

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2008

I. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of 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 12.

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 11 July 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2007 as described in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis.

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

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

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. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(a) Subsidiaries and Basis of Consolidation (Cont'd.)

(ii) Basis of Consolidation (Cont'd.)

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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. Buildings under construction are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings, factory and civil works	2.5% - 5%
Plant and machinery	3.33% - 5%
Equipment and fixtures	5% - 20%
Motor vehicles	10% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(c) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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 considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

(d) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

(e) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call, net of outstanding bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Financial Instruments (Cont'd.)

(ii) Other Non-Current Investments

Non-current investments are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iv) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(v) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(vi) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

(vii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(f) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Leases (Cont'd.)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2 (b).

(g) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where 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.

(i) Employee Benefits

(i) 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 employee. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Employee Benefits (Cont'd.)

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

(j) Foreign Currencies

(i) 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.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rate prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(k) Revenue Recognition

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.

(i) Sale of Goods

Revenue is recognised net of sales taxes and discounts upon the transfer of risks and rewards of ownership to the buyer. 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.

(ii) Revenue from Services

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

(iii) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 April 2007, the Group and the Company adopted the following revised FRSs:

FRS 117: Leases
FRS 124: Related Party Disclosures

The MASB has also issued FRS 6: Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119₂₀₀₄: Employees Benefits - Actuarial Gains and Losses, Group Plans and Disclosures which will be effective for annual periods beginning on or after 1 January 2007. FRS 6 and Amendment to FRS 119₂₀₀₄ are not applicable to the Group and the Company.

The adoption of the revised FRS 124 gives rise to additional disclosures but did not result in any significant impact to the financial statements of the Group and the Company. The adoption of FRS 117 did not result in any significant impact to the financial statements of the Group and the Company.

In addition, the Group and the Company have early adopted the revised FRS 112 Income Taxes for the financial year beginning 1 April 2007. The adoption of the revised FRS 112 did not result in any significant impact to the financial statements of the Group and the Company.

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new and revised FRSs, Amendment to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendment to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2 Share-based Payment	1 July 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards and Interpretations Issued but Not Yet Effective (Cont'd.)

The above new and revised FRSs, Amendment to FRS and Interpretations are expected to have no significant impact to the financial statements of the Group and of the Company upon their initial application.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2.5 Changes in Estimates

There were no significant changes made by the management during the financial year.

2.6 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

There were no significant judgements made in applying the Group's accounting policy which may have significant effect on the amounts recognised in the financial statements.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 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.

3. REVENUE

	2008 Group RM	2007 RM	2008 Company RM	2007 RM
Sale of flour and related products	94,204,721	87,676,195	94,438,492	81,560,459
Transportation income	1,502,887	1,708,060	1,502,887	670,516
Income from disposal of marketable securities	-	155,677	-	-
	95,707,608	89,539,932	95,941,379	82,230,975

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4. COST OF SALES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cost of inventories sold	81,777,740	78,588,736	81,737,704	74,442,671
Cost of services rendered	1,356,289	1,185,269	1,455,027	596,465
Cost of marketable securities	-	479,006	-	-
	83,134,029	80,253,011	83,192,731	75,039,136

5. FINANCE COSTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest expense on:				
Hire purchase	108,609	84,177	98,470	54,881
Term loans	1,625,161	898,861	1,625,161	898,861
Overdrafts	8,050	11,857	-	-
Bankers' acceptances	362,281	465,114	362,281	465,114
Others	38,368	9,038	38,368	9,038
	2,142,469	1,469,047	2,124,280	1,427,894

6. PROFIT/(LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Depreciation of property, plant and equipment (Note 11)	1,324,445	1,315,230	1,241,008	1,202,780
Auditors' remuneration	45,500	45,000	40,000	40,000
Provision for doubtful debts	1,510,630	2,309,297	4,448,923	1,072,272
Employee benefits expense (Note 7)	4,743,010	4,962,681	4,760,080	3,285,266
Directors' fee (Note 8)	117,000	108,000	117,000	108,000
Property, plant and equipment written off	-	22,806	-	1

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6. PROFIT/(LOSS) BEFORE TAX (CONT'D.)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Rental of land and buildings	606,931	672,054	606,931	394,620
Insurance compensation	-	(29,000)	-	(29,000)
Provision for doubtful debts recovered	(53,245)	(46,932)	(14,437)	(46,932)
Bad debts written off	117,000	66,333	95,909	58,192
Write down of inventories	127,173	-	127,173	-
Reversal of other payables	(920)	-	-	-
Loss on disposal of marketable securities	-	323,329	-	-
Realised loss/(gain) on foreign exchange	271,714	(270,693)	271,359	(237,758)
Unrealised foreign exchange loss	2,077	9,634	2,999	-
Interest income	(48,011)	(199)	(48,011)	(199)
Gain on disposal of property, plant and equipment	(24,516)	(56,254)	(24,516)	(56,254)

7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Salaries and wages	3,830,568	4,122,672	3,828,568	2,730,341
Social security costs	58,185	53,664	58,055	32,069
Short-term accumulating compensated absences	16,503	(1,804)	36,425	-
Pension costs - defined contribution plan	526,258	458,628	525,536	289,945
Other staff related expenses	311,496	329,521	311,496	232,911
	4,743,010	4,962,681	4,760,080	3,285,266

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM169,400 (2007: RM391,994) and RM169,400 (2007: RM287,110) respectively as further disclosed in Note 8.

