	-	-	-	-
<b>Loss net of tax, representing total comprehensive loss for the year</b>		(7,875,795)	(1,177,172)	(7,836,935)	(1,138,575)
Attributable to:					
Equity holders of the Company		(7,875,069)	(1,177,172)	(7,836,935)	(1,138,575)
Minority interests		(726)	-	-	-
		(7,875,795)	(1,177,172)	(7,836,935)	(1,138,575)
Loss per share attributable to equity holders of the Company (sen)					
- Basic	12(a)	(14.33)	(2.61)		
- Diluted	12(b)	-	-		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# Statements of Financial Position

## as at 31 March 2012

	Note	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	21,720,560	23,733,190	21,578,359	23,553,289
Investments in subsidiaries	14	–	–	5,106	8
Other investment	15	1,735,500	1,735,500	1,735,500	1,735,500
Trade receivables	18	193,270	245,480	193,270	245,480
		23,649,330	25,714,170	23,512,235	25,534,277
<b>Current assets</b>					
Inventories	17	7,509,485	8,329,789	7,509,485	8,329,789
Trade receivables	18	8,130,670	8,275,742	8,130,668	8,275,429
Other receivables	19	91,493	350,503	83,693	338,703
Other current assets	20	279,573	244,726	279,573	244,726
Cash and bank balances	21	2,149,770	1,647,587	2,130,428	1,635,876
		18,160,991	18,848,347	18,133,847	18,824,523
<b>Total assets</b>		41,810,321	44,562,517	41,646,082	44,358,800
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Loans and borrowings	22	612,366	3,929,119	612,366	3,929,119
Trade and other payables	23	16,287,887	17,352,159	16,280,976	17,339,730
		16,900,253	21,281,278	16,893,342	21,268,849
<b>Net current assets/(liabilities)</b>		1,260,738	(2,432,931)	1,240,505	(2,444,326)
<b>Non-current liability</b>					
Loans and borrowings	22	952,913	1,499,981	952,913	1,499,981
<b>Total liabilities</b>		17,853,166	22,781,259	17,846,255	22,768,830
Net assets		23,957,155	21,781,258	23,799,827	21,589,970
<b>Equity attributable to owners of the parent</b>					
Share capital	24	32,573,292	45,053,000	32,573,292	45,053,000
Share premium	24	–	6,446,933	–	6,446,933
Accumulated losses		(8,620,964)	(29,718,677)	(8,773,465)	(29,909,963)
		23,952,328	21,781,256	23,799,827	21,589,970
Minority interests		4,827	2	–	–
<b>Total equity</b>		23,957,155	21,781,258	23,799,827	21,589,970
<b>Total equity and liabilities</b>		41,810,321	44,562,517	41,646,082	44,358,800

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes In Equity

## For the financial year ended 31 March 2012

2012 Group	← Attributable to owners of the parent →					
	← Non-distributable →					
	Total equity	Total equity attributable to owners of the parent	Share capital (Note 24)	Share premium (Note 24)	Accumulated losses	Minority interests
	RM	RM	RM	RM	RM	RM
<b>Opening balance at 1 April 2011</b>	21,781,258	21,781,256	45,053,000	6,446,933	(29,718,677)	2
Total comprehensive loss	(7,875,795)	(7,875,069)	–	–	(7,875,069)	(726)
	13,905,463	13,906,187	45,053,000	6,446,933	(37,593,746)	(724)
<b>Transactions with owners</b>						
Capital reduction	–	–	(22,526,500)	(6,446,933)	28,973,433	–
Issuance of shares	10,247,728	10,247,728	10,046,792	200,936	–	–
Share issuance expense	(200,936)	(200,936)	–	(200,936)	–	–
Issuance of ordinary shares in a subsidiary	4,900	–	–	–	–	4,900
Loss on deemed disposal in investment in a subsidiary	–	(651)	–	–	(651)	651
<b>Closing balance at 31 March 2012</b>	23,957,155	23,952,328	32,573,292	–	(8,620,964)	4,827

2011 Group	← Attributable to owners of the parent →					
	← Non-distributable →					
	Total equity	Total equity attributable to owners of the parent	Share capital (Note 24)	Share premium (Note 24)	Accumulated losses	Minority interests
	RM	RM	RM	RM	RM	RM
<b>Opening balance at 1 April 2010</b>	23,029,433	23,029,431	45,053,000	6,446,933	(28,470,502)	2
Effects of adopting FRS 139	(71,003)	(71,003)	–	–	(71,003)	–
Total comprehensive loss	(1,177,172)	(1,177,172)	–	–	(1,177,172)	–
<b>Closing balance at 31 March 2011</b>	21,781,258	21,781,256	45,053,000	6,446,933	(29,718,677)	2

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Statements of Changes In Equity (cont'd.) For the financial year ended 31 March 2012

Company	Attributable to owners the Company			
	Total equity	Non-distributable		Accumulated losses
		Share capital (Note 24)	Share premium (Note 24)	
	RM	RM	RM	RM
<b>Opening balance at 1 April 2011</b>	21,589,970	45,053,000	6,446,933	(29,909,963)
Total comprehensive loss	(7,836,935)	–	–	(7,836,935)
<b>Transactions with owners</b>				
Capital reduction	–	(22,526,500)	(6,446,933)	28,973,433
Issuance of shares	10,247,728	10,046,792	200,936	–
Share issuance expense	(200,936)	–	(200,936)	–
<b>Closing balance at 31 March 2012</b>	23,799,827	32,573,292	–	(8,773,465)
<b>Opening balance at 1 April 2010</b>	22,799,548	45,053,000	6,446,933	(28,700,385)
Effects of adopting FRS 139	(71,003)	–	–	(71,003)
Total comprehensive loss	22,728,545 (1,138,575)	45,053,000 –	6,446,933 –	(28,771,388) (1,138,575)
<b>Closing balance at 31 March 2011</b>	21,589,970	45,053,000	6,446,933	(29,909,963)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Cash Flows

## For the financial year ended 31 March 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
<b>Operating activities</b>					
Loss before tax		(7,875,795)	(1,177,172)	(7,836,935)	(1,138,575)
<u>Adjustments for:</u>					
Depreciation of property, plant and equipment	8	2,122,100	951,902	2,084,400	909,054
Gain on disposal of property, plant and equipment	6	–	(23,180)	–	(23,180)
Unrealised foreign exchange gain	6	–	(245,070)	–	(245,070)
Unrealised foreign exchange loss	8	9,833	–	9,833	–
Loss on disposal of marketable securities	8	–	6,976	–	6,976
Impairment loss on trade receivables	8	–	1,197	–	1,197
Reversal of impairment loss on trade receivables	6	(51,646)	(77,310)	(49,150)	(62,751)
Bad debts recovered	6	–	(18,701)	–	(18,701)
Short term accumulating compensated absences	9	15,809	–	15,809	–
Write down of inventories	8	–	3,836	–	3,836
Interest income	6	(47,359)	(18,453)	(47,359)	(18,453)
Unwinding of discount on receivables	6	(19,723)	(29,357)	(19,723)	(29,357)
Interest expense	7	416,633	599,719	416,633	599,719
Total adjustments		2,445,647	1,151,559	2,410,443	1,123,270
<b>Operating cash flows before changes in working capital</b>		(5,430,148)	(25,613)	(5,426,492)	(15,305)
<u>Changes in working capital</u>					
Decrease/(increase) in inventories		820,304	(2,226,433)	820,304	(2,226,433)
Decrease in receivables		492,814	5,066,050	486,007	5,049,192
(Decrease)/increase in payables		(1,089,914)	3,504,189	(1,084,396)	3,520,077
Total changes in working capital		223,204	6,343,806	221,915	6,342,836