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8. DIRECTORS' REMUNERATION

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	151,400	348,110	151,400	255,910
Pension costs - defined contribution plan	18,000	43,884	18,000	31,200
	<u>169,400</u>	<u>391,994</u>	<u>169,400</u>	<u>287,110</u>
Non-Executive (Note 6):				
Fees	117,000	108,000	117,000	108,000
Other emoluments	4,900	10,500	4,900	10,500
	<u>121,900</u>	<u>118,500</u>	<u>121,900</u>	<u>118,500</u>
Total directors' remuneration (Note 27(b))	<u>291,300</u>	<u>510,494</u>	<u>291,300</u>	<u>405,610</u>

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

Executive directors:

RM150,001 - RM200,000

Non-executive directors:

Below RM50,000

Number of Directors	
2008	2007
1	2
4	3

9. INCOME TAX EXPENSE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Income tax:				
Malaysian income tax	9,720	54	9,720	54
Under provision in prior years	234	2,685	57	2,685
	<u>9,954</u>	<u>2,739</u>	<u>9,777</u>	<u>2,739</u>
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	-	497,349	-	-
	<u>9,954</u>	<u>500,088</u>	<u>9,777</u>	<u>2,739</u>

9. INCOME TAX EXPENSE (CONT'D.)

The statutory tax rates for companies with paid up capital of RM2.5 million and below at the beginning of the basis period for the year of assessment are as follows:

	2008 Rate	2007 Rate
Chargeable income		
First RM500,000	20%	20%
Amount exceeding RM500,000	26%	27%

Current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 25% in subsequent years of assessment.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2008 RM	2007 RM
Group		
Profit/(Loss) before tax	2,265,245	(759,165)
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	588,964	(204,975)
Effect of expenses not deductible for tax purposes	133,230	524,187
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,407,365)	(1,377,162)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	694,891	1,058,004
Reversal of deferred tax assets recognised on unabsorbed capital allowances and unrecognised tax losses	-	497,349
Under provision of tax expense in prior years	234	2,685
Income tax expense for the year	<u>9,954</u>	<u>500,088</u>
Company		
(Loss)/Profit before tax	<u>(391,968)</u>	<u>1,837,576</u>
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	(101,912)	496,146
Effect of expenses not deductible for tax purposes	1,234,632	131,908
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,407,365)	(1,365,456)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	284,365	737,456
Under provision of tax expense in prior years	57	2,685
Income tax expense for the year	<u>9,777</u>	<u>2,739</u>

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10. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year held by the Company.

Net profit/(loss) for the year (RM)
Weighted average number of ordinary shares
in issue (unit)
Basic earnings/(loss) per share (sen)

	2008	2007
Net profit/(loss) for the year (RM)	2,255,291	(1,259,253)
Weighted average number of ordinary shares in issue (unit)	45,053,000	45,053,000
Basic earnings/(loss) per share (sen)	5.01	(2.80)

(b) Diluted

Diluted earnings/(loss) per share are not represented as the Company has no potential ordinary shares as at balance sheet date.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM	Buildings, Factory and Civil Works RM	Plant and Machinery RM	Equipment and Fixtures RM	Motor Vehicles RM	Building Under Construction RM	Total RM
GROUP							
At 31 March 2008							
Cost							
At 1 April 2007	11,700	9,722,258	37,015,736	4,640,057	8,931,224	82,731	60,403,706
Additions	-	869,500	-	324,699	1,351,735	-	2,545,934
Disposals	-	-	-	-	(954,278)	-	(954,278)
Reclassification	-	11,870	(11,870)	82,731	-	(82,731)	-
At 31 March 2008	11,700	10,603,628	37,003,866	5,047,487	9,328,681	-	61,995,362
Accumulated Depreciation							
At 1 April 2007	-	4,128,541	22,788,861	3,316,553	6,814,166	-	37,048,121
Charge for the year	-	262,818	711,275	244,703	105,649	-	1,324,445
Disposals	-	-	-	-	(606,494)	-	(606,494)
At 31 March 2008	-	4,391,359	23,500,136	3,561,256	6,313,321	-	37,766,072
Net carrying amount							
At 31 March 2008	11,700	6,212,269	13,503,730	1,486,231	3,015,360	-	24,229,290