## Statements of Cash Flows (cont'd.) For the financial year ended 31 March 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
<b>Cash flows from operations</b>		(5,206,944)	6,318,193	(5,204,577)	6,327,531
Interest paid		(416,633)	(599,719)	(416,633)	(599,719)
<b>Net cash flows (used in)/from operating activities</b>		(5,623,577)	5,718,474	(5,621,210)	5,727,812
<b>Investing activities</b>					
Purchase of property, plant and equipment		(56,745)	(148,462)	(56,745)	(148,462)
Proceeds from disposal of property, plant and equipment		–	38,680	–	38,680
Proceeds from disposal of marketable securities		–	9,701	–	9,701
Increase of shares in a subsidiary		–	–	(5,098)	–
Proceeds from issuance of shares in a subsidiary		4,900	–	–	–
Interest received		47,359	47,810	47,359	47,810
<b>Net cash flows from/(used in) investing activities</b>		(4,486)	(52,271)	(14,484)	(52,271)
<b>Financing activities</b>					
Repayment of obligations under financing leases		(342,334)	(644,306)	(342,334)	(644,306)
Repayment of term loans		(3,574,212)	(5,046,292)	(3,574,212)	(5,046,292)
Proceeds from issuance of ordinary shares		10,247,728	–	10,247,728	–
Share issuance expense		(200,936)	–	(200,936)	–
<b>Net cash flows from/(used in) financing activities</b>		6,130,246	(5,690,598)	6,130,246	(5,690,598)
<b>Net increase/(decrease) in cash and cash equivalents</b>		502,183	(24,395)	494,552	(15,057)
Cash and cash equivalents at 1 April		1,647,587	1,671,982	1,635,876	1,650,933
Cash and cash equivalents at 31 March	21	2,149,770	1,647,587	2,130,428	1,635,876

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# Notes to the Financial Statements

## - 31 March 2012

### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Kawasan Lembaga Pelabuhan Kuantan, KM25, Jalan Kuantan/Kemaman, Tanjung Gelang, P.O.Box 387, 25740 Kuantan, Pahang Darul Makmur.

The principal activities of the Company are flour milling and trading in its related products. The principal activities of the subsidiaries are described in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 July 2012.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods as described fully in Note 2.2.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

#### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods as described below.

Description	Effective for annual periods beginning on or after
<i>FRS 1 First-time Adoption of Financial Reporting Standards</i>	1 July 2010
<i>Amendments to FRS 2 Share-based Payment</i>	1 July 2010
<i>FRS 3 Business Combinations</i>	1 July 2010
<i>Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
<i>Amendments to FRS 127 Consolidated and Separate Financial Statements</i>	1 July 2010
<i>Amendments to FRS 138 Intangible Assets</i>	1 July 2010
<i>Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives</i>	1 July 2010
<i>IC Interpretation 12 Service Concession Arrangements</i>	1 July 2010
<i>IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
<i>IC Interpretation 17 Distributions of Non-cash Assets to Owners</i>	1 July 2010
<i>Amendments to FRS 132 Classification of Rights Issues</i>	1 March 2010
<i>IC Interpretation 18 Transfers of Assets from Customers</i>	1 January 2011

# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.2 Changes in accounting policies (cont'd.)

Description	Effective for annual periods beginning on or after
<i>Amendments to FRS 7 Improving Disclosures about Financial Instruments</i>	1 January 2011
<i>Amendments to FRS 1 Limited Exemptions for First-time Adopters</i>	1 January 2011
<i>Amendments to FRS 1 Additional Exemptions for First-time Adopters</i>	1 January 2011
<i>IC Interpretation 4 Determining Whether an Arrangement Contains a Lease</i>	1 January 2011
<i>Improvements to FRS issued in 2010</i>	1 January 2011

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company except as discussed below:

#### *Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements*

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in accounting for business combinations occurring after 1 July 2010. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The revised FRS 3 continues to apply the acquisition method to business combinations but with some significant changes. All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

#### *Amendments to FRS 7 Improving Disclosures about Financial Instruments*

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement and the liquidity risk disclosures are not significantly impacted by the amendments. The fair value and liquidity risk are presented in Note 28 and Note 29 (b) respectively.



# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 March 2012 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 March 2013.

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as of the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.5 Transactions with minority interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

#### 2.6 Foreign currency

##### a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

##### b) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss for the year.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year.

#### 2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings, factory and civil works	20 to 50 years
Plant and machinery	10 to 30 years
Equipment and fixtures	5 years
Motor vehicles	5 to 10 years



# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.7 Property, plant and equipment (cont'd.)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

#### 2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

#### 2.9 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.



# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.10 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

##### a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company did not have any financial assets at fair value through profit or loss during the financial year ended 31 March 2012.

##### b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.



# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.10 Financial assets (cont'd.)

##### c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

The Group and the Company did not have any held-to-maturity investments during the financial year ended 31 March 2012.

##### d) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.11 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

##### (a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

##### (b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

#### 2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks and demand deposits.



# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

#### 2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 2.15 Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

#### 2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.16 Financial liabilities (cont'd.)

##### a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

##### b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### 2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.



# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.18 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### 2.19 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

##### a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### b) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

##### c) Interest income

Interest income is recognised using the effective interest method.

##### d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

#### 2.20 Employee benefits

##### a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.



# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.20 Employee benefits (cont'd.)

##### b) Defined contribution plans

The Group participates in the national pension scheme as defined by the law of the country in which it has operations. The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

##### c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

#### 2.21 Income taxes

##### a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

##### b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



# Notes to the Financial Statements

## - 31 March 2012

### 2. Summary of significant accounting policies (cont'd.)

#### 2.22 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### 2.23 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

### 3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### 3.1. Judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects on the amounts recognised in the financial statements.

#### 3.2. Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be 10 to 30 years. These are common life expectancies applied for the assets owned by the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

# Notes to the Financial Statements

## - 31 March 2012

### 4. Revenue

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of flour and related products	50,560,996	60,746,028	50,560,996	60,746,028
Transportation income	2,162,423	1,860,532	2,162,423	1,860,532
Government grant	1,074,829	552,871	1,074,829	552,871
	<hr/> 53,798,248	<hr/> 63,159,431	<hr/> 53,798,248	<hr/> 63,159,431

### 5. Cost of sales

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cost of inventories sold	53,015,241	57,380,755	53,015,241	57,380,755
Cost of services rendered	2,011,810	1,842,615	2,011,810	1,842,615
	<hr/> 55,027,051	<hr/> 59,223,370	<hr/> 55,027,051	<hr/> 59,223,370

### 6. Other income

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Miscellaneous income	528	2,547	528	2,547
Unwinding of discount on receivables	19,723	29,357	19,723	29,357
Interest income from short term deposit with licensed banks	47,359	18,453	47,359	18,453
Gain on disposal of property, plant and equipment	–	23,180	–	23,180
Insurance claim on property, plant and equipment	19,699	37,600	19,699	37,600
Net realised foreign exchange gain	–	196,753	–	196,753
Net unrealised foreign exchange gain	–	245,070	–	245,070
Bad debts recovered	–	18,701	–	18,701
Reversal of impairment loss on trade receivables	51,646	77,310	49,150	62,751
	<hr/> 138,955	<hr/> 648,971	<hr/> 136,459	<hr/> 634,412

# Notes to the Financial Statements

## - 31 March 2012

### 7. Finance costs

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense on:				
Hire purchase	32,092	56,066	32,092	56,066
Term loans	384,541	543,653	384,541	543,653
	416,633	599,719	416,633	599,719

### 8. Loss before tax

The following amounts have been included in arriving at loss before tax:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Depreciation of property, plant and equipment (Note 13)	2,122,100	951,902	2,084,400	909,054
Auditors' remuneration	54,500	54,500	48,000	48,000
Impairment loss on trade receivables (Note 18)	–	1,197	–	1,197
Employee benefits expense (Note 9)	5,007,940	4,891,059	5,007,940	4,891,059
Non-executive directors' remuneration (Note 10)	110,600	108,000	110,600	108,000
Rental of land and buildings	391,723	394,012	391,723	394,012
Rental of software	72,000	72,000	72,000	72,000
Net realised foreign exchange loss	12,127	–	12,127	–
Net unrealised foreign exchange loss	9,833	–	9,833	–
Write down of inventories	–	3,836	–	3,836
Loss on disposal of marketable securities	–	6,976	–	6,976

### 9. Employee benefits expense

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Wages and salaries	4,142,908	4,131,132	4,142,908	4,131,132
Social security contributions	60,095	59,490	60,095	59,490
Short-term accumulating compensated absences	15,809	–	15,809	–
Pension costs - defined contribution plan	535,534	517,248	535,534	517,248
Other staff related expenses	253,594	183,189	253,594	183,189
	5,007,940	4,891,059	5,007,940	4,891,059

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM444,600 (2011: RM436,270) as further disclosed in Note 10.

# Notes to the Financial Statements

## - 31 March 2012

### 10. Directors' remuneration

	<b>Group and Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Executive directors' remuneration (Note 9):		
Salaries and other emoluments	390,000	383,000
Pension costs - defined contribution plan	54,600	53,270
	444,600	436,270
Non-executive directors' remuneration (Note 8):		
Fees	108,000	108,000
Other emoluments	2,600	-
	110,600	108,000
Total directors' remuneration (Note 25)	555,200	544,270

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	<b>Number of Directors</b>	
	<b>2012</b>	<b>2011</b>
Executive directors:		
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	1	1
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	1	1
Non-executive directors:		
RM1 - RM50,000	3	3

# Notes to the Financial Statements

## - 31 March 2012

### 11. Taxation

There is no tax charge as the Group and the Company are in tax loss position.

#### Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 March 2012 and 31 March 2011 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Group</b>				
Loss before tax	(7,875,795)	(1,177,172)	(7,836,935)	(1,138,575)
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	(1,968,949)	(294,293)	(1,959,234)	(284,644)
Adjustments:				
Non-deductible expenses	289,882	98,644	280,886	87,550
Income not subject to taxation	(268,707)	(62,726)	(268,707)	(61,268)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	719	-	-	-
Deferred tax assets not recognised in respect of current year tax losses and unabsorbed capital allowances	1,947,055	258,375	1,947,055	258,362
	-	-	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

### 12. Loss per share

#### (a) Basic

Basic loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Loss net of tax attributable to owners of the parent used in the computation of basic and diluted loss per share	(7,875,069)	(1,177,172)



# Notes to the Financial Statements

## - 31 March 2012

### 12. Loss per share (cont'd.)

#### (a) Basic (cont'd.)

	2012 RM	Group 2011 RM
Weighted average number of ordinary shares for basic loss per share computation	54,949,514	45,053,000
Basic loss per share (sen)	(14.33)	(2.61)

#### (b) Diluted

Diluted loss per share is not presented as the effect is anti-dilutive.

### 13. Property, plant and equipment

Group	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Moto vehicles RM	Total RM
<b>Cost:</b>						
<b>At 1 April 2010</b>	11,700	11,429,063	37,212,444	5,232,827	8,777,069	62,663,103
Additions	-	-	-	90,470	285,992	376,462
Disposals	-	-	-	(8,180)	(253,214)	(261,394)
<b>At 31 March 2011 and 1 April 2011</b>	11,700	11,429,063	37,212,444	5,315,117	8,809,847	62,778,171
Additions	-	-	52,725	56,745	-	109,470
<b>At 31 March 2012</b>	11,700	11,429,063	37,265,169	5,371,862	8,809,847	62,887,641
<b>Accumulated depreciation:</b>						
<b>At 1 April 2010</b>	-	4,916,962	24,152,727	4,003,559	5,265,725	38,338,973
Depreciation charge for the year (Note 8)	-	282,963	269,505	282,961	116,473	951,902
Disposals	-	-	-	-	(245,894)	(245,894)
<b>At 31 March 2011 and 1 April 2011</b>	-	5,199,925	24,422,232	4,286,520	5,136,304	39,044,981
Depreciation charge for the year (Note 8)	-	282,358	1,365,478	232,959	241,305	2,122,100
<b>At 31 March 2012</b>	-	5,482,283	25,787,710	4,519,479	5,377,609	41,167,081
<b>Net carrying amount:</b>						
At 31 March 2011	11,700	6,229,138	12,790,212	1,028,597	3,673,543	23,733,190
At 31 March 2012	11,700	5,946,780	11,477,459	852,383	3,432,238	21,720,560

# Notes to the Financial Statements

## - 31 March 2012

### 13. Property, plant and equipment (cont'd.)

Company	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Moto vehicles RM	Total RM
<b>Cost:</b>						
<b>At 1 April 2010</b>	11,700	11,359,259	36,937,295	4,761,350	6,575,435	59,645,039
Additions	-	-	-	90,470	285,992	376,462
Disposals	-	-	-	(8,180)	(253,214)	(261,394)
<b>At 31 March 2011 and 1 April 2011</b>	11,700	11,359,259	36,937,295	4,843,640	6,608,213	59,760,107
Additions	-	-	52,725	56,745	-	109,470
<b>At 31 March 2012</b>	11,700	11,359,259	36,990,020	4,900,385	6,608,213	59,869,577
<b>Accumulated depreciation:</b>						
<b>At 1 April 2010</b>	-	4,847,158	23,889,171	3,743,238	3,064,091	35,543,658
Depreciation charge for the year (Note 8)	-	282,963	269,505	240,113	116,473	909,054
Disposals	-	-	-	-	(245,894)	(245,894)
<b>At 31 March 2011 and 1 April 2011</b>	-	5,130,121	24,158,676	3,983,351	2,934,670	36,206,818
Depreciation charge for the year (Note 8)	-	282,358	1,365,478	232,959	203,605	2,084,400
<b>At 31 March 2012</b>	-	5,412,479	25,524,154	4,216,310	3,138,275	38,291,218
<b>Net carrying amount:</b>						
At 31 March 2011	11,700	6,229,138	12,778,619	860,289	3,673,543	23,553,289
At 31 March 2012	11,700	5,946,780	11,465,866	684,075	3,469,938	21,578,359