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II. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold Land RM	Buildings, Factory and Civil Works RM	Plant and Machinery RM	Equipment and Fixtures RM	Motor Vehicles RM	Building Under Construction RM	Total RM
GROUP (CONT'D.)							
At 31 March 2007							
Cost							
At 1 April 2006	11,700	9,711,958	36,951,462	4,309,232	8,299,883	11,374	59,295,609
Additions	-	10,300	64,294	332,277	1,324,047	82,731	1,813,649
Disposals	-	-	-	-	(525,594)	(11,374)	(536,968)
Write off	-	-	-	(1,310)	(167,570)	-	(168,880)
Adjustments	-	-	(20)	(142)	458	-	296
At 31 March 2007	11,700	9,722,258	37,015,736	4,640,057	8,931,224	82,731	60,403,706
Accumulated Depreciation							
At 1 April 2006	-	3,877,972	22,079,417	3,053,693	7,142,891	-	36,153,973
Charge for the year	-	250,569	709,369	263,658	91,634	-	1,315,230
Disposals	-	-	-	-	(274,759)	-	(274,759)
Write off	-	-	-	(712)	(145,362)	-	(146,074)
Adjustments	-	-	75	(86)	(238)	-	(249)
At 31 March 2007	-	4,128,541	22,788,861	3,316,553	6,814,166	-	37,048,121
Net carrying amount							
At 31 March 2007	11,700	5,593,717	14,226,875	1,323,504	2,117,058	82,731	23,355,585
COMPANY							
At 31 March 2008							
Cost							
At 1 April 2007	11,700	9,602,629	36,678,312	4,100,842	6,055,766	82,731	56,531,980
Additions	-	869,500	-	324,699	1,351,735	-	2,545,934
Disposals	-	-	-	-	(954,278)	-	(954,278)
Reclassification	-	11,870	(11,870)	82,731	-	(82,731)	-
Transfer	-	-	-	14,175	588,824	-	602,999
At 31 March 2008	11,700	10,483,999	36,666,442	4,522,447	7,042,047	-	58,726,635
Accumulated Depreciation							
At 1 April 2007	-	4,046,948	22,559,046	3,169,951	4,540,279	-	34,316,224
Charge for the year	-	256,837	694,403	196,866	92,902	-	1,241,008
Disposals	-	-	-	-	(606,494)	-	(606,494)
At 31 March 2008	-	4,303,785	23,253,449	3,366,817	4,026,687	-	34,950,738
Net carrying amount							
At 31 March 2008	11,700	6,180,214	13,412,993	1,155,630	3,015,360	-	23,775,897

NOTES TO THE FINANCIAL STATEMENTS

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II. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold Land RM	Buildings, Factory and Civil Works RM	Plant and Machinery RM	Equipment and Fixtures RM	Motor Vehicles RM	Building Under Construction RM	Total RM
COMPANY (CONT'D.)							
At 31 March 2007							
Cost							
At 1 April 2006	11,700	9,592,329	36,614,038	3,930,139	5,910,085	11,374	56,069,665
Additions	-	10,300	64,294	170,845	781,987	82,731	1,110,157
Disposals	-	-	-	-	(525,594)	(11,374)	(536,968)
Write off	-	-	-	-	(111,170)	-	(111,170)
Adjustments	-	-	(20)	(142)	458	-	296
At 31 March 2007	11,700	9,602,629	36,678,312	4,100,842	6,055,766	82,731	56,531,980
Accumulated Depreciation							
At 1 April 2006	-	3,802,360	21,866,474	2,950,321	4,880,466	-	33,499,621
Charge for the year	-	244,588	692,497	219,716	45,979	-	1,202,780
Disposals	-	-	-	-	(274,759)	-	(274,759)
Write off	-	-	-	-	(111,169)	-	(111,169)
Adjustments	-	-	75	(86)	(238)	-	(249)
At 31 March 2007	-	4,046,948	22,559,046	3,169,951	4,540,279	-	34,316,224
Net carrying amount							
At 31 March 2007	11,700	5,555,681	14,119,266	930,891	1,515,487	82,731	22,215,756

- (a) 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 are as follows:

	Group and Company 2008 RM	2007 RM
Not later than 1 year	378,958	378,958
Later than 1 year and not later than 5 years	1,410,863	1,530,673
Later than 5 years	5,030,409	5,291,197
	6,820,230	7,200,828

- (b) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM2,545,934 (2007: RM1,813,649) and RM2,545,934 (2007: RM1,110,157) respectively of which RM812,080 (2007: RM1,137,250) and RM812,080 (2007: RM615,250) respectively were acquired by means of hire purchase arrangements. Net carrying amount of property, plant and equipment held under hire purchase arrangements is as follows:

	2008 RM	Group 2007 RM	Company 2008 RM	2007 RM
Motor vehicles	2,615,884	1,589,361	2,615,884	1,126,302

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENTS IN SUBSIDIARIES

Unquoted shares at cost
Less: Accumulated impairment loss

Company	
2008 RM	2007 RM
1,911,006	1,911,006
(1,910,998)	(1,910,998)
<u>8</u>	<u>8</u>

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal activities
		2008	2007	
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	100	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 initiated the process to wind up this company.