The factory is a flour mill constructed on a land leased by Novation Agreement between Kuantan Port Authority, Kuantan Port Consortium Sdn. Bhd. and the Company. The total rental commitment payable under the lease as at year-end is as follows:

	<b>Group and Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	300,404	293,073
Later than 1 year and not later than 5 years	1,330,045	1,275,685
Later than 5 years	4,494,507	4,849,271
	<b>6,124,956</b>	<b>6,418,029</b>

# Notes to the Financial Statements

## - 31 March 2012

### 13. Property, plant and equipment (cont'd.)

#### Assets held under finance leases

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate cost of RM52,725 (2011: RM228,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM56,745 (2011: RM148,462). The carrying amounts of property, plant and equipment held under finance leases at the reporting date were as follows:

	<b>Group and Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Motor vehicles	1,506,838	3,001,801
Plant and machinery	47,453	74,953
Equipment and fixtures	–	35,458
	1,554,291	3,112,212

#### Assets pledged as security

The net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 22) are as follows:

	<b>Group and Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Buildings	1,338,573	1,367,528

### 14. Investments in subsidiaries

	<b>Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares at cost	1,916,104	1,911,006
Less: Accumulated impairment losses	(1,910,998)	(1,910,998)
	5,106	8

# Notes to the Financial Statements

## - 31 March 2012

### 14. Investments in subsidiaries (cont'd.)

Details of the subsidiaries are as follows:

Names of subsidiaries	Country of incorporation	Proportion (%) of ownership interest		Principal activities
		2012	2011	
KFM Transport Sdn. Bhd.	Malaysia	100	100	Ceased operations
KFM Marketing Sdn. Bhd.	Malaysia	95	95	Ceased operations
KFM Ventures Sdn. Bhd.	Malaysia	100	100	Dormant
KFM Trading Sdn. Bhd.	Malaysia	51	100	Dormant
KFM Biotechnology Sdn. Bhd.	Malaysia	100	100	Dormant
KFM Industries Sdn. Bhd.	Malaysia	100	100	Dormant
KFM-Bunge Flour Mixes Sdn. Bhd. *	Malaysia	60	60	Dormant

\* The registers which are required to be kept by the company under the Companies Act, 1965 have not been properly updated. In relation to this, the directors have proposed to apply to Companies Commission of Malaysia in order to strike off this Company under Section 308 of the Companies Act 1965.

#### Dilution of equity interest in KFM Trading Sdn. Bhd. ("KFM Trading")

The Company's equity interest in KFM Trading has decreased from 100% to 51% following the issuance of additional ordinary shares in KFM Trading. The dilution has no significant impact to the Group during the financial year.

### 15. Other investment

	Group and Company	
	2012 RM	2011 RM
Available-for-sale financial asset		
Unquoted shares, at cost	1,735,500	1,735,500

### 16. Deferred tax

Deferred tax assets have not been recognised in respect of the following items as they arose in companies with recent history of losses.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unused tax losses	29,670,783	23,316,701	24,436,528	16,291,333
Unabsorbed capital allowances	–	1,913,807	–	–
Unutilised reinvestment allowances	9,972,944	9,972,944	9,972,944	9,972,944
	39,643,727	35,203,452	34,409,472	26,264,277

The unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

# Notes to the Financial Statements

## - 31 March 2012

### 17. Inventories

	<b>Group and Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
Raw materials	4,437,284	5,425,729
Finished goods	1,378,391	1,345,038
Work-in-progress	404,246	380,042
Consumables	1,289,564	1,178,980
	7,509,485	8,329,789

### 18. Trade receivables

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Current</b>				
Third parties	9,564,560	9,886,007	8,179,240	8,497,880
Less: Allowance for impairment Third parties	(1,433,890)	(1,610,265)	(48,572)	(222,451)
Trade receivables, net	8,130,670	8,275,742	8,130,668	8,275,429
<b>Non-current</b>				
Third parties	171,266	203,538	171,266	203,538
Add: Unwinding of discount	22,004	41,942	22,004	41,942
	193,270	245,480	193,270	245,480
Total (current and non-current)	8,323,940	8,521,222	8,323,938	8,520,909
Add: Other receivables (Note 19)	91,493	350,503	83,693	338,703
Cash and bank balances (Note 21)	2,149,770	1,647,587	2,130,428	1,635,876
Total loans and receivables	10,565,203	10,519,312	10,538,059	10,495,488

Trade receivables are non-interest bearing and are generally on 7 to 90 day (2011: 7 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

# Notes to the Financial Statements

## - 31 March 2012

### 18. Trade receivables (cont'd.)

#### Ageing analysis of trade receivables

The ageing analysis of the Group and of the Company's trade receivables are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Neither past due nor impaired	7,499,942	7,632,307	7,499,942	7,632,307
1 to 30 days past due not impaired	178,141	216,524	178,141	216,524
31 to 60 days past due not impaired	50,432	107,227	50,432	107,227
61 to 90 days past due not impaired	96,904	23,265	96,904	23,265
More than 90 days past due not impaired	498,521	541,899	498,519	541,586
	823,998	888,915	823,996	888,602
Impaired	1,433,890	1,610,265	48,572	222,451
	9,757,830	10,131,487	8,372,510	8,743,360

#### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

#### Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM823,998 (2011: RM888,915) and RM822,996 (2011: RM888,602) respectively that are past due at the reporting date but not impaired.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally between 7 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a large number of diversified customers. There is no significant concentration of credit risk. At 31 March 2012, the directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.



# Notes to the Financial Statements

## - 31 March 2012

### 18. Trade receivables (cont'd.)

#### Receivables that are impaired

The Group and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
			Individually impaired	
Trade receivables				
- nominal amount	1,433,890	1,610,265	48,572	222,451
Less: Allowance for impairment	(1,433,890)	(1,610,265)	(48,572)	(222,451)
	-	-	-	-

Movement in allowance accounts:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 April	1,610,265	1,700,843	222,451	284,005
Charge for the year (Note 8)	-	1,197	-	1,197
Written off	(124,729)	(14,465)	(124,729)	-
Reversal of impairment losses	(51,646)	(77,310)	(49,150)	(62,751)
At 31 March	1,433,890	1,610,265	48,572	222,451

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# Notes to the Financial Statements

## - 31 March 2012

### 19. Other receivables

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deposits	54,338	54,971	46,538	43,171
Other receivables	537,155	795,532	537,155	795,532
	591,493	850,503	583,693	838,703
Less: Allowance for impairment Third party	(500,000)	(500,000)	(500,000)	(500,000)
Other receivables, net	91,493	350,503	83,693	338,703

#### Other receivable that is impaired

At the reporting date, the Company has provided an allowance of RM500,000 (2011: RM500,000) for impairment of the amount due from a third party with a nominal amount of RM500,000 (2011: RM500,000). This third party had defaulted on its payments.