13. OTHER INVESTMENTS

Unquoted shares, at cost
Less: Accumulated impairment losses

Group and Company	
2008 RM	2007 RM
1,735,500	1,735,500
(276,584)	(276,584)
<u>1,458,916</u>	<u>1,458,916</u>

14. DEFERRED TAX

At beginning of year
Recognised in income statement (Note 9)
At end of year

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At beginning of year	-	(497,349)	-	-
Recognised in income statement (Note 9)	-	497,349	-	-
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2008

14. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred Tax Liabilities of the Group:

At 1 April 2007/31 March 2008

At 1 April 2006

Recognised in income statement

At 31 March 2007

Property, Plant
and Equipment
RM

-

3,771,480

(3,771,480)

-

Deferred Tax Assets of the Group:

At 1 April 2007/31 March 2008

At 1 April 2006

Recognised in income statement

At 31 March 2007

Other Payables RM	Tax Losses, Unabsorbed Capital Allowances and Unutilised Reinvestment Allowances RM	Total RM
-	-	-
(20,799)	(4,248,030)	(4,268,829)
20,799	4,248,030	4,268,829
-	-	-

Deferred Tax Liabilities of the Company:

At 1 April 2007/31 March 2008

At 1 April 2006

Recognised in income statement

At 31 March 2007

Property, Plant
and Equipment
RM

-

3,769,680

(3,769,680)

-

Deferred Tax Assets of the Company:

At 1 April 2007/31 March 2008

At 1 April 2006

Recognised in income statement

At 31 March 2007

Other Payables RM	Unabsorbed Capital Allowances and Unutilised Reinvestment Allowances RM	Total RM
-	-	-
(15,205)	(3,754,475)	(3,769,680)
15,205	3,754,475	3,769,680
-	-	-

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unused tax losses	17,068,000	18,957,000	10,078,000	14,764,000
Unabsorbed capital allowances	1,932,000	1,834,000	-	-
Unutilised reinvestment allowances	11,571,000	7,716,000	11,571,000	7,716,000
	<u>30,571,000</u>	<u>28,507,000</u>	<u>21,649,000</u>	<u>22,480,000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2008

14. DEFERRED TAX (CONT'D.)

The unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances of the Group amounting to RM17,068,000 (2007: RM18,957,000), RM1,932,000 (2007: RM1,834,000) and RM11,571,000 (2007: RM7,716,000) respectively 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.

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

15. INVENTORIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cost				
Raw materials	7,591,061	6,294,779	7,591,061	6,294,779
Finished goods	1,689,243	1,960,131	1,689,243	514,059
By-products	-	11,542	-	11,542
Work-in-progress	430,941	309,367	430,941	309,367
	<u>9,711,245</u>	<u>8,575,819</u>	<u>9,711,245</u>	<u>7,129,747</u>
Net realisable value				
Consumables	1,131,378	1,205,112	1,131,378	1,205,112
	<u>10,842,623</u>	<u>9,780,931</u>	<u>10,842,623</u>	<u>8,334,859</u>

16. TRADE RECEIVABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables				
Third parties	21,501,920	22,613,419	18,731,215	4,017,828
Subsidiaries	-	-	5,423,722	23,761,295
	<u>21,501,920</u>	<u>22,613,419</u>	<u>24,154,937</u>	<u>27,779,123</u>
Less:				
Provision for doubtful debts				
Third parties	(5,204,676)	(4,013,154)	(2,757,519)	(2,755,091)
Subsidiaries	-	-	(5,281,106)	(2,335,630)
	<u>(5,204,676)</u>	<u>(4,013,154)</u>	<u>(8,038,625)</u>	<u>(5,090,721)</u>
	<u>16,297,244</u>	<u>18,600,265</u>	<u>16,116,312</u>	<u>22,688,402</u>

NOTES TO THE FINANCIAL STATEMENTS

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16. TRADE RECEIVABLES (CONT'D.)

(a) Credit risk

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 14 to 90 days. Each customer has a maximum credit limit. The Group's trade receivables relate to a large number of diversified customers, hence, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

(b) Amount due from subsidiaries

The amounts due from subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related parties transactions are disclosed in Note 27.

17. OTHER RECEIVABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Deposits	3,569,654	3,863,524	3,531,801	3,743,121
Prepayments	122,529	160,390	122,529	117,913
Tax recoverable	121,878	121,932	88,164	88,218
Other receivables	3,923,444	4,121,327	564,544	766,353
Amount due from subsidiaries	-	-	3,160,056	1,880,927
	<u>7,737,505</u>	<u>8,267,173</u>	<u>7,467,094</u>	<u>6,596,532</u>
Less:				
Provision for doubtful debts				
Third parties	(3,859,999)	(3,859,999)	(500,000)	(500,000)
Subsidiaries	-	-	(3,160,056)	(1,880,927)
	<u>(3,859,999)</u>	<u>(3,859,999)</u>	<u>(3,660,056)</u>	<u>(2,380,927)</u>
	<u>3,877,506</u>	<u>4,407,174</u>	<u>3,807,038</u>	<u>4,215,605</u>

The amounts due from subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 27.

Other information on financial risks of other receivables are disclosed in Note 29.

18. MARKETABLE SECURITIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Shares quoted in Malaysia, at cost	16,677	16,677	16,677	16,677
Market value of quoted shares	<u>25,834</u>	<u>53,334</u>	<u>25,834</u>	<u>53,334</u>

NOTES TO THE FINANCIAL STATEMENTS

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19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash on hand and at banks	874,690	1,861,595	756,870	334,029
Deposits with licensed banks	1,153,250	626,467	1,153,250	626,467
Cash and bank balances	2,027,940	2,488,062	1,910,120	960,496
Bank overdraft (Note 20)	(65,758)	(109,458)	-	-
Cash and cash equivalents	1,962,182	2,378,604	1,910,120	960,496

Deposits with licensed banks of the Group and of the Company amounting to RMI,153,250 (2007: RM626,467) are pledged to bank as security for bank guarantee and other bank facilities.

Other information on financial risks of cash and cash equivalents are disclosed in Note 29.

20. BORROWINGS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short Term Borrowings				
Secured:				
Bank overdraft	65,758	109,458	-	-
Hire purchase (Note 21)	527,540	392,937	527,540	270,873
Term loans	4,082,303	3,780,436	4,082,303	3,780,436
	4,675,601	4,282,831	4,609,843	4,051,309
Long Term Borrowings				
Secured:				
Hire purchase (Note 21)	1,106,042	913,300	1,106,042	556,896
Term loans	11,940,599	15,871,719	11,940,599	15,871,719
	13,046,641	16,785,019	13,046,641	16,428,615
Total Borrowings				
Bank overdraft (Note 19)	65,758	109,458	-	-
Hire purchase (Note 21)	1,633,582	1,306,237	1,633,582	827,769
Term loans	16,022,902	19,652,155	16,022,902	19,652,155
	17,722,242	21,067,850	17,656,484	20,479,924
Maturity of borrowings: (excluding hire purchase):				
Within one year	4,148,061	3,889,894	4,082,303	3,780,436
More than 1 year and less than 2 years	4,348,167	3,986,730	4,348,167	3,986,730
More than 2 years and less than 5 years	7,592,432	11,849,845	7,592,432	11,849,845
More than 5 years	-	35,144	-	35,144
	16,088,660	19,761,613	16,022,902	19,652,155

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2008

20. BORROWINGS (CONT'D.)

The bank overdraft of the Group is secured by corporate guarantee of the Company.

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

- a negative pledge on the assets of the Company; and
- a registered debenture incorporating a fixed and floating charge of RM7,000,000 over all assets of the Company, both present and future.

Other information on financial risks of borrowings are disclosed in Note 29.

21. HIRE PURCHASE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Minimum payments:				
Not later than 1 year	621,865	474,480	621,865	323,848
Later than 1 year and not later than 2 years	572,414	379,923	572,414	254,883
Later than 2 years and not later than 5 years	535,696	564,316	535,696	314,236
Later than 5 years	91,891	84,843	91,891	48,248
	<u>1,821,866</u>	<u>1,503,562</u>	<u>1,821,866</u>	<u>941,215</u>
Less: Future finance charges	(188,284)	(197,325)	(188,284)	(113,446)
Present value of hire purchase liabilities	<u>1,633,582</u>	<u>1,306,237</u>	<u>1,633,582</u>	<u>827,769</u>
Present value of hire purchase liabilities:				
Not later than 1 year	527,540	392,937	527,540	270,873
Later than 1 year and not later than 2 years	518,033	324,096	518,033	221,799
Later than 2 years and not later than 5 years	498,762	517,169	498,762	288,711
Later than 5 years	89,247	72,035	89,247	46,386
	<u>1,633,582</u>	<u>1,306,237</u>	<u>1,633,582</u>	<u>827,769</u>
Analysed as:				
Due within 12 months (Note 20)	527,540	392,937	527,540	270,873
Due after 12 months (Note 20)	1,106,042	913,300	1,106,042	556,896
	<u>1,633,582</u>	<u>1,306,237</u>	<u>1,633,582</u>	<u>827,769</u>

Other information on financial risks of hire purchase are disclosed in Note 29.

22. TRADE PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2008

23. OTHER PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Deposits	-	91,265	-	91,265
Accruals	1,155,152	809,471	1,144,966	559,535
Other payables	2,255,050	1,614,242	2,222,225	1,173,313
	<u>3,410,202</u>	<u>2,514,978</u>	<u>3,367,191</u>	<u>1,824,113</u>

Other information on financial risks of other payables are disclosed in Note 29.

24. SHARE CAPITAL

	Number of Ordinary Shares of RMI Each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised				
At 1 April/ 31 March	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid				
At 1 April/ 31 March	<u>45,053,000</u>	<u>45,053,000</u>	<u>45,053,000</u>	<u>45,053,000</u>

Employee Share Option Scheme (“ESOS”)

The Company implemented an Employee Share Option Scheme (“ESOS”) which was approved by the shareholders on 21 November 2000.

The salient features of the ESOS are as follows:

- (i) In aggregate, the maximum number of new shares which may be allotted pursuant to the exercise option granted under this scheme shall not exceed 10% of the issued and paid up shares of the Company at any point of time during the existence of this scheme.
- (ii) The option price under the ESOS shall be higher of the five days weighted average market price of the shares as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad preceding the date of offer set at a discount of not more than 10% or the par value of the shares.
- (iii) The Options granted may be exercised at any time before the expiry of the ESOS on 15 April 2006.
- (iv) The persons to whom the Options have been granted have no right to participate by virtue of the Options in any share issue of any other company.