There has been no movement in this allowance account for the financial year ended 31 March 2012 (2011: RM500,000).

### 20. Other current assets

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Prepayments	251,149	222,198	251,149	222,198
Tax recoverable	28,424	22,528	28,424	22,528
	279,573	244,726	279,573	244,726

### 21. Cash and cash equivalents

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash in hand and at banks	1,382,110	902,836	1,362,768	891,125
Deposits with licensed banks	767,660	744,751	767,660	744,751
Cash and bank balances	2,149,770	1,647,587	2,130,428	1,635,876

Deposits with licensed banks of the Group and the Company earn interest at the respective deposits rates. The weighted average effective interest rate as at 31 March 2012 for the Group and the Company was 3.23% (2011: 3.02%) per annum.

Deposits with licensed banks of the Group and of the Company amounting to RM767,660 (2011: RM744,751) are pledged as securities for bank guarantees.

# Notes to the Financial Statements

## - 31 March 2012

### 22. Loans and borrowings

	Maturity	Group and Company	
		2012 RM	2011 RM
<b>Current</b>			
Secured:			
Obligations under finance leases (Note 26)	2013	213,190	354,907
Term loans	2013	399,176	3,574,212
		<hr/>	<hr/>
		612,366	3,929,119
<b>Non-current</b>			
Secured:			
Obligations under finance leases (Note 26)	2014 - 2015	127,341	275,233
Term loans	2014 - 2019	825,572	1,224,748
		<hr/>	<hr/>
		952,913	1,499,981
		<hr/>	<hr/>
Total loans and borrowings		1,565,279	5,429,100

The remaining maturities of the loans and borrowings as at 31 March are as follows:

	Group and Company	
	2012 RM	2011 RM
On demand or within one year	612,366	3,929,119
More than 1 year and less than 2 years	244,651	568,638
More than 2 years and less than 5 years	399,875	348,007
5 years or more	308,387	583,336
	<hr/>	<hr/>
	1,565,279	5,429,100

The weighted average effective interest rate per annum at the reporting date for loans and borrowings, excluding obligations under finance leases, was as follows:

	Group and Company	
	2012 RM %	2011 RM %
Term loans	6.99	6.83

#### Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases of the Group and of the Company is 3.95% per annum (2011: 3.41% per annum).

# Notes to the Financial Statements

## - 31 March 2012

### 22. Loans and borrowings (cont'd.)

#### Term loans

The term loans of the Group and the Company are secured by the following:

- (a) a negative pledge on the assets of the Company;
- (b) a registered debenture incorporating a fixed and floating charge of RM7,000,000 over all assets of the Company, both present and future; and
- (c) deed of assignments of all rights, titles and interest of 3 units of shoplots owned by the Company.

### 23. Trade and other payables

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Trade payables</b>				
Third parties	7,737,351	8,932,794	7,718,832	8,914,276
<b>Other payables</b>				
Accruals	2,370,002	1,999,884	2,364,502	1,999,884
Sundry payables	6,180,534	6,419,481	6,179,486	6,408,682
Amount due to subsidiaries	–	–	18,156	16,888
	8,550,536	8,419,365	8,562,144	8,425,454
Total trade and other payables	16,287,887	17,352,159	16,280,976	17,339,730
Add: Loans and borrowings (Note 22)	1,565,279	5,429,100	1,565,279	5,429,100
Total financial liabilities carried at amortised cost	17,853,166	22,781,259	17,846,255	22,768,830

#### a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.

#### b) Amount due to subsidiaries

The amount is unsecured, non-interest bearing and is repayable on demand.

# Notes to the Financial Statements

## - 31 March 2012

### 24. Share capital and share premium

	Company			
	Number of ordinary shares of RM0.50 (2011: RM1.00) each	Amount		
		Share capital (Issued and fully paid)	Share capital (Issued and fully paid) RM	Share premium RM
At beginning of year	45,053,000	45,053,000	6,446,933	51,499,933
Capital reduction	–	(22,526,500)	(6,446,933)	(28,973,433)
Issuance of shares:				
Private placement	4,505,300	2,252,650	45,053	2,297,703
Rights Issue	15,588,284	7,794,142	155,883	7,950,025
Share issuance expense	–	–	(200,936)	(200,936)
At end of year	65,146,584	32,573,292	–	32,573,292

	Number of ordinary shares of RM0.50 (2011: RM1.00) each		Amount	
	2012	2011	2012 RM	2011 RM
<b>Authorised share capital</b>				
Beginning of year	50,000,000	50,000,000	50,000,000	50,000,000
Capital reduction	–	–	(25,000,000)	–
Created during the year	100,000,000	–	50,000,000	–
End of year	150,000,000	50,000,000	75,000,000	50,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

During the financial year:

- The Company has reduced its share capital from RM1.00 each to RM0.50 each by way of cancellation of RM0.50 of the par value of the existing ordinary shares in the Company, and the reduction of the entire share premium account of RM6,446,933 and the balance against the accumulated losses of the Company. The capital reduction was done via a High Court Order dated 17 June 2011.
- The Company has increased its authorised share capital from 50,000,000 ordinary shares of RM1.00 each to 150,000,000 ordinary shares of RM0.50 each by creating 100,000,000 new ordinary shares of RM0.50 each.
- The Company increased its issued and paid-up ordinary share capital from 45,053,000 to 65,146,584 by way of the issuance of 4,505,300 ordinary shares of RM0.50 each through a private placement at an issue price of RM0.51 per ordinary share and the issuance of 15,588,284 ordinary shares of RM0.50 each through Rights Issue at an issue price of RM0.51 per ordinary share for cash, for additional working capital purposes. The share premium of RM200,936 arising from the issuance of ordinary shares have been used to absorb the share issue costs. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

# Notes to the Financial Statements

## - 31 March 2012

### 25. Significant related party disclosures

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follow:

	<b>Group and Company 2012 RM</b>	<b>2011 RM</b>
Short-term employee benefits	1,249,640	1,255,767
Post-employment benefits: Defined contribution plan	180,968	172,202
	<hr/>	<hr/>
	1,430,608	1,427,969
	<hr/>	<hr/>
Included in the total key management personnel are:		
Directors' remuneration (Note 10)	555,200	544,270
	<hr/>	<hr/>

### 26. Commitments

#### a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2012 RM</b>	<b>2011 RM</b>	<b>2012 RM</b>	<b>2011 RM</b>
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	101,099	–	101,099	–
	<hr/>	<hr/>	<hr/>	<hr/>

#### b) Operating lease commitment - as lessee

Information regarding the operating lease in relation to lease of land for the factory is disclosed in Note 13.