The terms of share options outstanding as at the end of the financial year are as follows:

Number of share options vested:

	2008 ‘000	2007 ‘000
At beginning of year	-	899
At end of year	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

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24. SHARE CAPITAL (CONT'D.)

Grant Date	Expiry Date	Exercise Price RM	← Number of Share Options →				At 31 March '000
			At 1 April '000	Granted '000	Exercised '000	Lapsed '000	
2007							
16 Apr 2001	15 Apr 2006	1.15	30	-	-	(30)	-
19 Dec 2002	15 Apr 2006	1.15	8	-	-	(8)	-
16 Jul 2003	15 Apr 2006	1.92	861	-	-	(861)	-
			899	-	-	(899)	-

25. CONTINGENT LIABILITIES

As at 31 March 2008, the Company's total corporate guarantee to a subsidiary was RM65,758 (2007: RM109,458).

26. LITIGATION CASE

Subsequent to the financial year end, 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 an agreement to set-up a joint venture business. 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.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with subsidiaries during the financial year:

	Company	
	2008 RM	2007 RM
Sale of flour and premix to a subsidiary, KFM Marketing Sdn. Bhd.	-	72,047,013
Purchase of flour, premix flour and flour ingredients from a subsidiary, KFM Marketing Sdn. Bhd.	(1,696,587)	(397,567)
Transportation services provided by a subsidiary, KFM Transport Sdn. Bhd.	-	(30,933)
Transportation services provided to a subsidiary, KFM Marketing Sdn. Bhd.	-	569,246
Transfer of equipment and fixtures and motor vehicles from a subsidiary, KFM Transport Sdn. Bhd.	602,999	-

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

(b) Compensation of key management personnel

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short-term employee benefits	936,372	886,790	936,372	886,790
Post-employment benefits: Defined contribution plan	118,104	122,412	118,104	122,412
	1,054,476	1,009,202	1,054,476	1,009,202

Included in the total key management personnel are:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors' remuneration (Note 8)	291,300	510,494	291,300	405,610

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under the Employee Share Options Scheme ("ESOS"):

	Company	
	2008 RM	2007 RM
At 1 April	-	899
Lapsed	-	(899)
At 31 March	-	-

The share options were on the same terms and conditions as those offered to other employees of the Group (Note 24).

28. CAPITAL COMMITMENT

Capital expenditure
Approved and contracted for:
Property, plant and equipment

Group and Company	
2008 RM	2007 RM
858,503	438,000

29. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2008

29. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest Rate Risk (Cont'd.)

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing debts and assets. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits or marketable securities.

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the balance sheet date and the remaining maturities of the Group's and Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 Year RM	Within 1-2 Years RM	Within 2-5 Years RM	More Than 5 Years RM	Total RM
At 31 March 2008							
Group							
Fixed rate							
Term loans	20	7.85	(4,082,303)	(4,348,167)	(7,592,432)	-	(16,022,902)
Hire purchase payables	21	6.78	(527,540)	(518,033)	(498,762)	(89,247)	(1,633,582)
Floating rate							
Cash and bank balances	19	3.67	2,027,940	-	-	-	2,027,940
Bank overdraft	20	8.75	(65,758)	-	-	-	(65,758)
Company							
Fixed rate							
Term loans	20	7.85	(4,082,303)	(4,348,167)	(7,592,432)	-	(16,022,902)
Hire purchase payables	21	6.78	(527,540)	(518,033)	(498,762)	(89,247)	(1,633,582)
Floating rate							
Cash and bank balances	19	3.67	1,910,120	-	-	-	1,910,120
At 31 March 2007							
Group							
Fixed rate							
Term loans	20	9.03	(3,780,436)	(3,986,730)	(11,849,845)	(35,144)	(19,652,155)
Hire purchase payables	21	7.75	(270,873)	(221,799)	(288,711)	(46,386)	(827,769)
Floating rate							
Cash and bank balances	19	3.43	2,488,062	-	-	-	2,488,062
Bank overdrafts	20	8.75	(109,458)	-	-	-	(109,458)
Company							
Fixed rate							
Term loans	20	9.03	(3,780,436)	(3,986,730)	(11,849,845)	(35,144)	(19,652,155)
Hire purchase payables	21	7.75	(270,873)	(221,799)	(288,711)	(46,386)	(827,769)
Floating rate							
Cash and bank balances	19	3.43	960,496	-	-	-	960,496

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months except for term loans and floating rate loans which are priced annually. Interest on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

29. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Foreign Currency Risk

The Group operates internationally and is exposed to Singapore Dollars and United States Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

(d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains 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.