# Notes to the Financial Statements

## - 31 March 2012

### 26. Commitments (cont'd.)

#### c) Finance lease commitments

The Group has finance leases for certain items of property, plant and equipment (Note 13). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	<b>Group and Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>
<b>Minimum lease payments:</b>		
Not later than 1 year	224,796	383,997
Later than 1 year and not later than 2 years	138,735	182,935
Later than 2 years and not later than 5 years	–	111,576
	<hr/>	<hr/>
Total minimum lease payments	363,531	678,508
Less: Amounts representing finance charges	(23,000)	(48,368)
	<hr/>	<hr/>
Present value of minimum lease payments	340,531	630,140
	<hr/>	<hr/>
<b>Present value of payments:</b>		
Not later than 1 year	213,190	354,907
Later than 1 year and not later than 2 years	127,341	169,462
Later than 2 years and not later than 5 years	–	105,771
	<hr/>	<hr/>
Present value of minimum lease payments	340,531	630,140
Less: Amount due within 12 months (Note 22)	(213,190)	(354,907)
	<hr/>	<hr/>
Amount due after 12 months (Note 22)	127,341	275,233
	<hr/>	<hr/>

### 27. Contingent liability

#### Litigation case

A customer, Sidney Marketing Sdn. Bhd. has initiated legal action against a subsidiary of the Company. The plaintiff has made a claim of RM1,000,000 for a breach of a purported agreement to set-up a joint venture business. The Court has fixed the matter for case management on 23 July 2012. The directors, upon legal advice, are of the opinion that the claim would not succeed and any decision made would be in favour of the Group.

# Notes to the Financial Statements

## - 31 March 2012

### 28. Fair value of financial instruments

#### A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Group and Company			
	2012 RM		2011 RM	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>				
Unquoted shares	1,735,500	*	1,735,500	*
<b>Financial liabilities:</b>				
Non-current:				
Term loans	825,572	576,434	1,224,748	932,864
Finance leases	127,341	118,394	275,233	256,774

\* Fair value information has not been disclosed for the Group's investment in equity instrument that is carried at cost because fair value cannot be measured reliably. This equity instrument represents ordinary shares that is not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

#### B. Determination of fair value

##### Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	18,19
Trade and other payables	23
Loans and borrowings (current)	22

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, due to their short-term nature.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

# Notes to the Financial Statements

## - 31 March 2012

### 29. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and management. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

#### a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

#### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	<b>Group</b>			
	<b>2012</b>		<b>2011</b>	
	<b>RM</b>	<b>% of total</b>	<b>RM</b>	<b>% of total</b>
<b>By country:</b>				
Malaysia	8,304,024	99.8%	7,888,998	93%
Singapore	19,916	0.2%	467,958	5%
Philippines	–	–	164,266	2%
	<b>8,323,940</b>	<b>100%</b>	<b>8,521,222</b>	<b>100%</b>

# Notes to the Financial Statements

## - 31 March 2012

### 29. Financial risk management objectives and policies (cont'd.)

#### a) Credit risk (cont'd.)

##### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18 and Note 19. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

##### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 and Note 19.

#### b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposures to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met.

The Group's overall liquidity risk management is to maintain sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises funding from shareholders, capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	<b>2012</b>			<b>Total</b>
	<b>RM</b>			
	<b>On demand or within one year</b>	<b>One to five years</b>	<b>Over five years</b>	
<b>Group</b>				
<b>Financial liabilities:</b>				
Trade and other payables	16,287,887	–	–	16,287,887
Loans and borrowings	612,366	644,526	308,387	1,565,279
<b>Total undiscounted financial liabilities</b>	<b>16,900,253</b>	<b>644,526</b>	<b>308,387</b>	<b>17,853,166</b>
<b>Company</b>				
<b>Financial liabilities:</b>				
Trade and other payables	16,280,976	–	–	16,280,976
Loans and borrowings	612,366	644,526	308,387	1,565,279
<b>Total undiscounted financial liabilities</b>	<b>16,893,342</b>	<b>644,526</b>	<b>308,387</b>	<b>17,846,255</b>

# Notes to the Financial Statements

## - 31 March 2012

### 29. Financial risk management objectives and policies (cont'd.)

#### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from its loans and borrowings.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

##### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM12,247 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

#### d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the functional currency of the Group, ie. RM. The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD"), and Singapore Dollars ("SGD").

Approximately 0.7% (2011: 6.8%) and 62.8% (2011: 78.0%) of the Group's sales and costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

##### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's loss net of tax to a reasonably possible change in the USD and SGD exchange rate against the functional currency of the Group entities with all other variables held constant.

	<b>Group and Company Impact on loss net of tax Decrease/(increase) 2012 RM</b>
USD/RM - strengthened 5%	2,074,815
USD/RM - weakened 5%	(2,074,815)
SGD/RM - strengthened 5%	7,573
SGD/RM - weakened 5%	(7,573)

# Notes to the Financial Statements

## - 31 March 2012

### 30. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at a reasonable level. Included in the Group net debt are loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to owners of the parent.

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Loans and borrowings	22	1,565,279	5,429,100	1,565,279	5,429,100
Trade and other payables	23	16,287,887	17,352,159	16,280,976	17,339,730
Less: Cash and bank balances	21	(2,149,770)	(1,647,587)	(2,130,428)	(1,635,876)
Net debt		15,703,396	21,133,672	15,715,827	21,132,954
Equity attributable to owners of the parent		23,952,328	21,781,256	23,799,827	21,589,970
<b>Capital and net debt</b>		<b>39,655,724</b>	<b>42,914,928</b>	<b>39,515,654</b>	<b>42,722,924</b>
<b>Gearing ratio</b>		<b>40%</b>	<b>49%</b>	<b>40%</b>	<b>49%</b>

### 31. Segment information

#### Geographical information

Revenue information based on the geographical location of customers is as follows:

	Revenue	
	2012 RM	2011 RM
Malaysia	53,401,846	58,863,474
Singapore	151,451	3,827,378
Philippines	244,951	468,579
	<b>53,798,248</b>	<b>63,159,431</b>

No segmental analysis by business segment had been prepared as the operations of the Group are principally flour milling. The other activities are not significant to the Group.



# Notes to the Financial Statements

## - 31 March 2012

### 32. Significant events

During the financial year, the following events have occurred:

- (a) The Company has completed its corporate exercises with regards to the following:
  - (i) Capital Reduction of the existing issued and paid-up share capital of RM45,053,000 comprising 45,053,000 shares of RM1.00 each via the cancellation of RM0.50 of the par value of its shares via a High Court Order dated 17 June 2011. The exercise was completed on 30 June 2011.
  - (ii) Private Placement of 4,505,300 new ordinary shares of RM0.50 each representing 10% of the issued and paid-up share capital of the Company on 21 July 2011.
  - (iii) Rights Issue of 15,588,284 new ordinary shares of RM0.50 each on the basis of one (1) Rights Share for every two (2) existing shares held in the Company after the Capital Reduction and Private Placement, together with 23,382,426 free detachable warrants ("Warrants") on the basis of three (3) Warrants for every two (2) Rights Shares subscribed which was completed on 28 October 2011.
- (b) On 22 July 2011, the Company had filed a legal suit against Sidney Marketing Sdn. Bhd. and certain former officers of the Company for a sum of RM500,000 for misappropriation of funds in 2005. The Court has fixed the matter for Case Management on 3 September 2012 for parties to inform the Court if the matter can be settled. The trial dates for this matter has also been fixed on 27 and 28 September 2012.
- (c) On 22 July 2011, the Company via its subsidiary, KFM Marketing Sdn. Bhd. filed a legal suit against Sidney Marketing Sdn. Bhd. for a sum of RM1,216,002.70 being outstanding payment for goods sold and delivered. The Court has fixed the matter for Case Management on 3 September 2012 for parties to inform the Court if the matter can be settled. The trial dates for this matter has also been fixed on 2 and 3 October 2012.

### 33. Event occurring after the reporting date

On 16 April 2012, the Company acquired 51,000 ordinary shares representing 51% of equity interest in Dal Mar Trading & Services Sdn. Bhd. for a cash consideration of RM1.00.

# Notes to the Financial Statements

## - 31 March 2012

### 34. Supplementary information – breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 March 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants.

	<b>Group 2012 RM</b>	<b>Company 2012 RM</b>
Total accumulated losses of the Company and its subsidiaries		
- Realised	(5,938,153)	(9,240,725)
- Unrealised	467,260	467,260
Less: Consolidation adjustments	(3,150,071)	-
Accumulated losses as per financial statements	<u>(8,620,964)</u>	<u>(8,773,465)</u>

## Statistic on Shareholdings As at 15 August 2012

### DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Authorized Share Capital	:	RM75,000,000 of 150,000,000 ordinary shares of RM0.50 each
Issued and fully paid	:	RM32,573,292 comprising 65,146,584 ordinary shares of RM0.50 each
Class of share	:	Ordinary shares of RM0.50 each
Voting Rights		
- On show of hands	:	1 vote
- On a poll	:	1 vote for each share held

Name of Substantial Shareholder	Direct Interest	No. of Shares		%
		%	Deemed Interest	
NEO KIM HOCK	13,576,100	20.839	-	-
TAN BOON KIAT	4,178,300	6.413	32,000	0.049

SIZE OF HOLDINGS	No. of Holders		No. of Shares		%	
	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN
Less Than 100	81	1	1,721	9	0.00	0.00
100 - 1000	1,145	11	1,096,392	9,371	1.68	0.01
1001 - 10000	1,869	31	7,636,116	140,299	11.72	0.22
10001 - 100000	418	16	12,101,826	438,100	18.58	0.67
100001 and below 5%	65	2	30,491,650	2,103,550	46.81	3.23
5% and above	1	1	6,063,800	3,305,550	9.31	5.07
Directors	2	0	1,758,200	0	2.69	0.00
	3,581	62	59,149,705	5,996,879	90.79	9.21

### DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

#### The Company – Kuantan Flour Mills Berhad

	Direct Interest	No. of Shares		Deemed Interest	%
		%			
Tan Sri Mohamed Bin Ngah Said	-	-	-	-	-
Lee Chee Kian	16,000	0.02	5,000	-	-
Leong Chen Nyen	-	-	-	-	-
Kushairi Bin Zaidel	-	-	-	-	-
Ng Kay Eng	-	-	-	-	-
Dato' Mohd Hasnulhisham Bin Yaakob	-	-	-	-	-
Dennis Tow Jun Fye	1,742,200	2.67	-	-	-

All the Directors, by virtue of their interests in the shares of the Company, are also deemed to have interests in the shares of the Company's subsidiaries to the extent that the Company has an interest.

# Statistic on Shareholdings

## As at 15 August 2012

### THIRTY LARGEST SHAREHOLDERS

NO.	NAMES	NO.OF SHARES	%
1	M.I.T NOMINEES (TEMPATAN) SDN BHD (PLEGGED SECURITIES ACCOUNT FOR NEO KIM HOCK [MG0237-199])	6,063,800	9.31
2	F.I.T NOMINEES (ASING) SDN BHD (PLEGGED SECURITIES ACCOUNT FOR NUEVIZ INVESTMENT PRIVATE LIMITED [MG0031-199])	3,305,550	5.07
3	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEGGED SECURITIES ACCOUNT FOR TAN BOON KIAT)	3,027,600	4.65
4	M.I.T NOMINEES (TEMPATAN) SDN BHD (PLEGGED SECURITIES ACCOUNT FOR LEE CHAI HUAT [MG0019-199])	2,886,200	4.43
5	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD (PLEGGED SECURITIES ACCOUNT FOR NEO KIM HOCK (SFC))	2,083,800	3.20
6	HSBC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH [A/C CLIENTS-FGN])	1,993,550	3.06
7	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD (PLEGGED SECURITIES ACCOUNT FOR SOH KEY CHAI [SFC])	1,896,300	2.91
8	DENNIS TOW JUN FYE	1,742,200	2.67
9	CHIEW KIM LEE	1,501,750	2.31
10	TANG YEOW WAH	1,336,200	2.05
11	KWONG AH NGAW @ KWONG YING SIEW	1,247,850	1.92
12	LEE FONG KUAN	900,000	1.38
13	SOH HAN CHUEN	874,900	1.34
14	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD (MAYBANK KIM ENG SECURITIES PTE LTD FOR TAN BOON KIAT)	858,200	1.32
15	WONG SIEW FAI	789,000	1.21
16	ROZANA BINTI REDZUAN	752,700	1.16
17	KWONG YOU LAM	682,800	1.05
18	TAN SWEE KUANG	539,000	0.83
19	GAN LAM SEONG	500,000	0.77

## Statistic on Shareholdings As at 15 August 2012

### THIRTY LARGEST SHAREHOLDERS (CONT'D.)

NO.	NAMES	NO.OF SHARES	%
20	TAN SIOW HWEE	485,000	0.74
21	OSK NOMINEES (TEMPATAN) SDN BERHAD (PLEDGED SECURITIES ACCOUNT FOR LOH KUWEI LAM)	476,750	0.73
22	CIMSEC NOMINEES (TEMPATEN) SDN BHD (CIMB BANK FOR NG LIAN KOON [MY1345])	470,000	0.72
23	NG WOUI YING	458,000	0.70
24	CHIK KIN YEUN	433,700	0.67
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW [E-KLG/BTG])	408,200	0.63
26	EAGLE OPTION SDN BHD	340,000	0.52
27	KWONG YEW NAM	322,200	0.49
28	M.I.T NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT [MG0073-199])	292,500	0.45
29	M.I.T NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR ONG KHONG HENG [MG0245-199])	270,000	0.41
30	K. MEENAMBAL A/P THIRUNAVUKARASU	260,000	0.40
		37,197,750	57.10

## List of Properties Held By the Group as at 31 March 2012

A summary of KFM-owned properties is set out as below:

Location	Tenure	Date of Revaluation/ Date of Acquisition	Area	Description	Age of Building	Net Carrying Amount RM'000
Pajakan Negeri 550 Lot 1863 Mukim Sungai Karang, Kuantan, Pahang.	21 years and 3.5 months lease expiring on 30 December 2027	15-Sep-85	25,425 sq. metres	Office and Factory	26 years and 19 years	1,404 2,224
HS(M) 13839 Lot. No. 23617 Mukim Kuala Kuantan, Kuantan, Pahang	Freehold	14-Dec-90	446 sq. metres	Double storey Detached House	21 years	67
HS(D) 116996 - 116997, Lot No. PT No. 24900 - 24901, Mukim of Petaling, District of Petaling, Selangor Darul Ehsan.	99 years leasehold expiring 21 February 2093	23-Apr-07	2,625 sq. feet	1 unit 1 1/2 storey terraced factory	7 years	395
HS(D) 116996 - 116997, Lot No. PT No. 24900 - 24901, Mukim of Petaling, District of Petaling, Selangor Darul Ehsan.	99 years leasehold expiring 21 February 2093	26-Jul-07	2,625 sq. feet	1 unit 1 1/2 storey terraced factory	7 years	388
HS(D) 191512, Lot No. 61067, Mukim Plentong, District of Johor Bahru, Johor.	Freehold	31-Jul-09	446 sq. metres	1 unit 1 1/2 storey terrace factory	20 years	556

# Notice of Twenty Eighth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of the Company will be held at The Zenith Hotel, Zenith 4 & 5, Level 3, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang Darul Makmur, Malaysia on Wednesday, 26 September, 2012 at 2.30 p.m. for the purpose of transacting the following businesses: -

1. To receive the Audited Financial Statements for the year ended 31 March 2012 together with the Reports of the Directors and Auditors thereon.  
(Refer to Note 6)
2. To approve the payment of Directors' fees for the financial year ended 31 March 2012. (Resolution 1)
3. To re-elect as Director, Encik. Kushairi bin Zaidel, who retires by rotation in accordance with Article 63 of the Company's Articles of Association and, being eligible, offers himself for re-election. (Resolution 2)
4. To re-elect as Director, Dato' Mohd Hasnulhisham Bin Yaakob, who retires by rotation in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for re-election. (Resolution 3)
5. To re-elect as Director, Mr. Dennis Tow Jun Fye, who retires by rotation in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for re-election. (Resolution 4)
6. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965: - (Resolution 5)  
  
"That Tan Sri Mohamed Bin Ngah Said, who is retiring pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting."
7. To appoint Messrs . McMillan Woods Thomas ( Audit Firm No. AF001879) in place of retiring Auditors, Messrs. Ernst & Young who have evinced their intention not to be reappointed and to authorize the Directors to fix the remuneration of Messrs McMillan Woods Thomas. (Resolution 6)

## **AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following Ordinary Resolution: -

8. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** (Resolution 7)  
  
"That pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."  
(Refer to Note 8)





# Notice of Twenty Eighth Annual General Meeting

9. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association.

BY ORDER OF THE BOARD,

Tan Yoke May  
(MACS 01531)  
Company Secretary

Kuala Lumpur  
30th August 2012

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member may appoint one (1) or more than one (1) proxy to attend and vote instead of the member. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or by his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised. In the case of joint holders, all holders must sign the Proxy Form.
5. The instrument appointing a proxy must be deposited at the registered office of the Company at Kawasan Lembaga Pelabuhan Kuantan, KM25, Jalan Kuantan/Kemaman, Tanjung Gelang, 25740 Kuantan, Pahang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

## **Audited Financial Statements for the financial year ended 31 March 2012 together with the Reports of the Directors and Auditors thereon**

6. This agenda is tabled for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.
7. Messrs Ernst & Young have evinced their intention not to be reappointed as Auditors. The Nomination of new Auditors, Messrs McMillan Woods Thomas was duly recommended by the Audit Committee and approved by the Board.

## **Explanatory Notes on Special Business**

### **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**

8. The General Mandate Pursuant to Resolution 7 will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and / or acquisitions.

Ordinary Resolution No. 7, if passed, will give the Directors of the Company, from the date of the Annual General Meeting, authority to allot and issue ordinary shares from the un-issued share capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being as and when business opportunities arise which the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

# Notice of Twenty Eighth Annual General Meeting

Statement Accompanying the Notice of Annual General Meeting  
Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

Name of Director who is standing for Re-election pursuant to Article 63:  
- Encik Kushairi Bin Zaidel

Name of Directors who is standing for Re-election pursuant to Article 68:  
- Dato' Mohd Hasnulhisham Bin Yaakob  
- Mr. Dennis Tow Jun Fye

Name of Director who is standing for Re-appointment pursuant to Section 129 of Companies Act, 1965:  
- Tan Sri Mohamed Bin Ngah Said

The details of the Directors who are standing for re-election /re-appointment are set out in the Directors' Profile on Page 17 to 18 and their securities holdings in the Company are set out in the Statistics on Shareholdings on Page 69 of this Annual Report.

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**KUANTAN FLOUR MILLS BERHAD**  
Company No. 119598 – P  
(Incorporated in Malaysia)

**PROXY FORM**

I/We, .....  
of.....  
Being a member/members of **KUANTAN FLOUR MILLS BERHAD** (Company No. 119598-P) hereby appoint .....  
.....  
of.....  
or failing him/her.....  
of.....  
or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Twenty Eighth Annual General Meeting of the Company to be held on Wednesday, 26 September 2012 and at any adjournment thereof. My/Our proxy is to vote as indicated below: -

<b>ORDINARY BUSINESS</b>		<b>FOR</b>	<b>AGAINST</b>
1.	Approval of Directors' fees for the year ended 31st March 2012		
2.	Re-election of Director, Encik Kushairi Bin Zaidel		
3.	Re-election of Director, Dato'Mohd Hasnulhisham bin Yaakob		
4.	Re-election of Director, Mr. Dennis Tow Jun Fye		
5.	Re-appointment of Director, Tan Sri Mohamed bin Ngah Said		
6.	To appoint Messrs. McMillan Woods Thomas in place of retiring Auditors, Messrs. Ernst & Young and to authorise the Directors to fix the remuneration of Messrs McMillan Wood Thomas		
<b>SPECIAL BUSINESS</b>			
7.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		

(Please indicate with an "X" in the appropriate box against the resolutions on how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

The proportion of my/our holding to be represented by my/our proxy/proxies is as follows: -

First Named Proxy	%
Second Named Proxy	%
	<u>100 %</u>

In case of a vote taken by show of hands, the first proxy shall vote on my/our behalf.

Signed this ..... Day of ....., 2012.

.....  
Signature of Shareholder or Common Seal

No. of shares held:	
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**Notes:**

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member may appoint one (1) or more than one (1) proxy to attend and vote instead of the member. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or by his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised. In the case of joint holders, all holders must sign the Proxy Form.
5. The instrument appointing a proxy must be deposited at the registered office of the Company at Kawasan Lembaga Pelabuhan Kuantan, KM25, Jalan Kuantan/Kemaman, Tanjung Gelang, 25740 Kuantan, Pahang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.



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Stamp

The Company Secretary  
**KUANTAN FLOUR MILLS BERHAD** (119598-P)  
Kawasan Lembaga Pelabuhan Kuantan  
KM25, Jalan Kuantan/Kemaman  
Tanjung Gelang  
25740 Kuantan  
Pahang

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