(e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. 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. However, the Group is still exposed to doubtful debts as a result of default in payments by certain debtors. Tighter credit control procedures are being implemented to minimise such exposure. The Group does not offer credit terms without specific approval. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
At 31 March 2008:					
Non-current unquoted shares	13	1,458,916	*	1,458,916	*
Marketable securities	18	16,677	25,834	16,677	25,834
At 31 March 2007:					
Non-current unquoted shares	13	1,458,916	*	1,458,916	*
Marketable securities	18	16,677	53,334	16,677	53,334

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2008

29. FINANCIAL INSTRUMENTS (CONT'D.)

(f) Fair Values (Cont'd.)

	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Liabilities					
At 31 March 2008:					
Term loans	20	16,022,902	13,383,098	16,022,902	13,383,098
Hire purchase	21	1,633,582	1,666,272	1,633,582	1,666,272
At 31 March 2007:					
Term loans	20	19,652,155	16,839,752	19,652,155	16,839,752
Hire purchase	21	1,306,237	1,305,824	827,769	826,826

* It is not practical to estimate the fair value of the Group's and Company's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

The methods and assumptions used by the management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

(i) Marketable Securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(ii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

30. SEGMENT INFORMATION

No segmental analysis by geographical location or by business segment had been prepared as the operations are principally flour milling and are carried out within Malaysia. The other activities are insignificant to the Group.

31. COMPARATIVES

The Group's and the Company's comparative amounts as at 31 March 2007 that have been restated are as follows:

	Previously Stated RM	Reclassification RM	Restated RM
Group			
Borrowings (Non-Current Liability)	6,883,824	9,901,195	16,785,019
Borrowings (Current Liabilities)	14,184,026	(9,901,195)	4,282,831
Company			
Borrowings (Non-Current Liability)	6,527,420	9,901,195	16,428,615
Borrowings (Current Liabilities)	13,952,504	(9,901,195)	4,051,309

STATISTIC ON SHAREHOLDINGS

as at 18th August 2008

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Authorised Share Capital : RM50,000,000 of 50,000,000 ordinary shares of RM1.00 each

Issued and fully paid : RM45,053,000 comprising 45,053,000 ordinary shares of RM1.00 each

Class of share : Ordinary shares of RM1.00 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	%
HSBC NOMINEES (ASING) SDN BHD BENEFICIARY: COOK OVERSEAS INVESTMENTS LTD	4,116,700	9.14	-	-

Size Of Holdings	No. Of Holders		No. Of Shares		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less Than 100	83	0	1,584	0	0.00	0.00
100 - 1000	1,432	14	1,385,360	12,900	3.07	0.03
1001 - 10000	2,413	46	9,807,696	215,200	21.77	0.48
10001 - 100000	410	15	11,052,360	384,600	24.53	0.85
100001 and below 5%	45	4	13,504,400	4,562,200	29.97	10.13
5% and above	0	1	0	4,116,700	0.00	9.14
Directors	1	0	10,000	0	0.02	0.00
	4,384	80	35,761,400	9,291,600	79.38	20.62

DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

The Company – Kuantan Flour Mills Berhad

	Direct Interest	No. of Shares	
		%	Deemed Interest
Dato' Abdul Halim bin Dato' Haji Abdul Rauf	-	-	-
Dato' Krishna Kumar a/l Sivasubramaniam	-	-	-
Ng Kay Eng	-	-	-
Jeyaraj a/l V. Ratnaswamy	-	-	-
Tan Sri Mohamed Bin Ngah Said	-	-	-
Leong Chen Nyen	-	-	-
Lee Chee Kian	10,000	0.02	3,000

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 18th August 2008

THIRTY LARGEST SHAREHOLDERS

No.	Name Of Shareholdings	No. Of Shares	%
1	HSBC NOMINEES (ASING) SDN BHD (COOK OVERSEAS INVESTMENTS LTD)	4,116,700	9.14
2	DB (MALAYSIA) NOMINEE (ASING) SDN BHD (EXEMPT AN FOR DEUTSCHE BANK AG SINGAPORE (PWM ASING))	1,912,000	4.24
3	F.I.T NOMINEES (ASING) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NUEVIZ INVESTMENT PRIVATE LIMITED (MG0031-199))	1,563,200	3.47
4	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES FOR TAN BOON KIAT)	1,137,000	2.52
5	KWONG AH NGAW @ KWONG YING SIEW	832,000	1.85
6	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES FOR TEY ROSE)	760,400	1.69
7	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD (PLEDGED SECURITIES FOR LIM SWEE YEAN (SFC))	755,800	1.68
8	HSBC NOMINEES (ASING) SDN BHD (BNP PARIBAS ARBITRAGE (HONG KONG) LIMITED)	687,000	1.52
9	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD (PLEDGED SECURITIES ACCOUNT FOR ONG KING KOK (SFC))	629,000	1.40
10	LEE FONG KUAN	600,000	1.33
11	M.I.T NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LEE CHAI HUAT (MG0019-199))	595,300	1.32
12	WONG SIEW FAI	536,000	1.19
13	KWONG YOU LAM	465,200	1.03
14	CHIK KIN YEUN	411,900	0.91

STATISTIC ON SHAREHOLDINGS

as at 18th August 2008

THIRTY LARGEST SHAREHOLDERS (CONT'D.)

No.	Name Of Shareholdings	No. Of Shares	%
15	HSBC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR FORTIS BANK S.A./N.V. (SG BR AC CLT))	400,000	0.89
16	GAN LAM SEONG	364,000	0.81
17	TAN SWEE KUANG	343,000	0.76
18	LIEW KIM LOONG	298,600	0.66
19	TA NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR LOH YIM QUIN)	295,000	0.65
20	SOH HAN CHUEN	290,000	0.64
21	HONG KHAY KUAN	276,500	0.61
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD (AMANAHRAYA-JMF ASSET MANAGEMENT SDN BHD FOR LIM LAI CHOY @ LIM AUN NEE (C411-260157))	266,500	0.59
23	LOH KUWEI LAM	252,100	0.56
24	SHER KOK CHYE	250,000	0.55
25	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD (PLEGDED SECURITIES ACCOUNT FOR NEO KIM HOCK (SFC))	249,700	0.55
26	FEW PAK YIN @ HEW PAK YIN	242,000	0.54
27	TAN CHEE HWA	227,600	0.51
28	TA NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR TEE KIM HEW)	225,400	0.50
29	WONG CHEE LEONG	216,400	0.48
30	KWONG YEW NAM	214,800	0.48
		19,413,100	43.09

LIST OF PROPERTIES HELD BY THE GROUP

as at 31 March 2008

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 Book Value 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	22 years and 15 years	1,797 2,644
Pajakan Negeri 550 Lot 1863 Mukim Sungai Karang, Kuantan, Pahang.	21 year lease expiring on 31 December 2011 with option to renew for a further 21 years	27-Feb-91	22,589 sq. metres	Vacant land held for future development	n/a	n/a
HS(M) 13839 Lot. No. 23617 Mukim Kuala Kuantan, Kuantan, Pahang	Freehold	14-Dec-90	446 sq. metres	Double storey detached house	17 years	79
HS(D) 116996-116997, Lot No. PT No. 24900 -24901, Mukim of Petaling, District of Petaling, Selangor Darul Ehsan	99 years leasehold expiring 21st February 2093	23-Apr-07	2,625 sq. feet	1 unit 1 1/2 storey terraced factory	3 years	430
HS(D) 116996-116997, Lot No. PT No. 24900 -24901, Mukim of Petaling, District of Petaling, Selangor Darul Ehsan	99 years leasehold expiring 21st February 2093	26-Jul-07	2,625 sq. feet	1 unit 1 1/2 storey terraced factory	3 years	422

NOTICE OF TWENTY FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fourth Annual General Meeting of the Company will be held at the M.S. Garden Hotel, Meeting Room 5 & 6 (Mezzanine Floor), Lot 5 & 10, Lorong Gambut, Off Jalan Beserah, 25300 Kuantan, Pahang on Friday, 26 September, 2008 at 3.00 p.m. for the following purposes: -

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 March 2008 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
 2. To approve the payment of Directors' fees for the financial year ended 31 March 2008. **(Resolution 2)**
 3. To re-elect as Director, Mr Ng Kay Eng, 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 3)**
 4. To re-elect as Director, Mr. Leong Chen Nyen, who retires in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for re-election. **(Resolution 4)**
 5. To re-elect as Director, Mr Lee Chee Kiean, who retires in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for re-election. **(Resolution 5)**
 6. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-
"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." **(Resolution 6)**
 7. To re-appoint Messrs. Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
- 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 8)**
"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."
 9. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD,

Tan Yoke May
(LS 0004299)
Secretary

Kuala Lumpur
3 September 2008

NOTICE OF TWENTY FOURTH ANNUAL GENERAL MEETING

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 shall not be entitled to appoint more than two (2) proxies to attend and vote instead of the member. Where a member appoints two (2) 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 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.

Explanatory Notes on Special Business

6. Ordinary Resolution No. 8, 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.



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 Fourth Annual General Meeting of the Company to be held on Friday, 26th September 2008 and at any adjournment thereof. My/Our proxy is to vote as indicated below: -

	RESOLUTIONS	FOR	AGAINST
1.	Adoption of the Audited Financial Statements and Directors' and Auditors' Reports		
2.	Approval of Directors' fees for the year ended 31st March 2008		
3.	Re-election of Director, Mr. Ng Kay Eng		
4.	Re-election of Director, Mr. Leong Chen Nyen		
5.	Re-election of Director, Mr. Lee Chee Kiean		
6.	Re-election of Director, Tan Sri Mohamed bin Ngah Said		
7.	Re-appointment of Messrs. Ernst & Young as Auditors and Authorize the Directors to fix their remuneration		
	Special Business		
8.	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 _____, 2008.

Signature of Shareholder

No. of shares held :	
----------------------	--

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 shall not be entitled to appoint more than two (2) proxies to attend and vote instead of the member. Where a member appoints two (2) 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 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
here

The Company Secretary
Kuantan Flour Mills Berhad (119598-P)
Kawasan Lembaga Pelabuhan Kuantan
Km 25, Jalan Kuantan/Kemaman
Tanjung Gelang
25740 Kuantan
Pahang

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